

Annual Audit and Inspection Letter

March 2008



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Gedling Borough 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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Key messages

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It presents the main findings from the audit of the Council's 2006/07 accounts and includes the outcome of the auditor's recent work on the Council's use of its resources. It also reports on the Council's direction of travel.
- 2 The key messages for the Council are as follows.

Direction of travel summary

- 3 The Council has set clear priorities for the area which will contribute towards improving the quality of life for local people. Performance is improving but this is not consistent across all service areas and the rate of improvement is not as strong as some other local authorities. The Council has improved its performance in waste management, recycling and street cleanliness.
- 4 The Council has a comprehensive efficiency plan and has met targets for achieving savings through a number of schemes including better procurement, increased usage and income and by working in partnership.
- 5 The Council has just begun an ambitious plan to redesign the way it delivers services and the internal support functions of the Council. This includes the provision of a customer service centre which will improve access to front line services as well as changes to the way services are supported operationally. As a result the Council is well placed to improve its services for local people.

Use of resources

- 6 The Council has maintained its good performance overall on the use of its resources. It has also improved its rating for 'financial standing' and now performs well across all five themes.

Action needed by the Council

- 7 No specific action is needed by the Council in response to this letter.

Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 11 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 13 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Gedling Borough Council performing?

- 14 Gedling Borough Council was assessed as good in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. Gedling is due a new corporate assessment in July 2008 with findings to be reported publicly in October 2008.
- 15 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

What evidence is there of the Council improving outcomes?

- 16 The Council operates within a clearly defined strategic framework. Objectives and outcomes are set out within the Council's Corporate Plan 2005-2008 and the Gedling Community Strategy 2006-2008. The indicators used to measure these outcomes are developed alongside local Community Profiles and are then used to report on progress in five priority areas:
- safer community;
 - children and young people;
 - a better local environment;
 - involving the community; and
 - tackling health inequalities.
- 17 The Council is delivering improvements across its priority areas its strategic approach to setting priorities and the improvements in service performance demonstrate a contribution to wider community outcomes. For example:
- collection of council tax and business rates has improved. There has also been an increase in user satisfaction with housing and council tax benefit services;
 - performance indicators (PIs) relating to homelessness have improved during 2006/07 with reductions in length of stay and numbers of families placed in temporary accommodation. The Council is working with other district councils to promote a First Lets Scheme to support people with their first tenancies;
 - good progress is being made with environment indicators with waste management, recycling and littering all demonstrating improved performance. User satisfaction with waste management remains high;
 - the Council has invested in parks, open places and leisure facilities and has secured high user satisfaction. The Council has also received independent praise for its development at Arnott Hill Park through the Green Flag award scheme and for Carlton Forum and Richard Herrod Leisure Centres through Quest assessment; and
 - the Council has used information from its Community Profiles to target investment in specific areas. This has involved consultation with local people including those considered 'hard to reach'. This has resulted in new facilities such as the community centre at Honeywood Gardens, and new leisure and sports initiatives including a youth gym and skateboard parks.

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- 18 However, there are other areas where performance in 2006/07 was not consistent or had not improved as expected, for example:
- some transactional performance indicators have not met targets, such as promptness of invoice processing, recovery of housing benefit payments and percentage of rent arrears as a proportion of the rent roll;
 - improvement in planning services is mixed having slipped in some areas resulting in a drop from first to second quartile; and
 - overall performance on community safety indicators is variable with some types of crime showing a slight increase over the previous year but others, such as vehicle crime showing a significant decrease. The three-year trend is positive and recent data suggests that the Council and its partners are on track to achieve Home Office targets.
- 19 Key performance indicators selected by the Audit Commission show that the Council is making improvements but at a slower rate than most other authorities. In 2006/07:
- Gedling improved 52 per cent of PIs from 2005/06 compared with a national average of 58 per cent;
 - 47 per cent of PIs improved over the previous three-year period compared with the national average of 55 per cent; and
 - 31 per cent of PIs were above the best quartile breakpoint against a national average of 33 per cent.
- 20 In response to these results the Council has developed plans to transform the way services are delivered in order to ensure a consistent performance across all service areas.
- 21 The Council is progressing well with work on diversity and equality and has achieved Equality Standard Level 2. There has been a 12 per cent increase in the number of buildings now accessible. A review of the accessibility of public documents, leaflets and the Council's website has resulted in a 99 per cent compliance with the Web Accessibility Initiative. Impact assessments are carried out on all new policies and procedures. Investors in People re-accreditation during 2006 showed improved results in relation to equal opportunities. The Council demonstrates community leadership by leading and promoting a Borough Race Awareness Forum. Understanding of local needs will ensure that services meet the needs of all residents.

