

Annual Audit and Inspection Letter

South Cambridgeshire District Council

Audit 2007/08

March 2009



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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 The Council has made improvements in its Use of Resources arrangements and performance during 2007/08 to demonstrate an improved assessment rating in two of the five themes - financial management and financial standing. Arrangements for financial reporting are still performing well. Internal Control and Value for Money arrangements remain adequate.
- 2 The Council has improved processes in 2007/08, but demonstrating outcomes will be a significantly greater challenge that the Council will need to address in future years to maintain performance at the current level under the Use of Resources assessment.
- 3 The following Direction of Travel summary highlights key issues:

South Cambridgeshire District Council is improving in most priority areas. Performance is good and improving on waste and recycling, council tax collection and processing new housing benefits claims. Performance on providing affordable homes is good. Performance is mixed in the speed of processing planning applications, littering though improving remains an issue. Improvement in housing indicators is from a low base and most are below average. The Council remains at level 1 of the local government equality standard. Value for money is adequate and the Council now performs well in use of resources.

The Council has ambitious plans for the future which are aligned to the Sustainable Community Strategy. The Council has improved corporate governance and is building capacity to deliver its plans. But progress on service review implementation has slowed and key vacancies pose a risk to achieving priorities. Preparations for housing stock transfer are systematic and well advanced. Financial management, performance management and service planning are improving.

Action needed by the Council

- 4 Focus on service performance, including through the use of service reviews, in order to improve the rate of improvement and tackle areas of comparative under performance. This will include enhanced partnership working to deliver improved outcomes.
- 5 Improved access to services and mainstreaming equalities within the Council are key areas of improvement to ensure all residents, including the vulnerable, receive quality services.

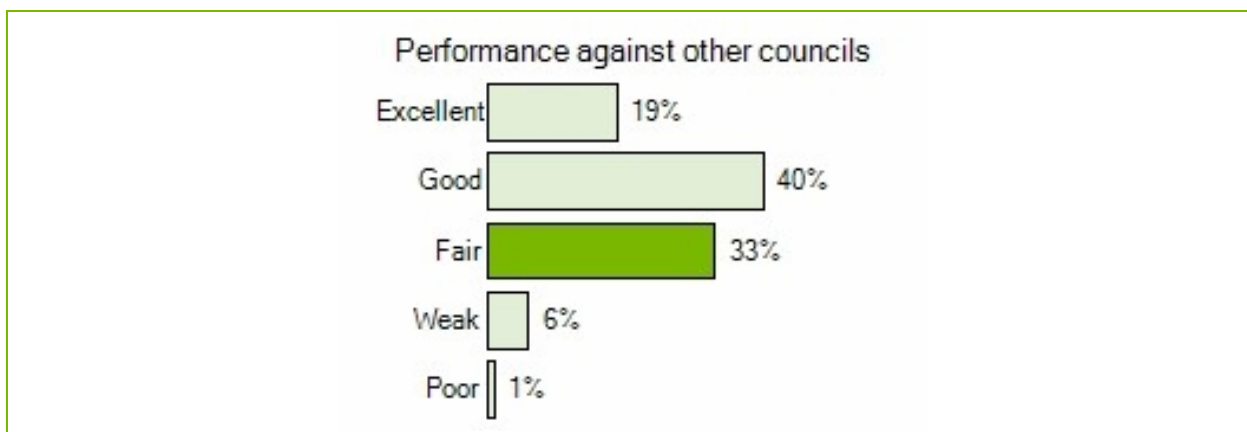
Purpose, responsibilities and scope

- 6 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.
- 7 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.
- 8 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).
- 9 As your appointed auditor I am 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, I 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.
- 10 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.
- 11 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is South Cambridgeshire District Council performing?

12 South Cambridgeshire 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

What evidence is there of the Council improving outcomes?

- 13 The Council has three corporate objectives and a set of 21 supporting service priorities. These objectives are based on public consultation, which informed the new Sustainable Community Strategy (SCS), along with the political priorities of the new administration. These three objectives are:
- work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future;
 - deliver high quality services that represent best value and are accessible to all our community; and
 - enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work.

How is South Cambridgeshire District Council performing?

