

# Annual Audit and Inspection Letter

Warwick District Council

Audit 2007/08

Date

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 Overall, Warwick District Council continues to improve services and outcomes for local people, although this is becoming more challenging. The Council is now only performing marginally above the national average with its lead over others reducing over the past three years. Planning performance deteriorated during 2007/08 and has yet to show sustained improvement. However, the Council has successfully implemented a new waste collection and recycling service which has led to a step change improvement in recycling rates. The new scheme puts the Council amongst the best performers nationally for recycling. Progress with reducing crime and delivering affordable houses is good but other improvement in priority areas such as housing management and customer access is more mixed.
- 2 The Corporate Plan 2008 -11 aligns the Council's ambitions with that of the county-wide Local Area Agreement and a new sustainable community strategy is being finalised. The council is responding appropriately to new challenges emerging as a result of the recession/ credit crunch. Income from charges is falling and the council is currently forecasting around a £1.6 million budget shortfall in the next three years. As a low spending council, this represents a significant challenge.
- 3 During the audit of the Council's accounts problems were identified in reconciling the legal records with the asset register which is used to compile the figures in the Statement of Accounts. Ultimately we could not gain sufficient assurance that the figures were complete as our testing identified some omissions. As a result we had no alternative but to issue a "limitation of scope" qualification to our opinion on the statement of accounts.
- 4 The problems with the accounts impacted on the Use of Resources score for 2007/8 which has reduced from an overall 3 down to 2. The individual element affected was Financial Reporting which reduced from a 3 to a 1 and caused the overall score to reduce. There is a new Use of Resources assessment for 2008/9 which is significantly more challenging, with greater emphasis on demonstration of positive outcomes and partnership working.

## Action needed by the Council

- 5 The Council needs to ensure its legal records reconcile with the asset register and that the problems which arose during the 2007/8 are not repeated.
- 6 Warwick has a good track record of delivering balanced budgets and has traditionally managed its financial position well. However like all council's it faces major challenges in the future due to the recession and has identified an estimated budget shortfall over the next 3 years of £1.6m. We recommend that members closely monitor the impact of these challenges on the Council's overall financial position
- 7 The Council are recommended to continue to improve the performance of Housing Management Services and Planning.

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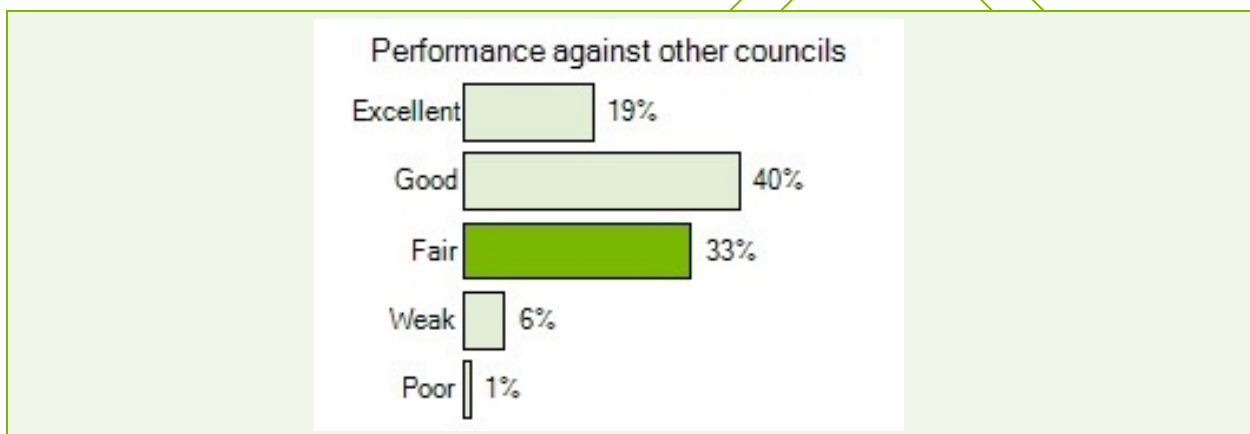
# Purpose, responsibilities and scope

- 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 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 I 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. I 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. I will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://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 will review and report 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 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Warwick District Council performing?

- 14 Warwick District Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. 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. The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

**[Note: The relevant chart will be added by the Publishing Team based on the information given in paragraph 9. There is no need for authors to add the charts themselves].**

## The improvement since last year - our Direction of Travel report

- 15 Overall, Warwick District Council continues to improve services and outcomes for local people, although this is becoming more challenging. A new Corporate Plan 2008 -11 is in place which aligns the Council's ambitions with that of the county- wide Local Area Agreement. The Council has 7 objectives covering all major service areas with 20 priority targets for improvement in its Corporate Plan 2008-11. The objectives are; Development, Environment, Housing, Culture, Communities, Customers and Leadership.
- 16 Overall improvement as measured by national performance indicators is below average for 2007/08 continuing the trend for the past three years where comparative data is available. In a basket of indicators, 39 per cent improved, ranking 387 of 388 councils nationally. Warwick District Council is now only performing marginally above

the national average with its lead over others reducing year on year. 37 per cent of indicators are in the best 25 per cent nationally compared with a district council average of 33 per cent. Deterioration in planning performance and corporate health indicators were the key contributors to the slow down in comparative improvement, together with data reporting issues for some waste indicators<sup>1</sup>. Un-audited data for 2008/09 is showing that although the time taken to process major applications has improved, performance for processing minor and household applications and the percentage of planning appeals allowed has not improved. This is not supporting the Council's priority for meeting housing need or improving the efficiency of customer facing services.

