

Annual Audit and Inspection Letter

Date

Last saved: 15/03/2007 14:45:00

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South Oxfordshire District Council

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Document Control

Author Audit Commission

Filename Annual Audit and Inspection Letter sodc 15 3 07

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into the upcoming re-scoring of the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.

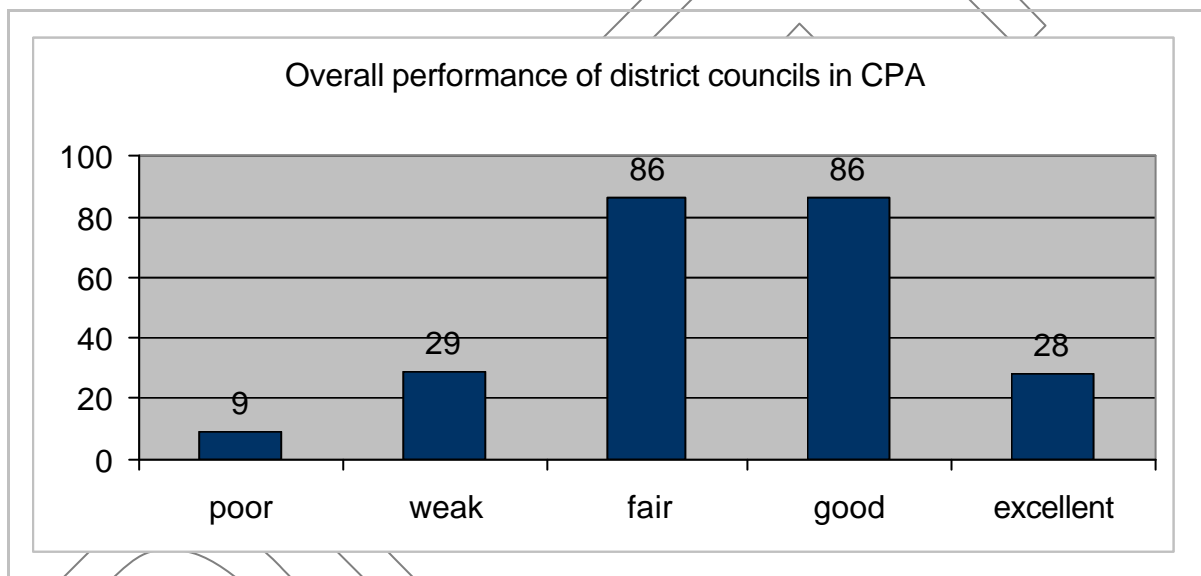
The main messages for the Council

- 3 The Council has continued to invest in and improve service performance across its priority areas, and is working well in partnership to improve wider outcomes for the community.
- 4 Over half of the Audit Commissions' basket of priority indicators improved in 2005/06. Whilst this in-year improvement is below average compared to other councils, overall, 70 per cent of indicators are now above average compared to other districts.
- 5 The Council's plans for further improvement are robust. It directs resources to its priority areas and has linked its medium term objectives to the Community Strategy.
- 6 Financial governance arrangements are consistently above minimum standards, with improved arrangements in risk management and in managing value for money. We issued an unqualified opinion on the Council's accounts, and the arrangements for ensuring value for money in its use of resources
- 7 The Council is aware of and is working on the areas in which it needs to focus to secure further improvement, for example in continuing its work in partnership with the police and other agencies to improve confidence and reduce the fear of crime. Other areas for further attention include the need to:
 - use cost, performance information and benchmarking simultaneously, and in a routine way, to provide a corporate view of where the Council's services sit relative to others in terms of cost and quality;
 - monitor its new contracts for the provision of benefits and customer services to ensure they deliver improved outcomes for users; and
 - continue to develop the role of the Audit Committee and the understanding that Members have of their role around risk management and the internal control procedures.

How is South Oxfordshire Council performing?