- 14 The Council is improving its 'partnership working to manage growth'. The 'Cambridgeshire Horizons' partnership is embedded as the local delivery vehicle for sustainable growth in the sub-region, with a Joint Development Control Committee for Northstowe and another for the Cambridge Fringes. There is a Joint Urban Design Team. The Council is finalising the city southern fringe planning agreement, but progress on Northstowe is affected by the economic downturn.
- 15 The Council has systematically progressed its 'Housing Futures' proposals. The Shadow Board of South Cambridgeshire Village Homes has been established and is central to developing the final offer to tenants. Tenants are now to be formally consulted upon the offer and subject to any changes the Council will proceed to a ballot of tenants on stock transfer. This project has been well planned and resourced. Recycling and composting rates are among the best nationally and a kerbside plastics recycling service was introduced during 2008. However, success in recycling and composting means that the amount of waste collected is among the highest in the country and not reducing. The Local Environmental Quality Report 2007/08 classified the Council's performance as good on: leaf fall, graffiti, fly-posting and fly-tipping, but only satisfactory on litter and unsatisfactory on detritus. Investment has been made in street cleansing during 2008/09 to raise standards, especially along the major traffic routes passing through the district. Unaudited Council data suggests improvement on graffiti and fly-posting, but littering remains an area for focus.
- 16 There has been limited progress on tackling climate change. The Council has put in place a policy framework to achieve exemplary standards for low carbon living and climate change adaptation for Northstowe new town but the economic downturn has delayed the planning application. Aspirations for community owned pilot projects for energy efficiency and renewable energy generation have not yet emerged but the Council has sought expressions of interest for a detailed survey, options appraisal and action plan to help the Council in tackling carbon dioxide and greenhouse gas emissions from the business and commercial sector.
- 17 The Council is improving service quality in most services, but performance is not consistently high across the range of services. Many public facing services are improving, for example waste management, recycling, and benefits, but improvement in housing indicators is from a low base and most are below average. Historically, service reviews have helped to improve performance, for example in planning and benefits, but reviews have not progressed as scheduled in 2008. The ICT review, due to report in April 2008 has been completely reconfigured, due to capacity issues and will not now be completed until 2009/10. Delays on this review have inhibited website development.

How is South Cambridgeshire District Council performing?

- 18 Progress on customer services projects and service accessibility has been slower than planned. The Contact Centre, provided in partnership with Cambridgeshire County Council, performed poorly for several months in 2007 with long waiting times for customers and high numbers of calls abandoned. The Council insisted upon the set up of a recovery team which prompted remedial actions to address staff vacancies and absenteeism. This improved the customer experience throughout 2008. By December over 90 per cent of calls were answered within 20 seconds. Internally, there has been complaints handling training for managers and a mystery shopping exercise, but proposed customer services workshops for all staff, and business stakeholder forum have not happened as planned. The quality of customer services remains variable.
- 19 The Council has made limited progress in its objective to 'enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work'. The Community Engagement Strategy is unlikely to be in place by April 2009 and efforts to improve engagement with parish councils have not produced significant outcomes. The Council recognises there have been few outcomes in promoting economic development and is now taking action to address this. An Economic Development Officer has been recently recruited and the Council is commissioning a baseline report of the District's local economy to inform the development of an Economic Development Strategy. The Council has considered how the economic downturn might affect businesses in the district and agreed to allocate £150,000 to support the local economy in 2009/10, amongst other measures. Performance on reducing crime and fear of crime and anti-social behaviour, through the South Cambridgeshire Crime and Disorder Reduction Partnership (CDRP) has been poor. Domestic burglaries, robberies and thefts of motor vehicles rose during 2007/08 and are among the highest 25 per cent of the comparator group. However, offences of violence against the person dropped and are among the lowest. The CDRP has worked hard to make effective use of limited funding to address crime but available 2008/09 data does not show significant improvement. Failure to reduce crime adversely affects public perceptions on quality of life.
- 20 In 2007/08, the Council improved 65 per cent of its performance indicators against an all district average of 57-59 per cent. This reflects its improvement over the last three years, with 60 per cent of indicators improving. However, only 24 per cent of performance indicators are amongst the best nationally, against a district average of 33 per cent.
- 21 The Council is making some effective contributions to wider community outcomes. It has consolidated the joint planning arrangements with Cambridge City and the County Council to realise the benefits of growth for all. The Council has made a joint submission with Cambridge City to the Boundary Commission to rationalise control of fringe housing development sites. It has supported the Local Strategic Partnership to develop the sustainable Community Strategy and given greater prominence to the Local Area Agreement (LAA). The Council is improving its community leadership.

How is South Cambridgeshire District Council performing?

