

Annual Audit and Inspection Letter

February 2008



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Aylesbury Vale District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

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.
- 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, 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.

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.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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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 2007 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:
 - the town centre redevelopment is moving from the planning to the implementation stage and it will be important for the Council to carefully manage this phase of the project to ensure that it meets the needs and expectations of the public;
 - a start has been made on building the new theatre and, as this project is being funded directly by the Council, it is vital that strong project management arrangements are put in place;
 - the Council has entered into a pathfinder arrangement with other Buckinghamshire councils to explore ways of working together more effectively and efficiently. It is important the Council has clear plans and milestones setting out the benefits from its membership of this partnership;
 - the Council needs to ensure future expenditure can be supported by sufficient income, so bringing its annual spending into line with the annual resources available and achieving long term financial balance; and
 - there are a number of accounting changes coming up and it is important that the Council puts resources in place to ensure that these are dealt with properly when it prepares its 2007/08 financial statements.

Action needed by the Council

- 4 Members need to focus on the following.
 - Monitor the town centre development as it progresses and be willing to take corrective action should this be required.
 - Monitor the building of the Council's new theatre to ensure that it is built on time and to cost.
 - Ensure that the pathfinder project is properly evaluated and is focused on delivering clear outcomes.
 - Achieve the financial savings needed to reach sustainable financial balance.

How is Aylesbury Vale District 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 report

- 6 The Council continues to provide better services in most areas for the people of Aylesbury Vale. It is improving services faster than in previous years.
- 7 For example it improved 57 per cent of the performance indicators (PIs) in the Audit Commission basket of indicators in 2006/07, and this was better than its improvement in prior years.

The Council's improvement priorities

- 8 The Council has a Strategic Medium Term Work Plan (SMTWP) which identifies fifteen priority targets for improving services in the period to 2009. It has set out milestones showing what it aims to achieve each year along the way. The Council achieved 7 of its 15 milestones for 2006/07 and forecasts that it will meet 12 in 2007/08.

For example:

2006/07 performance against local communities milestones

- It exceeded its affordable housing milestone with 124 completions including 38 rural homes.
- 616 new houses were completed against the milestone of 883. However the Council is still confident of meeting its medium term targets for housing completions.

6 Annual Audit and Inspection Letter | How is Aylesbury Vale District Council performing?

- For six types of crime, the overall level of crime fell faster than average for similar areas. The planned reduction in recorded crime for 2006/07 was affected by the local target to increase reporting of domestic violence. Compared to similar areas violent crimes and sexual offences increased faster; burglaries, thefts of motor vehicles and from motor vehicles fell more quickly; and robberies increased at the average rate. The community safety partnership is on track to reduce the overall level of crime, from 2003/04 to 2008, by its target of 15 per cent.

2006/07 performance against local environment milestones

- Public space cleanliness improved to amongst the best in the country, but public satisfaction with open spaces fell between 2003/04 and 2006/07.
- For recycling waste and composting, the Council just missed its own improvement target, was well short of its statutory target and its performance is one of the worst in the country. In 2006/07 the Council ran a successful pilot for kerbside collection of green waste and alternate weekly waste and recycling collections. It planned to extend this to the whole district in 2008. However, the roll out has been delayed pending the provision of a composting facility by Buckinghamshire County Council.
- The time taken to process planning applications has been improved from amongst the worst in the country and government targets were met or exceeded, particularly for major applications.

2006/07 performance against milestones for the local economy

- The 2006/07 job creation milestone was passed in 2005.
- Most milestones for the Aylesbury town centre redevelopment have been met:
 - approving the planning application and starting work on-site for the new theatre;
 - public consultation on the Waterside retail site;
 - the Council demolishing one of its office buildings to make way for the town centre development; and
 - beginning work on-site in Walton Street to provide over 200 new homes and a new multi-storey car park.