- 8 South Oxfordshire District Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. South Oxfordshire has been accepted for an updated assessment during 2007/08. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

Overall summary

- 9 The Council has continued to invest in and improve service performance across its priority areas.
- 10 Over half (56 per cent) of the Audit Commissions' basket of priority indicators improved in 2005/06. Whilst this in-year improvement is below average compared to other councils, overall 70 per cent of indicators are now above average compared to other districts. Analysis of all published BVPIs for the same period shows a stronger picture of improvement, with 25 improved and eight deteriorated. Nine indicators remained unchanged, but seven of these are within the top 25 per cent of all councils or achieving 100 per cent performance. All but one of the Council's key priority indicators improved over the year.
- 11 More detailed analysis of the Council's performance in delivering its priorities is set out below under the relevant corporate objective or within our assessment of contributions to wider community outcomes.

Housing: 'to meet people's housing needs'

- 12 The Council continues to manage and prevent homelessness. The length of stay for households in Bed and Breakfast accommodation reduced from 10 weeks to one in 2005/06, and has reduced to zero so far in 2006/07. The Council has also used a range of measures to solve and prevent homelessness, for example, in helping 81 households secure accommodation through the rent deposit scheme during 06/07, exceeding its target and last years' performance.
- 13 The Council is progressing plans to increase the supply of affordable housing in the district and bring empty homes back into use. It increased the supply of affordable housing by 250 dwellings between April 2004 and December 2006. The Council acknowledges that it is unlikely to achieve its three year target of 300 units by March 2007, but expects to achieve 92% of that target. The Council remained a high performer in returning empty private sector homes back into occupation during 05/06 and was the first Council in the country to use new powers to successfully apply for an Empty Dwelling Management Order, demonstrating its strong commitment in this area.

Housing Benefits

- 14 In contrast, Housing Benefits performance has been mixed. The Council achieved its challenging priority target of improving processing speeds for new benefit applications in 2005/06, achieving an average of 23.5 days, but 'change of circumstance' and accuracy of benefits processing deteriorated over the same period.

- 15 During the year the Council entered into a new contract for delivery of revenues and benefits services, the terms of which aim to achieve strong improvement across key performance measures. However, at the end of December 2006 performance was off target for some key indicators with speed of processing new benefits applications and accuracy of processing falling behind last years figures.
- 16 The contract took effect in July 2006, and the Council expected that performance would dip during the handover and transition periods. The Council is fully aware of the need to work with the contractor to ensure sustained effort to recover performance and achieve the top quartile performance across key indicators as per the terms of the new contract.

Environment: 'to maintain and enhance the environment'

- 17 The Councils environment services have continued to improve during the year. Performance in determining planning applications improved across the board in 2005/06, in particular the speed of determining 'minor' applications which shifted comparative performance from one of the worst 25 per cent of councils in 2003/04 to above average in 2005/06.
- 18 Waste recycling improved from 23.5% to 24.97% in 2005/06, which continues to place South Oxfordshire in the best 25 per cent of councils. However, performance in composting waste, although improved on last year, was in the bottom 25 per cent of all councils and the Council failed to meet its statutory combined recycling and composting target. The Council introduced a new garden waste collection scheme in June 2006, and this has significantly increased its composting rate. This improvement addresses concerns in relation to composting and overall recycling raised in the inspection of the Oxfordshire Waste Management Partnership. Waste management partnership working has also improved since our inspection, although work in key areas remains to be completed and embedded. The partnership has improved its cooperation and focus, agreed a new high level strategy and improved its governance and management arrangements.
- 19 The Council is managing standards of cleanliness in public spaces well. Performance in dealing with graffiti and fly tipping was in the top 25 per cent of councils and above average for dealing with litter. Although performance in dealing with abandoned vehicles was below average over the same period, more recent data shows strong improvement during 2006/07.

Crime: 'to reduce crime and fear of crime'

- 20 The incidence of all crime reduced across the district during 2005/06, but performance within that has been mixed. The district has low levels of robberies and sexual offences, and has seen a strong reduction in the number of domestic burglaries. However, the level of vehicle crime was above average over the period, and despite a reduction in the number of thefts from motor vehicles since 2003/04, levels remain high in relation to other councils. Furthermore, violence against the person has continued to increase year on year from 2003/04; performance falling from the top best 25 per cent of councils in 2003/04 to below average in 2005/06.

