

Annual Audit and Inspection Letter

South Oxfordshire District Council

Audit 2007/08

Date

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

- 1 The Council continues to make good progress in delivering its main priorities and is improving outcomes for local people. The Council demonstrates strong community leadership, improved customer satisfaction and is delivering better value for money. Key improvements during 2007/08 include:
 - Increasing the number of affordable homes and reducing homelessness
 - higher levels of recycling
 - reducing fear of crime related to personal safety
 - continued economic development of Didcot
 - identifying opportunities for shared services
- 2 However there are some areas where the Council needs to improve outcomes for local people and strengthen its processes for delivering improvements:
 - processing of housing benefits; and
 - reducing violent crime, criminal damage and common assaults further.
- 3 There were again significant difficulties in completing the audit of the financial statements. The accounts produced contained significant and multiple errors, and as a result the opinion could not be given until 12 November, considerably after the due date of 30 September. The additional work necessary to deliver the opinion resulted in an additional audit fee of £43,372.
- 4 Additional problems arising from multiple changes of system in year, and in particular the main accounting system, also led to an 'except for' conclusion on the Council's value for money opinion and reduced scores for the use of resources assessment.

Action needed by the Council

- Evaluate the effectiveness of community safety initiatives aimed at reducing levels of crime further;
- Monitor improvements within housing benefits and take action to address shortfalls; and
- Review the processes and staffing in place to deliver robust financial statements in 2008/09.

Purpose, responsibilities and scope

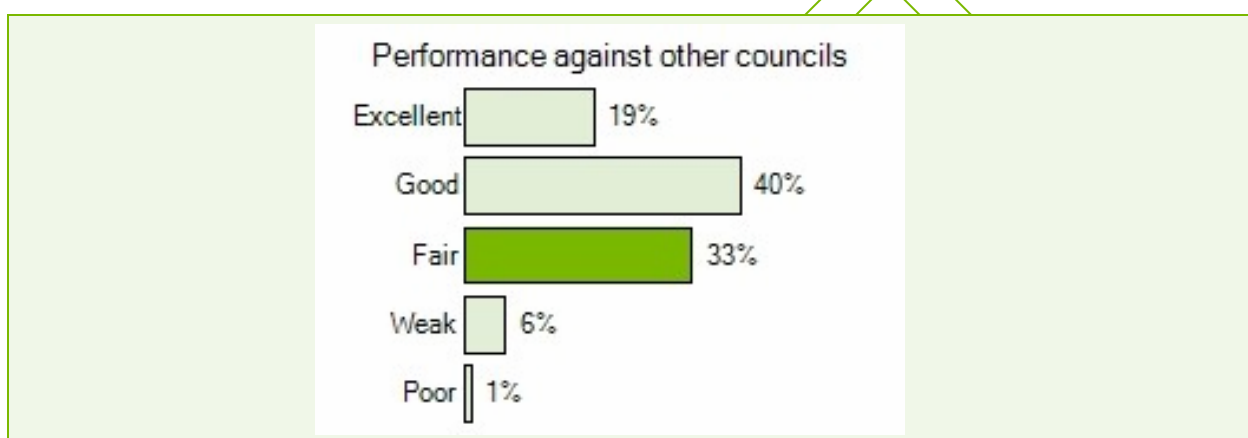
- 5 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 6 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 7 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 8 Your appointed auditor, Maria Grindley, is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, she reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 9 This letter includes the latest assessment on the Council's performance under the Corporate Performance Assessment (CPA) framework, including our Direction of Travel report (there have been no inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999). It summarises the key issues arising from the CPA. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 10 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is South Oxfordshire District Council performing?

- 11 South Oxfordshire District Council was assessed as Excellent in the Comprehensive Performance Re-assessment carried out in 2007. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA

Note - excellent will be highlighted in final version



Source: Audit Commission

The improvement since last year – our Direction of Travel report

Overall Summary

- 12 The Council continues to make good progress in delivering on its main priorities. The last three years have seen an improvement in 79 percent of the Audit Commission's key Best Value Performance Indicators (BVPIs) with 65 percent improving in 2007/08. In 2007/08 the Council had forty two percent of BVPIs in the top 25 percent of performance in England, the national average being 33 per cent. The Council was ranked 10th out of 388 Authorities for which data was available for the percentage of PIs improved in the last three years.
- 13 The Council has increased the number of affordable homes, reduced homelessness and improved recycling. Overall levels of crime reduced in 2007/08 and more adults are taking exercise. The Council is investing in improving Didcot and examining with partners opportunities for economic development in the area to increase prosperity. Customer satisfaction with overall delivery of services at 72 per cent is very high.
- 14 The Council needs to improve the accuracy of paying housing benefit and focus with key partners on reducing some areas of crime further.