- 22** The Council has made slow progress on its equalities work. Level 1 of the Local Government Equality Standard was attained in December 2007. Plans to adopt a Gender Equality Scheme by May 2008 were deferred. As a result the Council engaged a consultant to reshape its approach. A new Equality and Diversity Officer has been appointed and the Council is recruiting to a twelve month post of Equalities Project Officer to assist with the programme of equality impact assessments and other work to support the equalities programme. The role and membership of the Equal Opportunities Working Group has been reviewed to include representation from across the Council. A small pilot project of Equality Impact Assessments (EIA) has been completed. The target date to achieve Level 2 of the Local Government Equality Standard, a new Gender Equality Scheme and a revised Race Equality Scheme is now June 2009.
- 23** Value for money is adequate and the Council now performs well in use of resources. Council tax levels are amongst the lowest nationally and levels of un-apportioned central overheads remain low. Links between expenditure and priorities have become clearer and areas of high spend are broadly justifiable in the context of Council objectives. However, the overall quality of services is mixed, with some underperforming, for example housing services. The Council has adequate arrangements for managing and improving value for money but there is little benchmarking to assess the value for money of services. Post implementation reviews on improvements and knowledge sharing between departments to embed value for money achievements are not widespread. Evaluation of value for money in partnership working is evolving but visible outcomes cannot yet be demonstrated. The Council has assessed the long term implications of housing stock retention or transfer across the whole Council, using whole life costing and options appraisals. However, long term evaluation of other services has not yet been completed. External funding is pursued strategically to support priorities and statutory efficiency targets are consistently exceeded.

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

- 24** The Council has robust plans in place for improvement. It has responded positively to the Corporate Governance report of 2006 and the follow up report of March 2008. A plan is in place to address the recommendations of the follow up inspection and actions are being progressed through service plans and improved performance management arrangements. The Improvement Board in January 2009 concluded that the Council is able to sustain improvement without its oversight. The Corporate Plan brings together proposals from the Improvement Plan, service plans, the Sustainable Community Strategy, medium term financial strategy (MTFS) and other strategies and policies. For 2009/10, the Council has adopted a set of Aims, Approaches and Actions, as successors to existing corporate objectives. These aims have provided the context for service planning and any financial implications will be included in the MTFS to ensure adequate resourcing.

How is South Cambridgeshire District Council performing?

- 25 The Council is implementing most planned improvements. Management team and Cabinet receive integrated business monitoring reports quarterly tracking both financial management and corporate priority performance. There are also discrete project plans and some of these have been successful in achieving milestones, for example the Housing Futures Plan. The Council also worked successfully to an action plan to improve its Use of Resources score in 2007/08 from an overall two to an overall three. However, some other plans have experienced slippage, for example the equalities action plan or the service review programme. South Cambridgeshire operates as a lean authority and the loss of key staff has impacted upon some projects, but some timescales and targets have been unrealistic.
- 26 The Council and its partners are working effectively to a common agenda for improvement. Countywide and local targets for the LAA2, have been agreed and work is proceeding to disaggregate county targets for districts and other partners and to develop action plans. Achievement of these targets has been built into individual service plans for 2009/10. Proposals have been approved for the use of £9 million LPSA (Local Public Service Agreement) reward money, allocated equally across the county. Cambridgeshire Together has approved revised structures and working arrangements. The Council has been an active partner in these developments. Performance against target areas will be monitored by Cambridgeshire Together.
- 27 The Council has detailed plans to improve access to services for its diverse communities. The Equalities Implementation Action Plan sets out how the Council intends to achieve Level 2 of the Local Government Equality Standard by June 2009 and then the 'achieving' level of the new equality framework by June 2010. This comprehensive approach to equality policy aims to see the adoption of a complete suite of policies by June 2010. The implementation of a revised Gypsy and Travellers Strategy by June 2009 is also included. The plan is comprehensive with eight work streams including resources, equality impact assessments, training and development and monitoring, review and assessment. This will improve the Council's ability to take account of the diverse needs of all sections of its community.
- 28 The Council's capacity is improving but financial pressures and key vacancies pose a risk to achieving Council ambitions. Financial standing is sound with reserves being in line with the plans set out in the MTFS. Processes to deliver expenditure against the budget have improved, and targets for budget performance in 2007/08 were met. The projected outturn for 2008/09 is expected to closely match the original budget. However, current economic conditions are impacting upon the Council, particularly reduced house building rates. This affects achievement of proposed housing growth rates, planning and land charges income and Council Tax income.
- 29 Capacity is being strengthened. The Cabinet has strengthened its capacity by adding a portfolio holder and a Member Development Strategy is in place to address core skills, personal development reviews and improved induction. Agreed restructuring will increase management capacity with an additional Executive Director, for finance and support services. There are firm plans for an additional Corporate Manager from July 2009. The Council has also approved a revised Workforce Plan and has achieved Investors in People (IIP) accreditation following an assessment in February 2009.

