

PRINCIPAL SCRUTINY COMMITTEE

26 March 2007

CABINET

28 March 2007

ANNUAL AUDIT AND INSPECTION LETTER 2005/06

REPORT OF DIRECTOR OF FINANCE

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The Annual Audit and Inspection Letter for 2005/06 has been presented to the Council by the Audit Commission and the External Auditors, PricewaterhouseCoopers (PwC). The Letter covers the Direction of Travel report (summarising the improvements made since the previous year); Financial Management and Value for Money (including the Use of Resources Assessment); and Data Quality and Performance Indicators.

The Letter notes that the Council has done much to improve its services in 2005/06. However, there is mixed performance in some key areas. The use of resources assessment provides an overall score of 3 out of 4 (an improvement on the previous assessment of 2 out of 4). The Data Quality assessment is also reported with an overall score of 2 out of 4.

RECOMMENDATIONS:

That Members accept the Annual Audit and Inspection Letter for 2005/06 as presented.

PRINCIPAL SCRUTINY COMMITTEE26 March 2007CABINET28 MARCH 2007JOINT AUDIT AND INSPECTION LETTER 2005/06Report of Director of Finance1 Introduction

1.1 The Annual Audit and Inspection Letter for 2005/06 has been presented to the Council by the Audit Commission and the External Auditors, PricewaterhouseCoopers (PwC). It is attached as an appendix to this report.

1.2 The Letter covers:

- the Direction of Travel report (summarising the improvements made since the previous year)
- Financial Management and Value for Money (including the Use of Resources Assessment)
- Data Quality and Performance Indicators

1.3 Extracts from the Letter are shown below with appropriate commentary.

2 Overall Summary

2.1 The Letter notes:

- 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), and draws on the findings and conclusions from the audit of the Council. These will inform any future decision regarding the potential for rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- The Council can show improvement over the past year in a number of key areas but this is very recent in some services and some are still underperforming;
- Value for money is patchy with some high cost services which do not perform well; and
- Increased clarity about priorities, and new arrangements to help deliver them more effectively, provide a basis for major improvement but will require continued focus and effective performance management.
- The Council needs to improve its performance by:
- Sustaining improved performance on administering housing benefits

- Making and sustaining improvements on processing planning applications
- Adopting a systematic approach to pursuing value for money to ensure that service costs are in line with priorities and performance
- Completing roll-out of alternate weekly collection and customer service centre, then ensure effective performance management so they achieve new, more ambitious, targets
- Ensuring that improved performance management and planning processes are consistently used across the Council and support alignment between priorities and resources.

2.2 Commentary: It is pleasing that efforts to improve have been recognised. Work will continue to sustain those higher levels of service achieved and also to improve in areas still considered to be performing below expectations.

3 Direction of Travel

3.1 The Letter notes:

- The Council has done much to improve its services in 2005/06. It continues to perform well and improve on many aspects of housing. It has laid the foundations for improvements in recycling. It has also recently begun to turn around the benefits service.
- However, there is mixed performance in some key areas such as planning applications, tackling poor conditions in the private housing sector and mainstreaming sustainability considerations across services. The new customer service centre has improved responsiveness to customers. The Council can demonstrate some wider community outcomes, but it has been slow to progress initiatives to support equality and recognises it has more work to do to improve value for money.
- In May 2006 there was a change in political control, which has led the Council to reassess priorities and make changes to services and programmes. The Council has made a lot of progress to develop the community strategy. The Council is clearer about its priorities. Performance management and service planning have improved, but financial planning has still not fully aligned resources with priorities. The Council has increased or is increasing its capacity in several ways to help it deliver its future plans. However, it has not completed the work to resolve important problems with asset management.

3.2 Commentary: The Letter draws in particular on 2005/06 performance figures, the latest available audited figures, although it does also draw attention to a number of areas where there has been improvement over the first three quarters of 2006/07. It does not highlight any weaknesses that the Council was not aware of and plans are in place to deal with areas the Council recognises are not performing to standard. Business Plans for 2007/08 reflect the need to improve in some areas and targets have been set to measure achievement.