- 15 We have set out progress against the Council's priorities in more detail below. We acknowledge that the Council refreshed its priorities during 2007/08 in developing a new Corporate Plan for the period April 2008 - 2012. As the audit year for this report is 2007/08 we have reported progress under the Council's previous priority themes.

Housing – delivering homes for all

- 16 The Council exceeded its targets for delivering affordable housing in 2007/08. It delivered 201 affordable homes against a target of 180. However recent data for 2008/09 suggests that the economic downturn is beginning to impact on housing delivery, and the Council will not achieve its original target of 142 new homes by March 2009. In response, the Council has revised its year end figure to 120 which it is on course to meet. The Council is working with its partners and the government office to examine targets during the economic recession.
- 17 The Council is dealing effectively with those in danger of being homeless.. Households spent less time in B&B and temporary accommodation during 2007/08 building on existing strong performance in this area. By working with private landlords the Council has helped 108 households and significantly exceeded the 2007/08 target of 50 for the number of households assisted into short hold tenancies. In addition the number of potential homelessness cases solved through housing advice totalled 184 against a 2007/08 target of 140.
- 18 The Council's housing benefits performance is mixed. It has reduced the time taken to process housing benefit claims due to change in circumstances and reduced the average time to process new claims. However, there was no improvement in the accuracy of benefit processing which has remained among the worst performing councils since 2005/06 despite being an improvement priority for the Council. The terms of the private sector contract require best performance across all key Housing Benefit indicators which is clearly not being achieved despite robust monitoring by the Council. The challenge for the Council is to ensure that improvements are realised in this area.

Environment – protecting our environment

- 19 The Council has made very good progress on this priority. It is improving recycling with the 2007/08 rate of 38.95 showing an increase on 2006/07 and above the national average. The Council also met its local performance targets to increase the number of households participating in kerbside recycling and take up of the garden recycling scheme. The Council is also working well to maintain overall cleanliness in the district and the amount of land littered remains amongst the lowest rate nationally. The Council's performance in dealing with fly tipping also remains as one of the best nationally.
- 20 The Council has now procured a joint waste contract with the Vale of White Horse Council (operational from June 2009) that as well as addressing the current high cost of the service, promises to deliver an enhanced service and greater efficiencies in the future.
- 21 The Council's planning service is continuing to improve. During 2007/08 it improved its speed in issuing decisions on 'major', 'minor' and 'other' planning applications and

How is South Oxfordshire District Council performing?

performance in dealing with planning appeals and the quality of the Council's planning service checklist has remained amongst the best councils.

Crime – helping people feel safe and secure

- 22 The Council and its partners have reduced overall crime in the district, but some aspects of crime that are increasing (albeit from a low base). Overall crime has reduced by 10.4 percent from the 2003/04 baseline to 2007/08 although this is not in line with the Government target of 15 percent. However the levels of crime in South Oxfordshire remain low compared with the national average. Violent crime, criminal damage and common assaults have all increased from the 2003/04 baseline; with local partners recognising the link being common assault and alcohol in the area. In response, the Community Safety Partnership is preparing a Criminal Damage Control strategy and common assault is a top priority in the community safety strategy 2008-11.
- 23 Fear of crime related to feelings of safety during the day and night has improved and exceeded the 2007/08 target. However there is an underlying small increase in public perception of being worried about various crimes. The challenge the Council faces, in conjunction with its partners, is how to reduce overall fear of crime within the district.

Health – to improve health and well-being

- 24 The Council and its partners are making good progress on health related issues. This includes the development of an Oxfordshire wide strategic approach to health inequalities developed as part of the remit of the County Health and Well Being Partnership. The partnership has contributed to a number of improved health outcomes such as a reduction in teenage pregnancies and a fall in adult smokers, both of which are below the national average.
- 25 The Council and its partners are promoting increased physical activity among adults and young people through initiatives such as the GO Active campaign and the refurbishment of its leisure centres. One of the Council's priorities in this area is to establish physical activity baseline measures, for example coaching sessions, on which improvements can be assessed in future years. However the Council did not meet its target on the number of users at leisure centres due to the closure of the Henley Leisure Centre in 2007/08.

