

Annual Audit and Inspection Letter

Wyre Forest 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.

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Key messages

- 1 The main messages for the Council included in this report are as follows.

Performance issues

- 2 The Council has achieved improvement in the delivery of its services. The rate of improvement, and the number of performance indicators in the top quartile are around the average when compared to other district councils. The Council is delivering top quartile performance for the quantity of waste collected. Performance on cleanliness of public spaces is variable and delivery of affordable housing has been poor, but is now improving. It is addressing diversity well. The centralised accommodation strategy is progressing slowly due to external constraints and the town centre development programme has also been subject to delays. Overall the Council is performing adequately in its achievement of value for money and the way it manages and improves value for money.
- 3 Improvement plans are comprehensive, but the Council has recognised that it needs to streamline its priorities and targets and intends to produce a new corporate plan. Progress in implementing plans has been mixed. Capacity to deliver objectives is a challenge for the Council, but there has been good use of partnerships and it has reconfigured its Divisional structure to improve capacity.
- 4 The inspection of the Council's cultural services concluded that although current service provision was good, the likelihood of further improvement was uncertain. This was because the Council had not set out a strategic vision for its cultural services and had not set clear targets to measure the effectiveness of its spending.

Other accounts and governance issues

- 5 KPMG gave an unqualified opinion on the annual accounts on 28 September 2007. They also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness.
- 6 In the third use of resources assessment the council was assessed as a 2 (achieving minimum requirements) overall. This is the same score as has been achieved in the previous two years. To enable the Authority to achieve a higher score, recommendations were made which included improvements in risk management processes, business continuity and in arrangements to achieve value for money.

Action needed by the Council

7 Members should ensure that:

- the Risk Management Strategy is updated, implemented and embedded throughout the organisation;
- a comprehensive Business Continuity Plan is developed in conjunction with Worcestershire County Council;
- the results of the value for money studies currently being undertaken are benchmarked against similar organisations;
- an action plan to reduce costs whilst maintaining the quality of service provided, based on the exercise to identify external factors impacting on service delivery, is produced and then monitored by the Cabinet;
- progress is made with the development of an estates-related benchmarking process; and
- a strategic vision for its cultural services is set out and clear targets to measure the effectiveness of its spending are established.

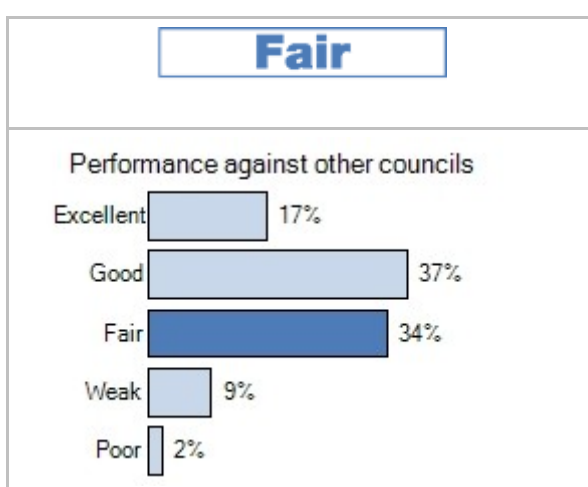
Purpose, responsibilities and scope

- 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 Wyre Forest District Council performing?

- 14 Wyre Forest 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 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

The improvement since last year - our Direction of Travel report

- 15 The Council has achieved improvement in the delivery of its services. The rate of improvement, and the number of performance indicators in the top quartile are around the average when compared to other district councils. The Council is delivering top quartile performance for the quantity of waste collected. Performance on cleanliness of public spaces is variable and delivery of affordable housing has been poor, but is now improving. It is addressing diversity well. The centralised accommodation strategy is progressing slowly due to external constraints and the town centre development programme has also been subject to delays. Overall the Council is performing adequately in its achievement of value for money and the way it manages and improves value for money.

- 16 Improvement plans are comprehensive, but the Council has recognised that it needs to streamline its priorities and targets and intends to produce a new corporate plan. Progress in implementing plans has been mixed. Capacity to deliver objectives is a challenge for the Council, but there has been good use of partnerships and it has reconfigured its Divisional structure to improve capacity.