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- 21 Recent data up to the period December 2006, indicates that levels of crime are reducing across most of these areas - violent crimes, robberies and vehicle crimes have all fallen from 2005/06 levels. Although the number of burglaries has increased during 2006/07, levels are still lower than in the previous two years. The Council is running targeted operations with a neighbouring police force in an attempt to address the increase.
- 22 The Council has continued to implement a number of initiatives to address crime and fear of crime in the district. It has completed the installation of CCTV schemes in all town centres and is currently piloting a deployable mobile camera in rural areas. It has also carried out detailed work to attempt to evaluate the impact of CCTV. Its work with the police to implement neighbourhood policing across the district, though in the early stages, is enabling local residents to better influence the work of the police in line with locally agreed priorities.

Wider community outcomes and access to services

- 23 The Council is demonstrating strong local leadership and contributing to wider community outcomes both at the sub-regional and local levels. It is actively involved in the county wide Community Partnership and is committed to delivery of the Oxfordshire LAA targets. The South Oxfordshire Partnership (SOP) is on target to deliver the majority of actions in the Community Strategy. Of the 12 actions in the strategy for which the Council has the lead delivery role, 11 are on track or have been completed
- 24 The Council has also contributed to a range of positive outcomes through the work of the Community Safety Partnership (CSP). We have referred to some of these in the previous section.
- 25 The Council continues to support projects that will benefit the local community and improve the quality of life for residents in the district. During 2005/06 the Council progressed plans to redevelop Didcot town centre, opening the town centre retail development and completing the new town square, further improving the environment and leisure facilities for the community. It also gave £275,000 in revenue grants to 25 local organisations.
- 26 The Council plays an active role in helping people to improve their health and well being and make healthy choices to prevent ill health. It has continued to deliver its programme of capital investment to improve leisure facilities across the district. During 2005/06 the Council involved over 12,000 young people in its holiday sports programme, up from only 429 in 2004/05 and exceeding its target of 7,000. It has increased the number of visits to leisure centres by 5 per cent over the year and exceeded its target to increase the number of taster sessions at its leisure centres and the number of GP referrals to activity programmes. It has also exceeded all local indicators aimed at encouraging food premises to provide healthy choices through the Council's Food Safety Award scheme.

- 27 The Council has shown clear commitment to improving access to its services for all of the community, including hard to reach groups. It has taken action to raise awareness of the equalities agenda and has provided mandatory training on equalities and diversity for all staff. During 06/07 the Council has moved from Level 1 to Level 2 of the Equality standard for local government and improved measures to promote race equality.
- 28 The Council is using information and communications technology effectively to improve the way residents can access information and services on line and to enable residents to engage in the decision making process without having to attend the Council offices. It now uses webcams to broadcast planning committees, cabinet and Council meetings live on the internet so that residents can see discussions and decisions in real time. Planning applications can be made and viewed on line and payments for many services including council tax, business rates and parking fines can be made through the Councils online payment system. The Council has recently outsourced aspects of its front of house services to provide an improved customer experience when accessing services and achieve greater efficiencies from improved business processes.

How much progress is being made to implement improvement plans to sustain future improvement?

- 29 The Council's plans for improvement are robust. It aligns its corporate, service and financial plans well to ensure that it directs resources to priority areas; and it has ensured that its medium term objectives are linked to the aims and objectives of the Community Strategy. An effective performance management framework helps to ensure that plans are robust and key objectives and milestones are met.
- 30 The Council has appointed to a number of posts to strengthen corporate capacity which has meant that it has been able to progress its plans in a number of important areas, such as its equalities and consultation programmes. It has also recruited additional staff to improve managerial capacity and to expand promotional work within the waste management service. Plans to strengthen councillor capacity through improved scrutiny and engagement are currently in progress.

Forthcoming CPA reassessment

- 31 The Council recently applied for reassessment to meet its objective of becoming an 'Excellent' council. This reassessment is scheduled for July 2007.

Service inspections

- 32 At the end of August 2006 the Audit Commission published its inspection report of the Oxfordshire Waste Partnership (OWP). We assessed the OWP as providing a 'fair' service with 'uncertain' prospects for improvement.