- 9 The Council also has three organisational aspirations.
- *To achieve continuous improvement in overall customer satisfaction.*
 - Performance is mixed. Satisfaction with the Council in the three yearly general survey fell between 2003/04 and 2006/07. However the Council commissioned an independent survey which suggested higher levels of satisfaction.
 - *To maintain 75 per cent of comparable BVPIs above the district average by 2009.*
 - In 2006/07, 65 per cent of the Council's comparable best value performance indicators were above the district average. This leaves the Council with much to do to meet its target for 2009, especially as other councils are also improving their performance.
 - *To achieve efficiencies to ensure a balanced General Fund budget including delivery against its annual 2.5 per cent efficiency target.*
 - This is a success. The Council achieved a balanced budget for 2006/07. It met its efficiency target and set a five-year budget which identifies further annual efficiency savings.
- 10 Following the transfer of its housing stock in 2006, the Council had to reduce the cost of its support services by £2 million a year. Its three year action plan to date has achieved a £1.2 million cut and a further £0.5 million could flow from the office consolidation project.
- 11 In July 2007 the government agreed that the councils in Buckinghamshire should form a pathfinder to improve two tier working and achieve efficiencies and better services across the county. The pathfinder has not yet delivered its improvements but work is underway.
- 12 The Council is updating its business transformation programme to help make savings and improve services through a lean working initiative ie by simplifying the way the business is run; improving its use of information technology; improving staff skills and motivation; and simplifying customer access to all Council services.
- 13 Continuing and strengthening improvement depends on having robust and up-to-date improvement plans. The Council is reviewing its corporate strategy and developing a new corporate plan with an overall mission to make Aylesbury Vale the best possible place to live and work. It has four themes: thriving communities; growth and regeneration; environment and sustainability; and Aylesbury Vale District Council as a council to be proud of. The new corporate plan will be the Council's business plan, covering its contribution to the community plan and the county wide local area agreement.

The audit of the accounts and value for money

- 14 Earlier this year we reported to the Audit Committee the results of our audit work for 2006/07.
- 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 on 8 January 2008.
 - 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 8 January 2008 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.

Use of resources

- 15 The overall assessment of the Council’s performance draws on our audit work across the Council. 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.
- 16 Each of these areas or themes is assessed and scored and this leads to the Audit Commission’s overall score.

Table 1

The five areas or themes we looked at	Scored assessment	
	2007	2006
Financial reporting including how the accounts are prepared and then presented to the public.	1	2
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	
	2007	2006
Internal control the checks and balances that ensure business is conducted properly.	3	3
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.	2	3

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 17** The criteria we use to assess the performance of the Council became tougher in our 2007 assessment. Therefore the Council has done well to maintain or improve most scores. Maintaining this level of scoring in 2008 will require further improvements.
- 18** The reasons for the decline in the performance of financial reporting were reported to the Audit Committee in September 2007. They relate to the disposal of the Council's housing stock following its transfer to a housing association, at the time the accountancy rules for recording such transactions in the accounts changed. Our audit identified a number of amendments that were required to make sure the Council's accounts were in line with accounting standards and guidelines. This delayed issuing our opinion on the accounts beyond the 30 September 2007 deadline. The Council had also failed to follow the correct procedure for approving its accounts and correcting this contributed to the delay.
- 19** It should be noted that the issue relates to reporting the transaction correctly in the final accounts and does not mean that the Council has not received all income due to it following the transfer.
- 20** There will be further changes to the capital accounting regime in 2007/08 and it is planned that local authorities will need to follow International Financial Reporting Standards in 2010/11. The Council needs to prepare for these significant accounting developments in advance and ensure that appropriate resources are made available to implement them successfully.
- 21** Our data quality review looked at the arrangements for producing the accurate and timely performance information needed to manage the Council's activities. We found that the Council had acted on the recommendations we made for improvement last year, and assessed that it is now performing well in this area.

Looking ahead

- 22 The way that public services perform is looked at by a range of independent inspectorates. Working together, these inspectorates are developing a new way to assess performance. This is called Comprehensive Area Assessment (CAA). CAA will look at the prospects for local areas and the quality of life for the people living there. It will put people who use services and local tax payers at the centre of the new assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable.
- 23 Public bodies work together to provide a range of services for the community. They operate alongside each other within a common strategy led by local government. This is known as a *sustainable community strategy*. A local area agreement (LAA) is a three-year agreement between a local area and central government. The LAA describes how local priorities will be met by delivering local solutions. CAA will recognise the importance of local partnership and the relationship with central government and within this the key role played by local government in leading and shaping the communities they serve.
- 24 CAA will reduce inspection and will join up the range of inspection activity more effectively. The key components of CAA will be:
- for areas, a joint inspectorate annual area risk assessment of the prospects for the local area and for the quality of life of local people and reporting of comparative performance on the new national indicator set; and
 - for councils, a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will continue with a widened scope covering issues such as commissioning and the sustainable use of resources.
- 25 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 Local Area Agreements.

Closing remarks

- 26 This letter has been discussed and agreed with the Council's Chief Executive. A copy of the letter was presented at the Audit Committee on 17 March 2008. Copies need to be provided to all Council members.
- 27 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
Annual Governance Report	September 2007
Opinion on financial statements	January 2008
Value for money conclusion	January 2008
Data Quality	December 2007
Final accounts memorandum	September 2007

- 28 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

- 29 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

17 March 2008