- 17 The Council is delivering strongly against its priority for a sustainable environment. A new waste collection and recycling service, implemented in April 2008 has produced a step change improvement in recycling rates. Un-audited data suggests this has increased from 31 per cent in 2007/08 to around 60 per cent in the first six months of the scheme, with no waste sent to landfill in the first quarter of 2008/09. A survey of the Council's Citizens panel in September 2008 shows public satisfaction with the new service at 78 per cent is good with around 80 per cent saying they recycle more and produce less residual waste with the new arrangements. Data reporting issues mentioned earlier affect the cost of waste collected and the percentage population served by kerbside recycling.
- 18 Wider community benefits alongside environmental benefits are being delivered though the purchase of Oakley Wood, which forms part of the crematoria estate. One hundred and sixteen acres of ancient woodland, with a possible Iron Age fort, has been saved for local residents to enjoy. A new woodland management plan seeks to selectively thin available timber and sell it and/or use as bio-mass for heating. The Council's formal parks have national recognition, and in July 2008 Jephson Gardens were awarded Green Heritage Site status, which is judged on the treatment of a site's historic features and the standard of conservation. The Council is the first Council in the Midlands receiving Green Heritage Site accreditation.
- 19 Progress with meeting the Council's priority to improve housing services is mixed. The Council continued to make steady progress towards meeting the Decent Homes standard in 2007/08 although this fell slightly short of its planned progress. The percentage of rent collected in 2007/08 rose marginally from a low base, but the overall level of housing arrears increased as targets were not met to recover rent owed by current and former tenants. The Council is taking steps to improve the usage of its housing stock. Changes to the choice based lettings scheme were introduced in September 2008. This aims to ensure that there is a greater spread of properties across the Bands to give people more choice for bidding. One successful tenant incentive scheme has released 10 under-occupied homes to be re-allocated to larger families. The scheme is planned to be repeated in the next financial year.
- 20 Progress with meeting the delivery of affordable homes is good. The Council's policy of having 40 per cent affordable homes on qualifying housing development sites has contributed to the number of affordable homes completed rising from 46 in 2006/07 to 170 in 2007/08. This represents three affordable homes completions per 1,000

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<sup>1</sup> The performance indicators affected relate to the cost of waste collected and the percentage of population served by kerbside recycling collections.

## How is Warwick District Council performing?

dwellings; comparatively this is in the best 25 per cent of councils nationally. 62 affordable homes have been completed in the first half of 2008/09, although the recession/ credit crunch means that the Council's target for 100 affordable homes per year is currently unlikely to be met.

- 21 Crime in the area continued to fall in 2007/08, contributing to the Council's priority for safer and sustainable local communities. However, across Warwickshire and including Warwick District, the fear of crime rose for the first time. The Council is tackling this through targeted projects and better engagement with people at local level. It has set up joint area partnership teams with the safer neighbourhood forums. Changes such as the consulting on the location of a bus stop have made small but important differences to local people.
- 22 Access to services for people with diverse needs is continuing to improve, with more to do. Residents in Warwick have easier access to a range of services through a new joint One Stop Shop with the County Council. This incorporates the local Post Office, safeguarding the facility in the town. The Council's website has achieved a 'Level A' accessibility rating from the Royal National Institute of Blind, one of only 37 out of 468 studied, and it has been accredited by the Shaw Trust<sup>1</sup> for the third year running. People on low incomes are getting their Housing and Council Tax Benefits processed more quickly through the introduction of a guaranteed three day turn around on benefit applications if the correct information is provided. However, the Council has yet to deliver sustained improvement or meet its internal targets for answering customer's calls to its Contact Centre. Although the Council is improving its approaches to meeting diverse need of its communities it remained at Level 2 of the Local Government Equalities Standard in 2007/08. The current Equalities Standard is being replaced in 2009. Once the details of the new scheme are available, the output of a peer review carried out in 2008 will inform the Council's route map for progressing further.
- 23 The Council is effectively delivering its planned efficiency savings and improving value for money. Warwick remains a low spending Council overall, with the level of Council Tax for an average band D property continuing to be in the lowest 25 per cent nationally. Council Tax collection rates are high and there has been a good improvement in business rate collection (NNDR) over the past three years. Performance has improved from the worst 25 per cent of councils nationally to above the national average. For the three years to March 2008, the Council delivered £2.325 million of efficiencies (of which £1.395 million was cashable), ahead of its target of £1.5 million. Progress with securing better value for money through procurement is limited although new housing maintenance contracts being tendered in 2009 provides an opportunity to benefit from more competitive market conditions.

