

Annual Audit and Inspection Letter

March 2007



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North Wiltshire District 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.

Status of our reports

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

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

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring of the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
 - Many services that contribute to corporate priorities are improving, but the picture is mixed and some underperforming services that we identified in last year's assessment are not showing consistent or steady improvement.
 - We issued an unqualified opinion on the Council's 2005/06 financial statements. We also judged that the Council had adequate arrangements in place for achieving value for money.
 - The Council has taken steps to improve its performance management framework, including a fundamental review of priorities and the purpose of its corporate plan.

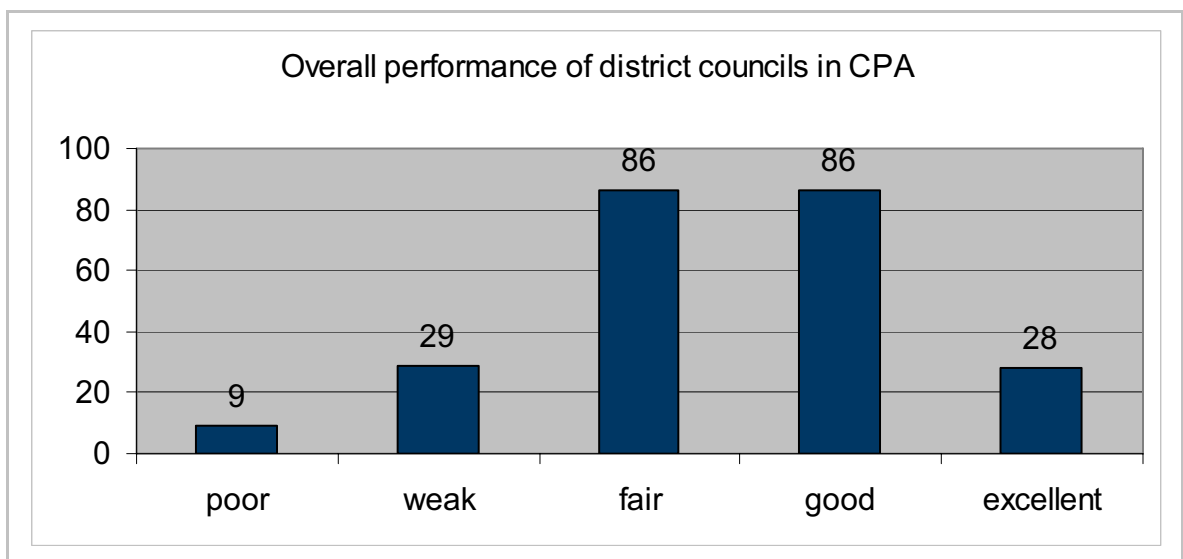
Action needed by the Council

- 4 To maintain its use of resources score the Council needs to continue to embed its arrangements for financial governance including its processes for producing its accounts and its arrangements for monitoring the budget.
- 5 In order to drive improvement more consistently across the Council it needs to promote greater awareness and ownership of the improvement agenda and integrate it more systematically within a strengthened performance management framework.

How is North Wiltshire District Council performing?

- 6 North Wiltshire District Council was assessed as 'fair' in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

- 7 Progress against the Council's ten current priorities can be difficult to assess due to the lack of clarity and consistency in how these are defined and of consistent outcome-based measures on which to judge success. Overall, many services that contribute to corporate priorities are improving, but the picture is mixed and some underperforming services that we identified in last year's assessment are not showing consistent or steady improvement.

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- 8 Forty three per cent of the performance indicators (PIs) that we use to assess the direction of travel improved between 2004/05 and 2005/06. This is a lower proportion than last year (59 per cent) and is well below the current national average of 60 per cent. Thirty three per cent of PIs are in the best quartile, which is slightly above the national average for district councils. However, these indicators do not reflect the full range of Council priorities and so do not give a complete picture of achievement.
- 9 There is clear improvement in many services that contribute to the Council's priorities for the local environment. The local plan is now adopted, ahead of target, providing a clear policy basis for planning decisions while work progresses on the LDF (local development framework). Recycling rates continue to improve and now meet the Government's target for North Wiltshire although most councils are now performing better in this area. The weight of waste collected is continuing to fall and amounts to best performance nationally. The incidence of littered land is reducing, following a best value review of street cleansing which resulted in a number of changes to service delivery. Satisfaction with the cleanliness of public space increased from 62 per cent in 2003/04 to 76 per cent in 2006/07, although performance remains poor compared with other councils. A new system for reporting and dealing with abandoned vehicles is improving response times. Funding through area committees has supported a wide range of locally identified projects, including skate parks, play area improvements, traffic calming and street scene improvements. These improvements are helping to enhance the local environment.
- 10 Improvement against the Council's housing priority is mixed. There is improved delivery of affordable homes and performance is among the best nationally. The Council is on track to exceed its target of 150 homes by March 2007, with 69 having been completed to date and a further 116 on site. The Council has updated its understanding of local housing needs for the whole district and established a clear framework for action through its housing and private sector renewal strategies. There was significant improvement in tackling homelessness in 2005/06 which saw the average length of stay in bed and breakfast (B&B) accommodation reduce from four to two weeks. But performance is slipping in 2006/07 and the current figure is seven weeks. The Council is on track to meet its LPSA target (shared with the other district councils in Wiltshire) to reduce the number of 16 and 17 year olds in B&B to zero by 2008. In addition, in 2005/06 the Council did not increase the number of empty private sector homes that are returned to occupation in line with the target set.