Evidence of the Council improving outcomes

- 17 Improvement in services has been steady as is reflected in the Council's performance indicators for 2006/07. Comparative analysis shows that the Council has achieved about average improvement in performance over the past three years and just above the average rate of improvement during the past year. The percentage of performance indicators that are in the best quartiles is average for a District Council. The table below shows this position.

Table 1 Table showing comparative Performance Indicator position

	Wyre Forest District Council	District Council Average
Performance Indicators improving in the past three years	54%	54% to 56%
Performance Indicators improving since last year	63%	57% to 59%
Performance Indicators in Best Quartile	33%	33%

Source: Audit Commission Key Performance Indicator Profiles

- 18 The Council has a large number of areas identified as priorities and has made mixed progress in achieving them. It identified three Annual Priority Themes (Service, Efficiency and Prosperity) in 2006/07, which have been continued for 2007/08. The Annual Priority Themes are expressed as nine key results areas and linked to the Corporate Themes and Key Priorities in the Corporate Plan.
- 19 The Council is addressing diversity well. It adopted an Equalities and Diversity policy in June 2007, has established a Single Equalities Scheme and has piloted Equalities Impact Assessments. In October 2007 it held an initial consultation with 'hard-to-reach' groups and held a Disability Awareness Day in November 2007. The Council achieved level 2 of the equality standard for local government in April 2007 and intends to have its evidence peer reviewed.

- 20 Performance in waste and recycling is variable. Council performance for waste collected is amongst the best in district councils, but satisfaction with this service is in the worst quartile. While satisfaction with recycling is above average and improving, the council's performance on households served by a kerbside collection of recyclables is below average.
- 21 Performance on the cleanliness of public spaces is variable. The Council is reducing the percentage of land that is littered and its performance on the level of fly-posting is amongst the best recorded in district councils. However, performance on reducing the levels of graffiti is lower than average.
- 22 The Council's centralised accommodation strategy is progressing slowly and is being revisited due to external constraints related to flooding and traffic. Considerable preparatory work has been done including environmental and traffic assessments and, following a cabinet reappraisal of all the potential sites in the summer, a new timetable will be prepared.
- 23 Performance on delivering the town centre development programme is mixed. Kidderminster Town Centre (KTC3) was delayed following a takeover of the original contractor. The Council planned to apply for planning permission in September 2007 and start work on-site in March 2008, however, the planning application is now scheduled for September 2008 and site work planned to start in March 2009. Negotiations to acquire land for Stourport Town Centre (STC4) were held up following the appointment of valuers by the site owner. The Council cannot predict a timeframe for the project until it knows whether it can agree purchase with owner or whether a compulsory purchase is required. Work on the multi use centre in Bewdley is progressing. Initial feasibility work is complete and a multi agency steering group has been established. Planning is proceeding in parallel with the proposed development of a charity-owned building on the edge of the main development site.
- 24 Performance on affordable housing has been poor, but is now improving. The Council's performance on the number of affordable homes completed in the district in 2006/07 was in the bottom quartile, due in part to site assembly difficulties. However, it aims to address this by completing 97 affordable homes in 2007/08 and at the half year stage had completed 58.
- 25 The Council is delivering adequate performance, both in the extent to which it currently achieves value for money and the way it manages and improves value for money. Overall costs are relatively high while customer satisfaction is below average in a number of services areas. The Council does evaluate capital projects and the capital programme is actively monitored, however there is no process for evaluating how projects contribute to overall Council objectives. Cashable and non-cashable efficiency gains have been set for 2007/08, but while progress in delivering actual savings is monitored, action planning is not used to ensure targets are delivered.