Wider Community Outcomes and Access to Services – strengthening local communities

- 26 The Council and its partners have achieved the majority of its Local Area Agreement (LAA) and Local Performance targets (LPTs) for 2007/08. Key achievements include the increase in the number of care home beds for older people, GP access within 48 hours and a decrease in the low levels of unemployment.
- 27 The Didcot regeneration programme continues to progress. Key achievements include the completion of a town centre master plan and the appointment of a new community engagement officer in order to develop a more co-ordinated approach to the regeneration programme.
- 28 In 2005 the Council set itself a target of increasing the value of tourism to South Oxfordshire from £160m in 2002 to £200m by 2012. Whilst it did not meet its tourism

target for visitors and visitor income spend into the district in 2007/08, its latest economic assessment shows the overall target will be met.

- 29 While the Council is improving its approach, to climate change and CO2 reduction it is not yet able to report on how successful any actions have been. It is developing with partners a draft carbon action plan for the district, which is being considered by all partners.
- 30 Some services are now easier to access. For people using the internet it is now easier to use the 'My South Oxfordshire' link which acts as an easy to follow gateway to all Council services. The website was assessed as being within the top ten sites in the SOCITM 2009 survey. The Council has also launched a choice based letting system (Home Choice) which has improved access by enabling a more interactive process through which applicants can apply for housing association homes. However the Council recognises that it and other partners were unsuccessful in their lobbying to retain Post Offices in communities such as Crowmarsh Gifford which will make it more difficult for some people to access services in these areas.

Value for Money – managing our business effectively

- 31 The Council provides good value for money. There continues to be a positive relationship between cost and service delivery, characterised by low overall costs and strong performance relative to service costs and other councils.
- 32 During the year we also looked at how the Council was securing efficiencies through partnership with a view to achieving better value for money. This work fed into our value for money conclusion. Our work re-enforced our existing knowledge of the Council as that of an organisation that seeks to innovate in its approach to partnership working with strong political will within the Council towards 'doing things differently'. The Council has long outsourced many key services, so the scope for further efficiencies through partnership working is limited. However, work to tender for a new waste collection service with the Vale of White Horse Council provides scope for significant efficiencies and service improvement and has demonstrated the Council's innovative approach to contract negotiation. The recent merging of the Council's management structure with the Vale of White Horse Council offers the potential for a shared agenda to be delivered more efficiently and effectively and in doing so maximising resources across two districts for front end services.
- 33 The Council is pro-active in identifying opportunities for shared services and develops robust business cases to this effect. For example, the Council explored the potential for joining up Building Control services with the Vale of White Horse but the business case did not demonstrate worthwhile savings, and similarly with legal and democratic services. Although these examples did not come to fruition, they evidence that the Council is pro-active in identifying and evaluating opportunities.
- 34 The Council collaborates well with the other Oxfordshire Councils to achieve efficiencies. The Oxfordshire Procurement Partnership is a useful forum both for identifying shared procurement opportunities and cost savings and for facilitating a constant challenge to existing practices within partner councils. The Group has been instrumental in organising county-wide contracts for stationery and IT consumables, recruitment advertising and agency staff. There are also examples of where one

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council has taken the lead and then made a contract available to others, such as for photocopiers, vehicle tyres and bailiff services.

- 35 The Council is working with partners to enhance procurement capacity through sharing resources. An agreement with Oxford city council has enabled the Council and the Vale of White Horse to plug gaps in internal procurement capacity, as well as ensuring a consistent approach across the three councils and increasing the potential for larger shared procurements.
- 36 The Council's approach to collaborative working provides assurance that it will continue to seek out and deliver innovative solutions to delivering services in a cost effective way.

Implementation of Improvement Plans and Future Sustainability

- 37 The Council is performing well and on track to achieve or exceed the majority of its local and national targets based on year to date performance.
- 38 The Council strengthened its corporate planning framework and developed a new corporate plan for 2008-2012 entitled 'The Way Ahead'. The corporate plan is supported and underpinned by the 'Fit for the Future' programme which comprises a series of initiatives and actions aimed at ensuring effective delivery of corporate priorities. This offers improved potential for the Council to meet the strategic challenges ahead such as protecting and improving services in the face of reduced funding.
- 39 The Council has in the past demonstrated strong capacity, but one area of potential weakness relates to its Human Resources (HR) function. The service plan synopsis (2009/10) for HR states that the team lacks the skills and knowledge to deliver core services. The Council is addressing this during 2009/10 to ensure it can continue driving forward the Council's change agenda and closer worker with the Vale of White Horse Council.
- 40 The Council has already made good progress on the implementation of its shared management structure with the Vale of White Horse Council which is leading to savings through amalgamation of posts and shared learning across both organisations. The challenge for the Council is to ensure this restructuring encompasses any issues that might arise as a result of operational and cultural differences between the two Councils.
- 41 The Council continues to improve the diversity of its workforce and remains among the best Councils nationally. The Council is also performing well in reducing time lost through sickness absence. The current sickness and absence rate within the Council is low at just under an average of 5 sickness days per year per employee, and is well below the target figure of 7 percent.
- 42 No significant weaknesses exist in arrangements for securing continuous improvement, or failures in corporate governance that would prevent the Council sustaining improvement.