4 Financial Management and Value for Money

4.1 The Letter notes:

- The auditor has provided an unqualified opinion on your accounts
- Your value for money (VFM) arrangements are adequate
- The Best Value Performance Plan has been audited
- The findings of the auditor are an important component of the CPA framework. 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)
- For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Element	Assessment
Financial reporting	3 out of 4
Financial Management	2 out of 4
Financial Standing	3 out of 4
Internal Control	3 out of 4
Value for Money	2 out of 4
Overall Assessment	3 out of 4

(Note: 1=lowest, 4=highest)

4.2 The key issues arising from the audit:

- The Council continues to perform well in connection with its responsibility to produce accurate financial statements that are well supported by good quality working papers within three months of the year end;
- The Council's financial standing remains good;
- Internal control arrangements have been strengthened by enabling internal audit, where needed, to access external staff resources so that it is able to complete its programme of work for the year.
- Areas for attention are set out below:
- The Council needs to strengthen the links between the corporate strategy implementation plan and ensure that the service business plans are more closely aligned from the medium term financial planning perspective;
- The Asset Management Plan for non-housing land and buildings needs to be developed so that it is supported by surveys of the relevant buildings and the estimated future costs in respect of major repairs etc are factored into the Council's spending projections;
- To strengthen the arrangements underpinning the Council's annual statement of control, the task of mapping strategic objectives to risks, controls and assurances should be completed; and
- The Council should continue to strengthen its performance management arrangements so that cost and or performance issues identified for specific services are addressed.

4.3 Commentary: Areas identified as week will be given attention and the Business Plans reflect this. The improved overall assessment for Use of Resources is welcomed.

5 Data Quality and Performance Indicators

5.1 The Letter notes:

- For 2006/07 we were required to review the Council's management arrangements to secure good data quality, and to give a score between one and four for the arrangements, where a score of 1 indicates inadequate performance and 4 a strong performance.

Theme	Score
Governance and leadership	2
Policies and procedures	2
Systems and processes	2
People and Skills	2
Data use	2
Overall score	2

- We concluded that the Council's arrangements to secure good data quality are adequate but there are a number of areas where arrangements could be strengthened.
- In addition we audited a sample of Best Value Performance Indicators (BVPs) for 2005/06. Two of the indicators required minor amendment and we have made recommendations for improving the underlying information relating to these indicators.

5.2 Commentary: This report has highlighted the need for a corporate system and overview to ensure that the quality of the data that is collected is sound. Such a system will be developed, building on the good practice that already exists in some of the some parts of the Council. A strategy and action plan will also be formulated.

CORPORATE STRATEGY (RELEVANCE TO):

The Audit Commission and External Audit support all facets of the Corporate Strategy: the work undertaken has a particular link with the corporate priority of being an efficient and effective council.

RESOURCE IMPLICATIONS:

There are no additional resource requirements arising from the Letter.

APPENDICES:

Annual Audit and Inspection Letter 2005/06

Annual Audit and Inspection Letter

Date

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Annual Audit and Inspection Letter

Winchester City Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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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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DRAFT

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It 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), and draws on the findings and conclusions from the audit of the Council. These will inform any future decision regarding the potential for a rescoring 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.
- 3 The main messages included in this report are:
 - The Council can show improvement over the past year in a number of key areas but this is very recent in some services and some are still under-performing;
 - value for money is patchy with some high cost services which do not perform well; and
 - increased clarity about priorities, and new arrangements to help deliver them more effectively, provide a basis for major improvement but will require continued focus and effective performance management.

Action needed by the Council

- 4 The Council needs to improve its performance by:
 - sustaining improved performance on administering housing benefits
 - making and sustaining improvements on processing planning applications
 - adopting a systematic approach to pursuing value for money to ensure that service costs are in line with priorities and performance
 - completing roll-out of alternate weekly collection and customer service centre, then ensure effective performance management so they achieve new, more ambitious, targets
 - ensuring that improved performance management and planning processes are consistently used across the Council and support alignment between priorities and resources.

How is Winchester City Council performing?