- 11 The results of our latest assessment of customer focus are not yet available; however there is strong evidence to indicate improvement. The Council has been awarded a charter mark for improvements to 'front of house' services. It has introduced a customer relationship management (CRM) system and extended its call centre to include planning and cleansing services. Measures such as the Benefits 'freephone' service and the installation of a plasma screen to the main reception are improving access to information for many users, including those at risk of disadvantage. Continuing improvement of the website means that it now meets the RNIB 'see it right' standard and has achieved a nationally recognised rating that places it among the best councils in England. The proportion of transactions capable of electronic delivery has also increased from 88 per cent in 2004/05 to 100 per cent in 2005/06, improving convenience for many users. However, levels of satisfaction among visitors to reception dipped slightly between April 2006 and December 2006 from 100 per cent to 94 per cent. Overall satisfaction with the Council - 54 per cent has remained unchanged since 2003/04.
- 12 A number of actions over the past year demonstrate the Council's ongoing commitment to its priority of diversity and equalities. The Council is successfully delivering its £780,000 programme of grant funding to disabled residents to adapt their homes. It has reduced the use of B&B accommodation by young people, with none in unsuitable accommodation in December 2006. It successfully delivered the annual youth games, in which more than 300 young people took part and regularly engages with young people through a bi-monthly meeting of the youth council. As a first stage in tailoring services to the diverse needs of users it has carried out 50 equalities impact assessments of services and placed the findings on its website. Equality and diversity implications are now included in all committee reports, raising awareness of the needs of all user groups.
- 13 A number of initiatives and a range of promotional activities are supporting the priority of 'buoyant economy'. The Council delivered the North Wiltshire Festival in July 2006, a free two day event promoting towns, local businesses and community groups. A new 'made in Wiltshire' website has been launched to promote local suppliers and a products directory has been updated and is available on the website. The redevelopment of two key strategic sites in Chippenham and Calne is under way, in consultation with the local community. The percentage of economically active adults continues to improve and remains among the best performance nationally.
- 14 Partnership working continues to be strong. In partnership with other Wiltshire councils the Council has secured over £300,000 towards a programme of councillor development that focuses on community leadership, performance management and an improved overview and scrutiny role. The county wide Customer First partnership is actively planning for shared services such as building control and working on joint procurement, including the purchase of IT hardware and framework agreements for advertising and stationery. This is adding to the Council's capacity to deliver.

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- 15 However, the Council is not consistently addressing poor performance in some key areas. For example the speed of processing housing benefits claims did not improve between 2004/05 and 2005/06 and remains among the worst performance nationally. Despite efforts to reduce the backlog in 2006/07, performance is still deteriorating and is significantly off target, with average processing times of 51 days, against a target of 19 days. Best performing council's performance is 8.5 days. The percentage of council tax collected and speed of payment of invoices have also deteriorated since last year and remain among the worst performance nationally. But the collection of business rates has improved, although performance remains below average compared with other councils.
- 16 The speed of deciding all categories of planning applications fell between 2004/05 and 2005/06, placing performance on major applications among the worst nationally. Targeted action during 2006/07 is achieving improvement in major and 'other' applications but the performance of 'minors' is still giving cause for concern. The success rate in defending appeals has also fallen and shows no sign of improvement during 2006/07, linked to a high rate of decisions overturned by councillors, contrary to officer advice.
- 17 Value for money awareness is improving and the Council is building and strengthening the processes and systems it needs to support a VFM culture. It has delivered a programme of Gershon efficiency savings in line with targets set although to date there has been a heavy reliance on asset sales rather than improvements to service efficiency. Costs are challenged through the budget setting process and councillors are becoming more active in exploring cost efficiencies through overview and scrutiny task groups. Project monitoring by the ICE (improving customer experience) board ensures that efficiency savings are incorporated into all projects. The current rationalisation of senior management is budgeted to save at least £250,000 a year by deleting two second tier posts and the replacement of 21 third tier posts with nine new heads of service. Our Use of Resources assessment in 2006/07 rated the Council's overall performance on VFM as 'adequate – at minimum requirements'.
- 18 Over the last year, the Council has taken steps to strengthen the corporate systems and processes needed to deliver improved services. It has responded well to the findings in our audits of performance management and financial and service planning that we carried out last year. These identified a number of weaknesses that were preventing the performance framework from operating effectively. A strong focus to date has been to fundamentally review and rationalise priorities and - with strengthened councillor engagement - build these into a new corporate plan. Budget and service planning are now better aligned. The Council has recently purchased new performance management software (Covalent) to improve reporting and monitoring arrangements, particularly on cross-cutting issues. These measures are building the Council's capacity to support and sustain change.