- 22 The Council continues to achieve value for money for tax payers through the implementation of a comprehensive efficiency plan. The Council is able to achieve its Gershon efficiency target through careful cost management across all service areas. In 2006/07 savings were made by:
- working with partners on a wide range of procurement initiatives, including joint purchasing with other local authority partners;
 - increasing the use of leisure facilities at the Richard Herrod Leisure Centre and the new Shokk Gym for young people and generating additional income;
 - new contracts for routine and reactive maintenance; and
 - working with other local authority partners on joint appointments and research initiatives.

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

- 23 The Council has an ambitious plan for transformation of the Council's services and service user access called 'Shaping Future Service Delivery'. Implementation of the plan is at an early stage, but the plan appears to be robust and detailed. This provides a plan to take the Council from a 'good' council to 'excellent' through development of key projects over a period from 2007 to 2010. There are three main developments underpinning future service delivery:
- a customer services centre;
 - integrated operational delivery including service teams with a neighbourhood delivery focus; and
 - a corporate shared services centre providing support to front line staff.
- 24 This plan is now being implemented and progress being made against key milestones. Once the plan is fully implemented the Council is confident that it will support efficiency savings of £1.95 million over a ten-year period to 2013. This equates to an ongoing efficiency saving of 3 per cent of total Council expenditure.
- 25 There is joint procurement with other authorities of a new performance management system. This will improve collation of performance information, monitoring and trend analysis and reporting.
- 26 Processes for service planning including allocation of capital are clearly defined and are based on priorities within strategic plans. This has enabled targeted investment in priority areas, for example in youth and play facilities.
- 27 The Council maximises its capacity to deliver service improvements. The Scrutiny Committee has reviewed sickness absence and reductions have been made in rates of absence. The transformation plan describes significant organisational change to support further improved performance. This includes changes in staffing levels, re-focus of management activity and efficiencies in back room functions. The transformation plan once fully implemented should enable this Council to streamline its activity and improve performance within all service areas.

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Service inspections

- 28** There have been no service inspections since the date of my last Annual Audit and Inspection Letter.

The audit of the accounts and value for money

- 29 Your appointed auditor reported separately to the Audit Committee on the issues arising from his 2006/07 audit and has issued:
- on 26 September 2007, an audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
 - a report on the best value performance plan confirming that the Plan has been audited.

Use of Resources

- 30 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).

- 31 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 Use of resources scored judgement

The Council continues to perform well overall and now performs well against all five themes.

Element	Assessment	Last year's assessment
Financial reporting	3 out of 4	3 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	3 out of 4	2 out of 4
Internal control	3 out of 4	3 out of 4
Value for money	3 out of 4	3 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

(Note: 1 = inadequate performance, 2 = adequate performance, 3 = performing well, 4 = performing strongly)

- 32 We assessed each element as 3. Our assessment for financial standing improved to 3 from 2 because the Council was able to demonstrate that it was monitoring the effectiveness of its debt recovery.

Data Quality

- 33 We issued our report on data quality on 23 January 2008. We concluded that the Council's overall management arrangements for ensuring data quality were adequate.

Audit fee update

- 34 In our governance report, issued last September, we included the following table.

Table 2 Audit fee 2006/07

The extra cost of £7,273 for audit work on the financial statements arose because of the need to carry out work on the proposed Large Scale Voluntary Transfer (LSVT) of housing stock.

	Plan 2006/07	Actual 2006/07
	£	£
Financial statements and Statement on Internal Control	50,845	58,118
Use of Resources	22,149	22,149
Total Audit Fees	72,994	80,267
Grants certification work	25,000	26,784
Other work	0	0

- 35 The only subsequent change to this is an extra fee of £1,950 for the audit of 'Whole of Government Accounts' which was not included in the 2006/07 audit plan.

Looking ahead

- 36 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 37 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 38 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.
- 39 The Council will also face further challenges in financial reporting in the coming years. In March 2007 the Chancellor announced that accounts in the public sector will need to be compiled using International Financial Reporting Standards (IFRS). IFRSs will be applied to local government for the 2010/11 published accounts which will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009. It may also be the case that the government will require some financial information for 2008/09 based on IFRSs.
- 40 While much of the current reporting framework is in line with IFRS there will be significant additional disclosure requirements and a number of areas where the Council will potentially need to change its accounting methods to ensure it is able to capture the relevant data at the correct point in time to comply with IFRS.
- 41 Your officers are aware of the need to prepare for this change, but it is essential that the Council puts in place the sufficient resources and project plan at an early enough stage to ensure the relevant information can be collated. It is likely that preparation for this change will form part of future Use of Resources assessments.

Closing remarks

- 42 This letter has been discussed and agreed with the Chief Executive and Head of Corporate Services. A copy of the letter will be presented at the Audit Committee on 8 April 2008. Copies need to be provided to all Council members.
- 43 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 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Auditor's report on the 2006/07 Best Value Performance Plan	November 2006
Use of resources scored judgement 2006	March 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Use of resources scored judgement 2007	December 2007
Data quality report	January 2008
Annual audit and inspection letter	March 2008

- 44 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 year.

Availability of this letter

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

Beverley Parker
Relationship Manager

March 2008