Progress on improvement plans

- 26 The Council has made some progress on managing improvement. All Divisions now use the Covalent performance management system to record and report progress on performance indicators and three Divisions use Covalent at divisional team meetings to inform discussion. The Council intends to expand the use of Covalent to incorporate Risk Management, but at present Covalent is used predominantly to manage delivery of Improvement Plans, Council Priorities and Business Plans. Covalent is a live database that is updated by the responsible manager and can be accessed by members and officers who have the appropriate access rights. Covalent is being embedded into Council systems, but its impact on improved service performance has yet to be fully realised.
- 27 Progress in delivering the Council's improvement plan has been mixed. This is the third year of Wyre Forest's improvement plan which has 10 projects containing 27 targets. The Council's own data shows that it achieved 35 per cent of targets in year one (2005/06), a further 23 per cent in year two (58 per cent in total) and expects to fully achieve 73 per cent plus by the end of the year. In addition, a number of other targets have been partially met. Some are reliant on action by partners and other external bodies and have been subject to the delays referred to earlier. The Council has adopted a data quality policy, did not open the Worcestershire Hub Bewdley Satellite Service Centre by December 2007 as planned and the evaluation of purchase-order processing via Agresso is still in progress.
- 28 The Council needs to streamline its priorities and targets. It understands that this issue needs to be addressed and we are currently working with the council to assist members to develop a new corporate plan with fewer priorities
- 29 Capacity to deliver its plans is an issue for the Council. However, it has entered into a number of partnerships to mitigate the effects of limited capacity and has recently reconfigured its divisional structure to improve capacity. It has, for example, appointed a Head of Community and Partnership Services (to enhance its partnership working arrangements), appointed a Corporate Procurement Officer (to develop use of its procurement strategy), and appointed a Corporate Risk Officer ~ and commissioned Zurich as consultants (to produce an updated Risk Policy and Strategy).

Service inspections

- 30 We carried out an inspection of the Council's cultural services. The services included in this inspection were:
- community development;
 - leisure services;
 - sports and leisure centres;
 - parks and green spaces; and
 - tourism.

- 31** Our inspection concluded that Wyre Forest district Council provide 'good' two star cultural services which have 'uncertain' prospects for improvement.
- 32** The strengths of the service are:
- Wyre Forest's cultural services are customer-focused and responsive to the needs of the local community;
 - the Council provides a wide range of cultural services;
 - the Council's cultural services provide good value for money;
 - physical access to facilities is generally good;
 - the Council has a good record of delivering improvements in cultural services, and has been successful in securing external funding; and
 - cultural services have a strong track record of using partners and volunteers to deliver improvements.
- 33** Areas for further development included:
- the Council needs to set out a clear strategic vision and aims for cultural services;
 - the council needs to set clear, measurable targets to measure the effectiveness of its spending and to drive improved value for money; and
 - improving the use of the Council's website to widen access to the local community or visitors.
- 34** Our recommendations included:
- articulating the Council's vision and strategy for cultural services; and
 - improving performance management of the service and the approach to value for money.

The audit of the accounts and value for money

Accounts

- 35 Your appointed auditor has reported separately to the Audit Committee on the issues arising from our 2006/07 audit and have issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 28 September 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 36 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).

- 37 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 2

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

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- The Authority should ensure that the Risk Management Strategy is updated, implemented and embedded throughout the organisation, to ensure that the assurance framework in place to support the Statement on Internal Control is soundly based.
- The Authority should ensure that in conjunction with Worcestershire County Council, a comprehensive Business Continuity Plan is developed to enable it to continue to meet its strategic objectives in any given situation.
- The results of the value for money studies currently being undertaken should be benchmarked against similar organisations. This will ensure that the Authority can learn from best practice
- Whilst the Authority has made some progress in relation to identifying all external factors which impact upon service delivery, the results of these exercises should form an action plan to reduce costs whilst maintaining the quality of service provided. The Cabinet should closely monitor achievement of these action plans.
- The Authority should progress with the development of an estates-related benchmarking process, to include comparison with similar organisations, in order to both learn from and share best practice.

Looking ahead

- 38 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.
- 39 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.
- 40 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

- 41 This letter has been discussed and agreed with the Council's Chief executive and the Section 151 officer. A copy of the letter will be discussed with the Audit Committee on 22 April 2008.
- 42 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 2006/07	July 2006
Annual Governance Report 2006/07	September 2007
Opinion on financial statements 2006/07	September 2007
Whole of Government accounts opinion 2006/07	September 2007
Value for money conclusion 2006/07	September 2007
Use of Resources audit judgement 2007	December 2007
Annual External Audit report	December 2007
Annual audit and inspection letter	March 2008

- 43 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

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

Elizabeth Cave
Relationship Manager

March 2008