

DC Annual Audit and Inspection Letter

March 2007



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Aylesbury Vale District Council

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Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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- any third party.

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Our overall summary

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on audit and inspection work carried out in 2006 and uses an analysis of the Council's performance and improvement over the last year. It comments on improvements made in the services provided and on the way the Council manages its resources.
- 2 The letter is addressed to the Council and in particular it has been written for Councillors. We want the letter to tell the public, who use the Council's services, and other stakeholders about the Council's performance, so it is also made available as a public document.
- 3 The main messages for the Council included in this report are:
 - There is a tremendous growth programme in Aylesbury Vale that will have a major impact on the people who live and work in the district. Work is starting on the new town centre other big projects are in the pipeline.
 - The Council and its partners are working well to attract substantial investment into the area to pay for the growth programme. The Council has set itself a challenging target for savings and efficiencies and it is beating these targets.
 - As part of the Aylesbury town centre redevelopment the Council is paying for a new theatre which is expected to cost about £30m. This is a significant project. The Council will need to manage the project well to ensure that the theatre is built on time and within budget and it needs to make sure that the project will help the Council to achieve its corporate objectives.
 - The Council's current financial position is strong. It has relatively high balances. However it faces a number of financial challenges:
 - The Council has committed to keeping council tax increases below five per cent whilst the demands for services are increasing.
 - The transfer of the housing stock in 2006 has changed the business that the Council manages.
 - The Council now spends more than the money it receives each year and it is drawing on its reserves to meet its costs. It has recognised this and has a plan to bring annual spending and the money it receives into line before its reserves are used up.
 - Crime levels increased in 2005/06 for burglaries, stolen cars, violent crime and sexual offences and were higher than those in other similar councils.
 - The amount of waste collected from households increased and the level of recycling and composting is poor compared to other councils.
 - The Council has increased the speed of processing planning applications and is now meeting Government targets.
 - The way the Council manages performance is improving.

Action needed by the Council

4 Members need to focus on the following.

- Make sure that the Council has the arrangements it need to manage the growth agenda for the district and monitor progress against key milestones along the way.
- Ensure that the Council and its partners get the investment money that is needed for the growth.
- Bring annual spending and income into line as planned, as shown in the medium term financial plan.
- Keep track of the Council's savings plans.
- Make sure that central costs and services are rebalanced following the transfer of the housing stock in 2006.
- Review and monitor the progress of the theatre development to ensure that it is delivered on time and to budget and that it contributes to the Council achieving its corporate objectives.
- Work with partner organisations to reduce the level of crime.
- Stop the increase in waste produced by households and increase recycling and composting.
- Reduce further the time it takes to process planning applications.
- Make sure that the performance management framework works throughout the Council.

How is the Council performing?

- 5 In 2003 and 2004, the Audit Commission carried out assessments of the way district councils were run and the way they delivered services. This Council was assessed as *good* (on a scale ranging across excellent, good, fair, weak and poor). These assessments will not be updated for all district councils but may be updated for some where it appears that there has been a significant change in the level of performance. The first part of this letter looks at the way the Council is improving the services it provides and the way it runs its business.

The improvement since last year - our direction of travel statement

- 6 The Council continues to provide better services in most areas for the people of Aylesbury Vale.

The Council's improvement priorities

- 7 The Council has four improvement priorities for improving services and the way it runs its business. It has set 16 strategic targets to achieve by 2008 to help it to meet these priorities. Progress is being made; more in some areas than others. For example: more affordable homes have been built and there are more jobs in the district. But the Council has made less progress tackling crime and increasing the amount of waste that is recycled or composted. The following paragraphs review progress against each priority.

Local communities

- 8 In 2005/06, developers built over 680 new homes, a third more than the Council expected. The Council's 2005/06 target for affordable homes was also exceeded; 117 homes were provided for people and families on low incomes.
- 9 Total crime fell by 11 per cent in 2005/06 but the level of crime was still above the Council's target. Four of the six key crime rates were worse than in the previous year and most were worse than average.
- 10 The Council initially aimed to achieve level four on the original standard in 2005/06. In October 2006 it changed its target to maintaining level three for the revised equality standard. The scale ranges from one to five with five being the best. The Council achieved its revised target maintaining a level three rating

Local environment

- 11 Households produce a relatively low amount of waste but the level increased in 2005/06. By December 2006, the Council had increased the level of waste that is recycled or composted to about a fifth of the waste collected. This is low compared to other councils and low compared to the Government target of just under a third by 2007/08.

- 12 Far less litter was found in public places.

Local economy

- 13 Aylesbury is experiencing tremendous growth. The Council with its partners has a wide-ranging growth programme which aims to:
- improve local transport;
 - build a better road system;
 - encourage more house building including affordable homes;
 - bring more business and jobs into the area; and
 - expand leisure facilities.
- 14 The Aylesbury town centre development is underway. This will change the heart of Aylesbury with new shops, offices, homes and a new theatre.
- 15 Alongside this, the Council and Buckinghamshire County Council plan to ban cars from the town's shopping areas and propose to encourage people to go into town by bus or cycle or to walk. £14 million of Government money will support the work needed to do this.
- 16 In 2005/06, the Council received £6.5 million from developers' contributions for use in a wide range of community developments.
- 17 Aylesbury Vale Advantage is a company set up by the Council and other public partners. Its aim is to help coordinate and manage the growth in the district. It has attracted £11 million in Government funding so far, for a business park, housing and tree planting schemes.
- 18 By 2007/08 the Council aims to have increased the number of jobs in Aylesbury Vale by 1900. At the end of 2005/06, it was ahead of where it expected to be in meeting this target.