- 19 The Council is continuing to address weaknesses we identified in our 2004 comprehensive performance assessment. The high level improvement plan is regularly reviewed and updated in the light of changing circumstances and to incorporate any new recommendations from our work, such as data quality and performance management. The plan is well supported by action plans and other strategies that are developed in response to identified needs. For example during 2006/07 the Council has produced strategies on risk management and data quality and successfully carried out a live test of disaster recovery. This ensures that the improvement plan is up to date and aligned with other plans needed for delivery.
- 20 Although the improvement plan is integrated with existing performance management arrangements, it has not been completely effective in driving improvement. In part, this links to existing weaknesses in the performance framework which the Council is now working to address. The plan's progress is not routinely reported to the corporate management board or to senior councillors. This reduces awareness of what the plan is trying to achieve and means that it is not subject to regular challenge. A more systematic framework would help the Council stay on track with its improvement agenda.
- 21 The Council is becoming increasingly self aware and is taking steps to address identified weaknesses and enhance its capacity to deliver further improvement. It is working to improve its cost effectiveness so that the savings needed in its medium term financial plan can be achieved. It is actively pursuing partnering arrangements and the provision of joint services with other agencies. A cross party working group of councillors is providing stronger challenge to the process of budget setting and is helping to ensure that resources are more closely aligned with priorities. As demonstrated in the recent budget setting process, the Council is starting to make tough decisions about what it will and will not continue to do in the future. This is also helping to identify what are not priorities and build the capacity needed to sustain further improvement.

Service inspections

- 22 An inspection of the Council's street scene services is planned for later in 2007 and will be reported in next year's audit letter.

Financial management and value for money

- 23 Your appointed auditor, Brian Bethell has reported separately to the Final Accounts and Audit Committee on the 26 September 2006 on the issues arising from our 2005/06 audit and has provided:
- an unqualified opinion on your 2005/06 accounts;
 - a conclusion on your vfm arrangements to say that these arrangements were adequate at 31 March 2006; and
 - a report on the 2006/07 Best Value Performance Plan confirming that the Plan has been audited.
- 24 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).
- 25 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	2006 Assessment	2005 Assessment
Financial reporting	2 out of 4	2 out of 4
Financial management	2 out of 4	1 out of 4
Financial standing	2 out of 4	2 out of 4
Internal control	2 out of 4	2 out of 4
Value for money	2 out of 4	2 out of 4
Overall assessment of the Audit Commission	2 out of 4	2 out of 4

(Note: 1 = lowest, 4 = highest)

- 26 The Council's arrangements for use of resources continue to be rated as adequate, although there has been notable improvement in the financial management component. The key issues arising from the audit, as reflected in the above judgements where appropriate are as follows.

Financial reporting

- 27 The accounts were produced within the statutory deadline and did not contain any major errors. However, there were some issues arising that were detailed in our Governance report to the Final Accounts and Audit Committee in September. These included a difference of £220,000 on the reconciliation between the main accounting system (financial ledger) and the council tax system relating to council tax arrears.
- 28 The accounts were subject to a robust review by Members. The 2005/06 audit was difficult due to changes in key finance staff, although the Council took action to mitigate these difficulties during the period of the audit.
- 29 The Council needs to strengthen and embed quality control arrangements around the production of its accounts.

Financial management

- 30 Since last year the Council has strengthened its arrangements for monitoring expenditure against the budget and has improved asset management through the introduction of a new asset management plan and capital strategy.
- 31 The Council needs to embed its arrangements for monitoring the budget and seek to pre-empt budget overspends and further embed arrangements for asset management.

Financial standing

- 32 At the time of the audit the Council had an adequate level of reserves and was reviewing its policy on the required level of risk based reserves.

Internal control

- 33 The Council has strengthened its arrangements to maintain a sound system of internal control by re-establishing its internal audit function in line with the CIPFA Code.
- 34 The Council now needs to embed arrangements for ensuring that key financial reconciliations are completed. They should be reviewed regularly through the creation of a formal timetable and by allocating responsibility for reviewing completed reconciliations. The Council needs to ensure that Members with corporate responsibility for risk management receive regular reports on the overall risks facing the Authority and the way they are being managed.

Value for money

- 35 Overall spending is low compared to similar authorities but there is scope to improve the link between higher spending on Council priorities and higher levels of performance. The Council needs to continue to develop baseline information on costs and performance and raise levels of performance and user satisfaction in priority areas.

Leisure centres

- 36 The Council has been faced with a difficult decision around the future of its six leisure centres. This has arisen from the difficulties experienced by North Wiltshire Leisure Limited, the Trust operating the centres. The Council needs to apply rigorous project management to its decision making process and continue to have regard to value for money considerations, Corporate and Service objectives and the budgetary implications around the future operation of the centres.

Conclusion

- 37 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Final Accounts and Audit Committee on 16 April 2007.
- 38 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

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

Melanie Watson
Relationship Manager

March 2007