The improvement since last year - our Direction of Travel report

Summary

- 5 The Council has done much to improve its services in 2005/06 and since March 2006, when the last Annual Audit and Inspection Letter (AAIL) was published. It continues to perform well and improve on many aspects of housing including enabling affordable housing, managing its own stock and tackling homelessness. It has laid the foundations for improvements in recycling, although its waste management costs remain comparatively high. It has also recently begun to turn around the benefits service, after a period of mixed performance, although it needs to ensure that this improvement is consolidated and sustained.
- 6 However, there is mixed performance in some key areas such as planning applications, where improvement has not been sustained into 2006/07 in two of the three categories for speed of processing planning applications, tackling poor conditions in the private housing sector and mainstreaming sustainability considerations across services. The new customer service centre has improved responsiveness to customers in 2006/07 when compared to the previous year. Importantly satisfaction with the service stands at 94 per cent who rate it good. The Council can demonstrate some wider community outcomes, but it has been slow to progress initiatives to support equality, such as equality impact assessments, and recognises it has more work to do to improve value for money.
- 7 In May 2006 there was a change in political control, which has led the Council to reassess priorities and make changes to services and programmes. With partners in the Local Strategic Partnership, the Council has made a lot of progress to develop the community strategy. The Council is clearer about its priorities and is putting in place arrangements to help it deliver them more effectively. Performance management and service planning have improved, but financial planning has still not fully aligned resources with priorities. The Council has increased or is increasing its capacity in several ways to help it deliver its future plans. However, it has not completed the work to resolve important problems with asset management.

What evidence is there of the Council improving outcomes?

- 8 Winchester City Council's main goal is to have a healthy population, living in decent and affordable homes with good opportunities for work, living in communities that are inclusive and share a high quality, safe environment. To achieve this goal, the Council's priorities for 2005/06 were providing homes and jobs; promoting safer and more inclusive communities; and safeguarding the high quality environment for the future. It also set an internal priority of 'Working Better'. Progress against each of these priorities is assessed in the commentary below.

Homes and jobs

- 9 The outcomes the Council aims to deliver under this theme are: provide housing, in particular affordable housing, to meet the needs of the whole community; meet the Decent Homes Standard in its housing stock; and foster a strong and diverse urban and rural economy.
- 10 A recent inspection found the Council's strategic housing service to be 'fair', with 'promising' prospects for improvement. Political and managerial leadership around strategic housing issues is strong, and robust plans are in place to address weaknesses in service delivery and take forward new housing strategy development. Other strengths include providing accessible information and advice about affordable housing services and effective joint working across the Council and with partners.
- 11 The Council has reduced homelessness and met the national target to end the use of bed and breakfast accommodation for families. Delivery of affordable housing is strong, with an increasing number of affordable homes in rural areas. However, some areas require improvement. The Council's overall approach to tackling poor housing conditions in the private sector and increasing re-housing opportunities is weak and effective plans are not yet in place to address this. There are only limited service standards relating to the housing service itself.
- 12 The Council continues to perform well in providing affordable housing. It has met most of its targets and improved performance since the AAIL last year. Currently the Council is on track to provide 138 affordable houses and to bring 288 houses up to the decent homes standard by March 2007

- 13 The management of the Council's housing stock has improved placing it among the highest performers nationally in many areas, including the improvements in the percentage of homes conforming to the Decent Homes Standard, and the percentage of urgent repairs completed within time limits. The average time taken to complete non-urgent repairs has also improved - although not as fast as others which puts the Council's performance below average. Other improvements include reductions in the average weekly management cost. However performance in re-let times has continued to deteriorate from 2002/03 when the average time was 63 days to 2005/06 when the time had reached 91 days - this places the Council in the worst performing 25 per cent of authorities each year. In the summer of 2006 a major review of procedures to manage re-lets was undertaken recognising that the position is unacceptable and improvements are expected later in the financial year 2006/07. This may adversely affect the Council's work to combat homelessness if not actions do not achieve the desired improvements.