The way the Council works

- 19 The Government has set councils targets for efficiency savings; that is, to spend less taxpayers' money to provide the same or better services. The Council has set a higher target for itself and it is beating its own target. The Council can use the money it saves in this way to meet the increasing pressure on Council services.

Planning applications

- 20 The Government has set targets for the time taken to process planning applications. The Council did not determine planning applications any quicker in 2005/06 than it did in the year before. It was still among the worst district councils. However so far this year (up until December 2006) the Council has improved its timeliness and it is meeting all the Government targets.

Performance management

- 21** The Council uses performance management to help it to manage its services and to secure improvement. Performance management involves using measures or indicators of performance to understand the level of service being achieved and then setting a target for the level of improvement desired. Actions needed to achieve the improvement can then be identified and taken. Progress in achieving the improvement can be measured using relevant performance indicators.
- 22** The Council has made good progress improving its performance management framework. When it is fully developed, the framework should help the Council to improve its services and the way it runs its business. The Council produces a Quarterly Performance Digest. This sets out the progress made on selected performance indicators covering the Council's priority areas. The Council has started producing a half yearly review of how it is progressing on its 16 strategic targets and a forecast of whether it will meet them. However at least one forecast (for affordable housing) was unduly optimistic.

Financial management and use of resources

- 23** Earlier this year we reported to the Audit Panel the results of our audit work for 2005/06:
- We found that the Council’s accounts reported fairly on its finances and financial position. This enabled us to issue an unqualified audit opinion on the accounts.
 - We also looked at how the Council manages the resources at its disposal particularly how performance is managed and how finances are controlled. We found arrangements were working adequately in all areas. Our opinion on the Council’s arrangements (our value for money conclusion) was therefore unqualified.
 - We also completed our review of the Best Value Performance Plan and had no matters to report on this small area of audit work.
- 24** As noted above in the introduction to our letter the overall assessment of the Council’s performance draws on our audit work. In particular, we build on the work carried out to assess whether the Council has adequate arrangements to manage its resources (ie our value for money conclusion work). We look in more depth at five areas or themes.
- 25** Each of these areas or themes is assessed and scored and this leads to the Audit Commission’s overall score.

Table 1 Use of resources

The five areas or themes we looked at	Scored assessment	
	2006	2005
Financial reporting including how the accounts are prepared and then presented to the public.	2	1
Financial management including how budgets are set and spending is controlled and how the money is used to deliver plans and priorities.	3	3
Financial standing whether the Council has the money to carry out its plans and to pay for its liabilities.	3	3

The five areas or themes we looked at	Scored assessment	
	2006	2005
Internal control the checks and balances that ensure business is conducted properly.	3	2
Value for money whether the Council is spending taxpayers resources well, improving services at less cost.	2	2
Audit Commission's overall use of resources assessment.	3	2

(Note: 1=lowest, 4=highest)

- 26 The Council has taken action to improve performance in a number of areas and this is reflected in the Audit Commission's assessment that the overall score has increased from level two to level three.
- 27 The financial standing of the Council is currently strong; however, it is facing a number of financial pressures in the next few years. The Council has committed to keeping council tax increases below five per cent. It also needs to reduce expenditure as it reduces in size following the transfer of the housing stock to a housing association in 2006. The impact of these and other financial pressures is that the Council needs to reduce expenditure by £5m over the next three years.
- 28 The Council has been prudent in the past, has built up its balances, and will draw upon these over the next few years to smooth the impact of the expenditure reductions.
- 29 The Council recognises the pressures it faces. The action it needs to take has been set out in recent financial reports presented to Members. The messages have been accepted and are reflected in the 2007/08 budget that begins to address the key financial pressures. This represents good financial planning.
- 30 The tightening financial position does mean that future developments will need to be carefully managed to ensure that not only are the capital and revenue implications fully understood and that they are affordable but that they also help the Council achieve its corporate objectives.

- 31 The Council have a number of large scale developments in progress include the redevelopment of Aylesbury town centre. This includes the Council paying for a new theatre. The cost, in the region of £30m, is likely to make it one of the largest capital projects that the Council will ever manage. Whilst the building of the theatre does represent a significant contribution to the re-development of the town centre, it does also represent a financial and reputational risk to the Council if it is not delivered on time and to budget. The impact of any revenue support required and how it contributes to helping the Council achieve its corporate objectives also need to be considered and made explicit. Overall, the project will need to be reviewed and reported on to the Council on a regular basis.
- 32 Our next use of resources assessment will start in April 2007 covering the period up to 31 March 2007 and will contain a number of new and revised questions. These will make it harder for the Council to achieve or improve on its current score.

Conclusion

- 33 This letter has been discussed and agreed with the Chief Executive and the Head of Finance. A copy of the letter was presented at the Audit Panel on 27 March 2007.
- 34 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

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

Mick West
District Auditor