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

- 24 The council is responding appropriately to new challenges emerging as a result of the recession/ credit crunch. Strategies and plans are being reviewed to ensure they remain affordable and deliverable. Although some targets such as the provision of affordable houses and for income generation will not be met, the focus on improving

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<sup>1</sup> The Shaw Trust assesses how disabled people can access the information.

efficiency driving the 'Building on Excellence' change programme is enabling the Council to quickly adapt.

- 25 The Council is successfully delivering regeneration projects in the district. The redevelopment of Talisman Square in Kenilworth together with attracting a major supermarket has increased footfall in the town. Work is on track to complete the Althorpe Enterprise Hub and Court Street railway arches in Leamington's Old Town, an area targeted for investment and community regeneration. The Enterprise hub will provide modern office premises for new businesses working in hi-technology and creative industries and the Court Street railway arches will provide studio or office space for creative businesses.
- 26 The Council's capacity for change is being influenced by a number of factors. Income from charges is falling and the council is currently forecasting around a £1.6 million budget shortfall in the next three years. As a low spending Council, this represents a significant challenge. On a positive note, closer partnership working is improving capacity. The Local Strategic Partnership is finalising a new sustainable community strategy for 2009, which is aligned with the Corporate Plan and the Local Area Agreement.

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# The audit of the accounts and value for money

- 27 We presented our final Annual Governance Report to the Audit and Resources Scrutiny Committee on the issues arising from the 2007/08 audit on 3 February 2009. We have completed the audit and issued our audit report which gave a qualified "limitation of scope" opinion on the accounts and concluded that the Council's vfm arrangements are adequate.
- 28 The audit report and opinion should have been given by 30 September 2008. However, the opinion was delayed due to the work that was being done to reconcile the Council's legal records with the asset register. This was necessary to try to provide assurance that the fixed asset figures in the accounts contained all the Council's assets. As the issues could not be satisfactorily resolved, we could not be sure that the asset register was complete particularly as our testing revealed there were some omissions. Consequently we had no alternative than to issue a "limitation of scope" qualified opinion on the statement of accounts.
- 29 In addition to the problem of reconciling the asset register the Annual Governance Report highlighted ten adjustments, three of which were material, that were made to the accounts during the course of the audit.

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## Use of Resources

- 30 The audit findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made 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 the audit assessment of the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

Element	Assessment
Financial reporting	1 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>2 out of 4</b>

Note: 1 – lowest, 4 = highest

### The key issues arising from the audit

- 32** With the exception of the score on financial reporting all other overall scores remained unchanged. The qualification to the accounts and the material adjustments made to the accounts meant that the financial reporting score was reduced.
- 33** We noted that, whilst other arrangements were largely unchanged the asset management score deteriorated owing to issues related to the asset register referred to in the qualification to the accounts. There were, however, improvements in a number of areas. In particular, profiled budget information and training on finance issues for members and non finance staff are now embedded and arrangements for Registers of Interest and Gifts and Hospitality have strengthened.
- 34** However, the new Use of Resources assessment for 2008/9 is significantly more challenging, with greater emphasis on demonstration of positive outcomes and partnership working.
- 35** Overall we assessed the Council as performing well in achieving and improving Value for Money. We noted that the Council is undertaking further work on procurement in order to secure further improvements.

### Data Quality

- 36** We reported that overall management arrangements during 2007/08 for ensuring data quality are at minimum requirements. Three specific areas where improvements are ongoing were noted, and the interest which members are taking in data quality.
- 37** Three Performance Indicators were reviewed in detail, and it was concluded that all were fairly stated.

### Grant Claims

- 38** During the course of the audit we have to certify a number of grant claims in accordance with the requirements specified by the Audit Commission. A new approach to the certification of the Housing Benefit and Council Tax benefit claim was introduced this year. This was designed to improve the synergy between our data quality and

## The audit of the accounts and value for money

certification work. However, your officers feel that this did not work as well as it could have done. The audit team will work with them to try and address their concerns for 2008/09.

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# Looking ahead

- 39** 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.
- 40** 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.
- 41** 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.

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# Closing remarks

- 42 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit and Resources Scrutiny Committee on 17 March 2009. 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.

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**Table 2      Reports issued**

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	February 2009
Opinion on financial statements	February 2009
Value for money conclusion	February 2009
Annual audit and inspection letter	March 2009

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- 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 audit.

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## Availability of this letter

- 45 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Mary-Ann Bruce**  
**Comprehensive Area Assessment Lead**

17 March 2009