Safer and More Inclusive Communities

- 14 The outcomes the Council aims to deliver under this theme include: increased feelings of safety and collaborate with partners to drive down crime levels; improved access to services and cultural opportunities for residents; the most deprived parts of the community are supported to be more self-confident and self-supporting; improved quality of peoples lives by encouraging more active and healthy lifestyles; and work with others on children and young people issues.
- 15 Community safety indicators for 2005/06 are mixed, although most are better than average. Robberies and violence have reduced but motor vehicle crimes have increased, although unaudited figures for the last nine months show a reduction in this too. The Crime and Disorder Reduction Partnership (CDRP) has introduced neighbourhood wardens into three new areas, and police community safety officers are due to start patrols in April. The Council is reviewing the CCTV system in the city centre with a view to upgrading it. CDRP partners have carried out 'diversionary work' to provide activities for young people in deprived wards, and there is anecdotal evidence that residents there feel safer.
- 16 The Council promotes more inclusive communities through its community development work. For example, neighbourhood wardens in Winnall held a Christmas 'clear out week' with collections for unwanted bulky items. As a response to residents' concerns about dog fouling, the neighbourhood wardens - in partnership with a local school and voluntary groups as well as the Council's animal welfare team - enlisted the help of local children to design signs to discourage dog fouling. Over 20 entries were received from pupils and the winning design has since been turned into signs which can now be seen at key sites across the estate.
- 17 The Council is extending access points for its services outside the city, with the planned expansion of last year's pilot shared office with New Alresford Town Council to other parishes, including Bishop's Waltham, Denmead, Whiteley and Wickham. The public can access internet services through a computer and there is also a direct telephone line to the Council offices.

- 18 The performance of the benefits service has been mixed over the past three years but has shown recent signs of improvement. Some indicators deteriorated between 2004/05 and 2005/06 whereas they had improved slightly from 2003/04. However, unaudited figures for the first nine months of 2006/7 show improvement, and the Department of Work and Pensions recently issued a favourable report on results achieved, placing the Council among the best performers in five out of six of its key measures. The time to process claims remained static at 25 days in 2005/06, but this is comparable with the best 25 per cent of councils nationally. This has been substantially exceeded in the first nine months of the year, with claims taking on average 19 days to process. The time taken to process changes of circumstances improved by almost 5 days to 12.3 days in 2005/06, and latest unaudited figures show the Council has shortened this considerably - almost back to its 2004/5 performance. Accuracy also reduced in 2005/6 but has improved more recently.. The key challenge for the Council will be to sustain these improvements.

Safeguarding our high quality environment for the future

- 19 Outcomes for this theme are: make sustainable use of resources with special attention to reducing and recycling waste; improve air quality in Winchester and reduce congestion; protect and enhance the bio diversity of the natural environment and minimise the loss of green fields to development; increase residents' pride in the place where we live; and protect important heritage.
- 20 One of the Council's main achievements since the last AAIL was published has been the roll-out of the alternate weekly waste collection (AWC). The pilot area has now been extended to two-thirds of the district, and it is planned that the whole district will be covered by July 2007. This did not greatly improve the Council's poor recycling figures for 2005/06, which rose by just over one per cent since 2004/05 to 18.88 per cent - well short of the government's 30 per cent target. However, unaudited figures in the pilot areas show a large increase in rates - up to 38 per cent although this may not be reflected in the rate for the whole district once roll out of AWC is complete, and the projection for 2006/7 is for a more modest increase to 22% . Waste collection costs remain high, although the amount of waste collected has decreased significantly. Street cleanliness and homes built on previously developed land exceeded targets.
- 21 Other achievements include winning national awards for the Tourist Information Centre and Museums Service; the major refurbishment of River Park Leisure Centre which was completed on time and to budget; and the introduction of eco-friendly Park-and-Ride buses. Village and neighbourhood design statements have been produced to help protect the area's heritage. DEFRA have also approved the Council's recent Air Quality Action Plan. The major Silver Hill city-centre redevelopment has progressed to the stage of having modified designs submitted for decision following extensive consultation.