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- 33 The OWP was assessed as providing a 'fair service' because while individually councils in Oxfordshire had delivered some good service outcomes such as high recycling rates, the OWP had made little contribution to overall outcomes. The OWP had little influence over the performance of its constituent councils, which was variable across councils and no significant improvements in value for money were being delivered through partnership working.
- 34 Prospects for improvement were assessed as 'uncertain' because the OWP had not yet agreed plans and a coordinated approach to recycling, composting and waste treatment to reduce waste going to landfill. However, prior to publication of the inspection report there was an increased focus and momentum at addressing this through strategy development work that was underway.
- 35 Publication of the inspection report concluded a significant piece of work agreed between the Audit Commission and Oxfordshire councils. The focus of the work was to inspect combined waste management services in the County to assess the effectiveness of the OWP. A key objective of the inspection was to help the partnership and its constituent councils to address the strategic issues they face and to enable a better focus on partnership working.
- 36 The inspection was initiated in 2004/05 and was carried out in three phases. Phase 1 and 2 provided challenge and support by identifying key issues that helped or hindered the effectiveness of the partnership and made recommendations to help the OWP and its partner councils improve services. Phase 3, the final part of the inspection resulted in a scored published inspection report.
- 37 Progress since the inspection is reported in the direction of travel section of this letter.

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Financial management and value for money

- 38 As your appointed auditor I have reported separately to the Audit Committee on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 39 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support Council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 40 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4 (3)
Financial management	3 out of 4 (3)
Financial standing	3 out of 4 (3)
Internal control	2 out of 4 (2)
Value for money	3 out of 4 (3)
Overall assessment of the Audit Commission	3 out of 4 (3)

(Note: 1=lowest, 4=highest)(Last year scores in brackets)

- 41 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

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- 42 Financial reporting** - there were a number of problems with the accounts produced which were caused by a server failure. As these were extraordinary circumstances, and the accounts presented did not contain any material errors, we have not penalised the Council for this in our assessment. We noted that the Council has not yet consulted stakeholders in making a decision on whether to publish an annual report but intended to do so before the end of 2006/07.
- 43 Financial management** - the Council's arrangements for financial management remain strong, but we noted some areas for improvement. In particular there is scope to:
- link its communications to staff and stakeholders on the corporate plan more closely to the key messages from its medium-term financial strategy (MTFS);
 - demonstrate within the MTFS the impact of joint plans agreed with partners, and how its financial plans and strategies have contributed to the achievement of its corporate objectives.
 - link together consideration of key financial and operational indicators as part of the budgeting process;
 - update the capital strategy following completion of the asset plan review; and
 - enhance the use of indicators used for assets to demonstrate and evaluate how its asset base contributes to the achievement of corporate objectives, including improvement priorities.
- 44 Financial standing** - the Council remains in good control of its finances, and understands where it has to concentrate its monitoring processes. The Council is meeting its efficiency targets and is achieving significant cashable efficiency savings.
- 45 Internal control** - the Council's system of internal control remains sound, and it has considerably improved its arrangements around risk management. However, there is scope to improve the arrangements by:
- continuing to promote understanding of members roles in monitoring risk management arrangements by continued training;
 - reviewing governance arrangements in key partnerships to ensure they meet the Council's standards;
 - explaining the assurance framework to support the SIC to members of the Audit Committee and ensuring they receive regular updates on this during the year
 - continuing to develop the role of the Audit Committee and the understanding of members around their role
 - delivering ethical training to staff; and
 - developing pro-active work by internal audit to follow up those areas it has identified as susceptible to fraud in the course of its normal work.

Value for money

- 46 The Council has a strong focus on improving VfM, underpinned by the corporate objective of keeping increases to the Council's budget requirement at or below inflation. This has been achieved for the third successive year. At the same time, the Council can demonstrate a positive relationship between service costs and performance, particularly in its priority areas.
- 47 The Council continues to seek out ways of improving VfM through partnership working and effective procurement, for example, the joint arrangement for the provision of revenues and benefits services, promises to deliver substantial savings as well as improved services for residents.
- 48 To maintain and improve the value it gains from its services the Council should consider :
- using cost, performance information and benchmarking simultaneously, in a routine way to provide a corporate view of where the Council's services sit relative to others in terms of cost and quality; and
 - incorporating the efficiency programme within performance management arrangements and developing a methodology to determine the potential for efficiency gains.

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Conclusion

- 49 This letter has been discussed and agreed with the Chief Executive and Director of Finance. A copy of the letter will be presented at the Audit Committee on 11 April 2007.
- 50 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

- 51 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

A.P.Burns
Relationship Manager

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