Service inspections

43 There were no service inspections at the Council during 2007/08.

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The audit of the accounts and value for money

- 44 Your appointed auditor, Maria Grindley, has reported separately to the Audit and Governance Committee on the issues arising from our 2007/08 audit and has issued:
- her audit report on 12 November 2008, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements were adequate, except for :
 - the arrangements within the system of internal control for the preparation of procedure notes and reconciliations of all key financial systems;
 - the reporting arrangements to enable Members to fulfil their responsibilities to match performance against budgets; and
 - there was no up to date capital strategy or asset management plan for management of the asset base.
 - her report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 45 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).
- 46 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas. The scores are worse than those in the previous year and the areas covered by the qualifications on the vfm conclusion above cover some of the reasons for this. In particular the issues around the production of the financial statements were covered in detail in our annual governance report. The scores for each area are as follows:

Table 1

Element	Assessment
Financial reporting	1 out of 4
Financial management	1 out of 4
Financial standing	3 out of 4
Internal control	1 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	1 out of 4

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

Financial statements

- 47 We issued an unqualified opinion on the financial statements on 12 November 2008. This was considerably after the due date of 30 September 2008.
- 48 We raised concerns around the arrangements for production of your financial statements at the end of our 2006/07 audit. As a result, additional resources were employed within the Finance department and tasks reassigned.
- 49 However, due to problems with the implementation of a number of new financial systems during the year, bedding in of new staff, and long term staff sickness there was insufficient resilience within Finance to produce accurate accounts by 30th June (when statements were approved by the Audit and Governance Committee).
- 50 As a result, the financial statements adopted contained significant errors and were considerably amended before the opinion was given. During the audit, management made 76 adjustments to the accounts and supporting notes. Recommendations have been made to Members to prevent a recurrence of the problems.
- 51 The additional work required to provide the assurance we required to give our opinion resulted in an additional audit fee of £43,372 (additional audit fee 2006/07 £15,000).

Value for Money Conclusion

- 52 There were three areas where the Council was assessed as not meeting the criteria on which the value for money conclusion is based. We therefore issued an 'except for' conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The audit of the accounts and value for money

53 Four recommendations were made as a result:

- Link corporate risks to strategic priorities and develop action plans to manage these risks;
- Document procedures for all key financial systems and undertake regular system reconciliations;
- Strengthen financial reporting to Members; and
- Prepare a capital strategy and asset management plan.

Use of resources scored assessment

54 The impact of changes in financial systems, problems with the audit of financial statements, and staffing pressures resulted in reduced scores in four criteria, and an overall score of 1 for use of resources. The key issues arising from our review were:

- Financial reporting
 - For the second year, the Council process for production of the annual accounts was judged to be inadequate. Recommendations have been made to Members and officers to prevent a recurrence of the problems encountered this year.
- Financial management
 - After introduction of a revised accountancy system, budgets were not loaded in a timely manner, members received little budget monitoring information, there was no consideration of relevant non financial information at the same time as financial information; and
 - The Council did not update its capital strategy and asset management plan as intended during 2007/08.
- Financial standing
 - Despite having a good level of resources, we noted that the Council has continued to take a prudent approach to managing its finances and to consider these within the context of current and future objectives.
- Internal control
 - Whilst the majority of the arrangements for the system of internal control were maintained, there was a change in finance systems in year for which no procedure manuals prepared. This led to a lack of system reconciliations in year, which caused considerable problems when pulling together the annual accounts.
- Value for money
 - There is a continued positive relationship between cost and service delivery. The Council's pattern of spend reflects its priorities;
 - The Council has improved value for money and achieved efficiency gains across a range of services using innovative approaches; and
 - The Council can demonstrate innovation in improving value for money.

Looking ahead

- 55** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 56** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 57** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

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Closing remarks

- 58 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit and Governance Committee on 25 March 2009. Copies need to be provided to all Council members.
- 59 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	November 2008
Opinion on financial statements	November 2008
Value for money conclusion	November 2008
Use of resources report	December 2008
Annual audit and inspection letter	March 2009

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- 60 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Name Rob Hathaway
CAAL

Date March 2009