- 22 Between 2003/04 and 2005/06 the performance in time taken to process planning applications has been poor. However, there has been some improvement in the number processed in time, but this has still left it performing in the worst 25 per cent for both 'majors' and 'minors' and just below average performance for the 'others' category. The Department of Communities and Local Government (DCLG)-commissioned a report that highlighted this area as a concern and the Council remains a planning standards authority for 'majors' in 2006/7 as a result. Unaudited figures for the first nine months of 2006/7 show that for 'majors' the government target is being substantially exceeded with 80 per cent decided on time. However, the figures for 'minors' and 'other' applications over the same period show deterioration in performance and well below the set targets. There remains a backlog in enforcement cases and the percentage of appeals allowed in 2005/06 worsened sharply from best to worst 25 per cent performance nationally, although the Council is reporting some recent improvement.
- 23 We reported last year that the Council had action plans in place to address performance weaknesses but to date outcomes have been inconsistent, based on the evidence above. The Council has been receiving support from the Planning Advisory Service and a peer review took place in November 2006, which resulted in further plans to support improvement, such as increased performance monitoring and addressing resourcing issues. The challenge for the Council now is to both make and sustain the necessary improvements.
- 24 An Audit Commission inspection published in July 2006 rated the Council's approach to sustainable environment as 'fair', but with 'promising' prospects for improvement. The inspection noted some good performance in and public satisfaction with environmental services, and that the Council has also had some success in delivering sustainable outcomes. However, the Council has not yet embedded sustainability in service planning across the organisation, and the main Environment and Sustainability Strategies do not provide a comprehensive corporate vision for sustainability. It is also missing opportunities to act in a sustainable way. The Council recognises many of the challenges it faces and has made good progress on plans to address them. The Corporate Strategy includes clearer recognition of sustainable development as a priority. As part of its plans to adopt a more strategic approach to management, senior managers are now focusing on a more corporate approach to ensuring sustainability is integrated into the Council's decision making and day-to-day practices. The Council has also made good progress on detailed proposals that will lead to improvement, for example, now rolling out alternate weekly collection of waste and recyclables across the district. However, in other areas it has yet to fully develop its proposals, decide what priority they will have, and ensure the resources will be available to carry them forward.

Working Better

- 25 The Council aims are: making working practices fit for the 21st Century; managing the Council effectively; and creating an efficient, effective working environment.

- 26 Another major achievement for the Council this year has been completion of the first phase of the roll-out of the customer service centre (CSC). It went live in June 2005 and performance in terms of responsiveness to customers has improved. While at the end of February 2007 the performance statistics suggest that the target for answering calls by the service centre is likely to be missed, the customer satisfaction with the service stands at 94 per cent. So far in 2006/7, the service has improved on the performance in 2005/06.
- 27 Wider community outcomes that the Council can demonstrate include the major investment in the new discovery centre, town centre toilet refurbishment, repairs to the Meadowside centre and a River park Leisure Centre. However, outcomes from the Local Strategic Partnership have been minimal, and there has been no demonstrable success with improving health outcomes.
- 28 The Council has been slow to progress equality and diversity initiatives. It has remained at Level 1 of the Equalities Standard for Local Government¹ and has not carried out equality impact assessments across all services or trained staff to deliver these. It has not met the statutory obligation to have in place a disability Equality Scheme (DES) by December 2006, although it has a target to implement this by May 2007.
- 29 The Council recognises it has more work to do around value for money. Although it has prepared some specific value for money reports, the Council is not using the information as fully as it might. It has achieved the Gershon savings targets. The Council has high-cost services, and not all of them perform well. However, customer satisfaction rates are relatively high.

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

- 30 In May 2006 there was a change in political control at the Council, which has required it to reassess priorities and make changes to services and programmes. Some view this as having gone well, for example by its stronger focus on key priorities, and retained focus on key projects (such as alternate weekly waste collection, Discovery Centre, Silver Hill development, new offices programme). However, it is recognised that the planning service needs sustained improvement, and time is needed for the new administration to settle in and undergo training. There is now a shift in priorities which has meant a realignment of objectives is needed.

¹ This standard has 5 levels and provides a common approach for dealing with equality for race, gender and disability. Level 1 is about beginning to put a system in place and it is not until higher levels are achieved (3 and above) that people will notice a real difference in how the Council addresses these issues for local people.

- 31 The Council and its partners in the Winchester District Strategic Partnership, the local strategic partnership (LSP) have made significant progress to carry out a thorough review of the community strategy, which has led to a better focus on community outcomes. For example, a revised draft is currently being agreed which contains outcome-based indicators. There is more involvement with partners and local community representatives. Work through the 'thematic partnerships' that act as the delivery arm of the LSP continues and the LSP itself has started to deliver projects and become more action-focused, such as its work with minority ethnic group communities and on rural transport initiatives. However, as noted above, there has been little progress with health initiatives from the partnership, and it has been slow to produce outcomes so far.
- 32 The Council now has a much stronger focus on performance management. Service planning has improved, although has yet to be established on a three year time frame to align it more strongly with the medium term financial plan. New processes will ensure that three-year service plans will be in place by the end of March 2007. A new corporate strategy has been drafted, which has a sharper focus on community outcomes. The Council is reviewing its priorities for 2007/08 as part of the budget process. It aligns its priorities to the budgets through the mechanisms for assessing growth bids, rather than through a fundamental review of existing budgets, although there is an intention to adopt this approach. Scrutiny is also working well, and providing good challenge to current issues, such as improving the poor planning performance and challenging the use of Meadowside recreation land.
- 33 The Council has increased or is increasing its capacity in several ways to help it deliver its future plans. These methods include:
- a new '2010 programme for corporate change' which plans to restructure senior officer roles to be more cross cutting and to introduce mobile and flexible working practices;
 - the roll out of the customer service centre;
 - new offices have freed up property assets for rental;
 - the sale of vacant housing stock to invest the money in affordable housing;
 - completion of a partnership review leading to recommendations currently in progress;
 - further developed roles for portfolio holders and scrutiny, such as increased delegation;
 - new procurement and consultation strategies are now in place - procurement has led to savings from purchase of wheelie bins;
 - improved the approach to project management on a Prince -based system - applied to leisure centre works involving its closure for three months;
 - new PI and document software being installed; and
 - significant financial balances, investment income and a strong financial function.

- 34 In December 2006 the Council agreed a draft Asset Management Plan. However this is not currently supported by detailed information about the condition of assets as the necessary survey work has yet to be carried out. There has been a reliance on looking at each property in terms of how the return compares to what the markets would provide before making a disposal decision. However, the Council plans to commission a detailed survey in 2007/08 and has committed the resources to fund this work.
- 35 The Council has not made any further progress to increase its capacity by sharing service delivery with other councils, although a recent partnership review has led to the implementation of recommendations and some business cases. However, it is now investigating further options with local councils and is an active member of the Hampshire Improvement Board which is seeking efficiencies and improvement of service through joint working.

Other performance work

- 36 The Hampshire Local Area Agreement (LAA) is progressing well with good engagement and cooperation from all partners. The LAA has eight clear priority outcomes and four 'flagship' initiatives each detailed in a shared three-year LAA Action Plan (April 2006 to April 2009). Steering groups to oversee the development of each project are now in place, and the first six monthly (April to Sep 2006) performance LAA report and a prioritised action plan was produced and shared with partners and the Government Office for the South East (GOSE) in November 2006. It is too early to draw conclusions on the progress except for some targets which are well-established. The LAA will be subject to an annual refresh with GOSE to take effect from April 2007. The partners are taking this opportunity to assess performance and revisit some targets.

Financial management and value for money

- 37 Your appointed auditor reported separately to the Principal Scrutiny Committee on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
 - a conclusion on your value for money (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.
- 38 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).
- 39 For the purposes of the CPA your auditor has 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
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

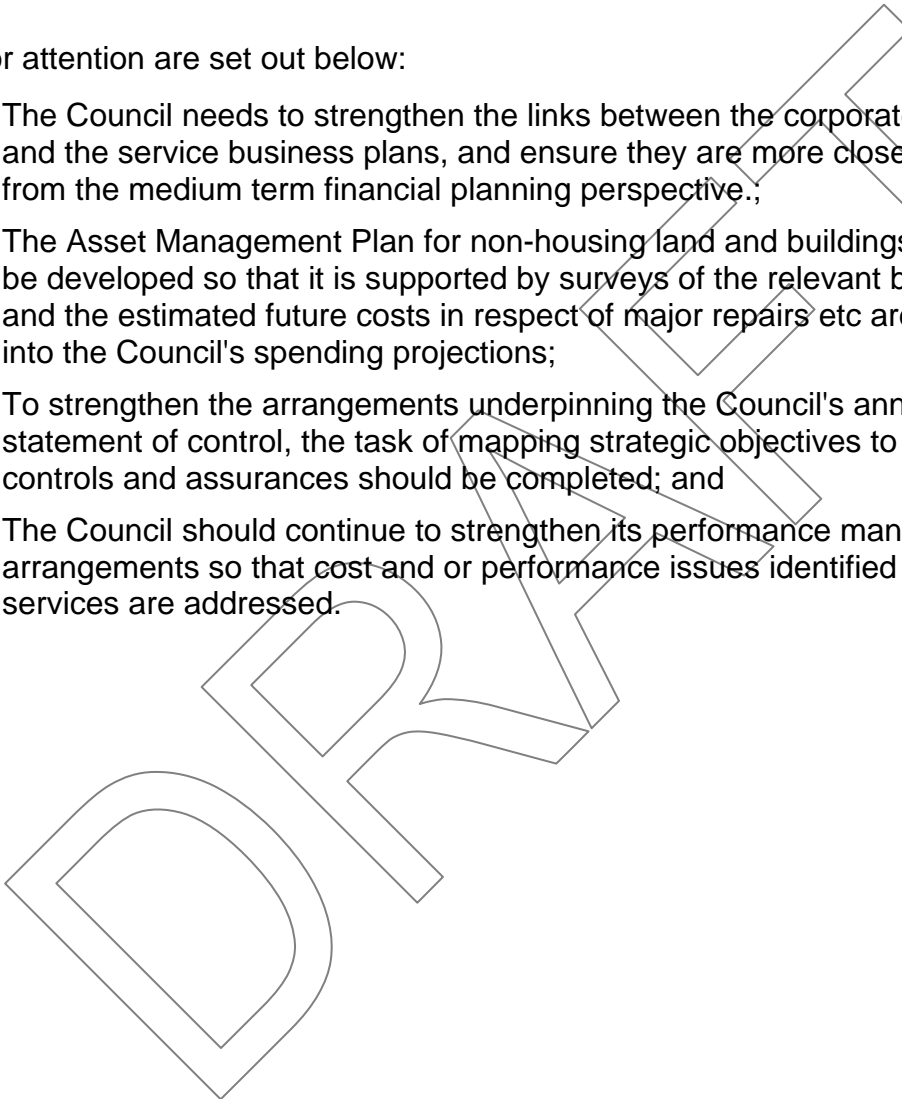
(Note: 1=lowest, 4=highest)

40 The key issues arising from the audit, as reflected in the above judgements

- The Council continues to perform well in connection with its responsibility to produce accurate financial statements that are well supported by good quality working papers within three months of the year end;
- The Council's financial standing remains good;
- Internal control arrangements have been strengthened by enabling internal audit, where needed, to access external staff resources so that it is able to complete its programme of work for the year.

41 Areas for attention are set out below:

- The Council needs to strengthen the links between the corporate strategy and the service business plans, and ensure they are more closely aligned from the medium term financial planning perspective.;
- The Asset Management Plan for non-housing land and buildings needs to be developed so that it is supported by surveys of the relevant buildings and the estimated future costs in respect of major repairs etc are factored into the Council's spending projections;
- To strengthen the arrangements underpinning the Council's annual statement of control, the task of mapping strategic objectives to risks, controls and assurances should be completed; and
- The Council should continue to strengthen its performance management arrangements so that cost and or performance issues identified for specific services are addressed.



Data Quality and Performance Indicators

42 For 2006/07 we were required to review the Council's management arrangements to secure good data quality, and to give a score between one and four for the arrangements, where a score of 1 indicates inadequate performance and 4 a strong performance. The assessment covered five themes of data quality. These themes, and the Council's score for each, are set out below.

43

Governance and leadership	2
Policies and procedures	2
Systems and processes	2
People and Skills	2
Data use.	2
Overall score	2

As reflected in the table above, the Council achieved an overall assessment of level two in terms of data quality. We concluded that the Council's arrangements to secure good data quality are adequate but there are a number of areas where arrangements could be strengthened. Our recommendations in this respect have been reported to the Council.

In addition we audited a sample of Best Value Performance Indicators (BVPIs) for 2005/06. Two of the indicators required minor amendment and we have made recommendations for improving the underlying information relating to these indicators.

Conclusion

- 44 This letter has been discussed and agreed with Simon Eden. A copy of the letter will be presented at the Principal Scrutiny Committee sitting as the audit committee on 26th March 2007.
- 45 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

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

Linda Krywald
Relationship Manager

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