How is South Cambridgeshire District Council performing?

- 30 Scrutiny has improved and is making a contribution to decision making. There has been greater focus on Scrutiny and steady improvement since the Corporate Governance Inspection. There has been a programme of training and role clarity has improved. There are now liaison meetings between the Chair, the Leader and the Chief Executive. A 'task and finish' group, set up by Scrutiny, successfully reviewed lessons to be learned from the Orchard Park development and made recommendations to improve this and future major developments. Scrutiny Committee continues to meet in different locations across the district and encourage public involvement in its meetings. However, the last two meetings of 2008 were cancelled due to lack of business. It is recognised that further development will help to realise more benefits. For example, currently Scrutiny does not fully appraise or report its impact on services for local people.

The audit of the accounts and value for money

- 31** Your appointed auditor has reported separately to the Corporate Governance Committee on the issues arising from our 2007/08 audit and has 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 30 September 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 32** 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).
- 33** 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	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

- 34 The Council has made improvements in its Use of Resources arrangements and performance during 2007/08 to demonstrate an improved assessment rating in two of the five themes - financial management and financial standing. Arrangements for financial reporting are still performing well. Internal Control and Value for Money arrangements remain adequate.
- 35 A variety of steps to improve financial management arrangements. Firstly, a financial diagnostic was undertaken which made a series of recommendations to improve the financial management arrangements of the Council. Running alongside this has been a review of the back office services, to ensure that finance and support services were not reviewed in isolation, but rather a joined up review of back office services was completed. Service plans have financial and risk implications incorporated into them, and the medium term financial strategy now drives business processes, including internal strategies and reports that are likely to have a financial impact on the organisation. This has led to improved financial performance against the budget, and reduced the level of under spends.
- 36 The Council continues to have sound financial standing with reserves being in line with the plans set out in the medium term financial strategy. The Council have improved processes to deliver expenditure against the budget, and the Council has met its own targets for budget performance, both as a whole and against individual budgets for the past two years with no significant adverse impacts on the Council meeting its own objectives.
- 37 Treasury management arrangements remain largely sound and the Council was not affected by the collapse of Icelandic banks. However, we would recommend in the current economic climate, where there are unprecedented failures in the banking sector, that the Council keeps treasury management arrangements under review and ensures that credit ratings are just one of a suite of indicators used to assess the suitability of investment options.

The audit of the accounts and value for money

- 38** Overall the Council's processes for securing good data quality on internally generated data have improved. Testing of specific indicators did not identify any significant weaknesses in the arrangements to secure good quality data of these indicators. However, these arrangements do not yet translate themselves into an understanding of the outcomes from having good quality data, nor have the arrangements become embedded for ensuring good quality data from partners.
- 39** As was the case in 2006/07 the Council continues to prepare good quality accounts that are free from material error and are supported by a reasonable quality of working papers. However, there were some technical areas in which the draft accounts did not, in our view, comply with the 2007 Local Government Statement of Recommended Practice ('SoRP'). Management agreed to adjust the accounts following discussions with us. None of these adjustments impacted on the General Fund or Housing Revenue Account balances.
- 40** The Whole of Government Accounts were audited by the statutory deadline with no significant issues to note.
- 41** The certification of grant claims and returns submitted by the Council are undertaken in accordance with instructions from government departments. Out of the six claims certified two claims were amended and one was amended and qualified. The housing subsidy base data return and housing subsidy claim were both amended. The Housing and Council Tax Benefit subsidy claim was amended and qualified due to a software issue.

Advice and Assistance work

- 42** We have not undertaken any work under section 35 or under Advice and Assistance powers.

Looking ahead

- 43 The public service inspectorates have developed 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.
- 44 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 45 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 National Indicator Set and key aspect of each area's Local Area Agreement.
- 46 There have been significant changes to the Use of Resources assessment criteria for 2009, as part of the new Comprehensive Area Assessment. The new assessment framework is more demanding than the current one, is broader in scope and embraces wider resources issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on outcomes for local people. The KLoE are more strategic and focus explicitly on value for money achievements rather than processes. The Council has a reasonable track record on process, demonstrating outcomes will be a significantly greater challenge. The role of members and the quality of their scrutiny in affecting outcomes will be the subject of detailed review in the new framework.
- 47 Along with other local authorities the Council will be required to implement International Financial Reporting Standards from 1 April 2010. This will involve a significant amount of additional work in a number of key areas including valuation of fixed assets, review of contracts and leases and the recording of annual leave. The Council will need to start putting arrangements in place from April 2008 as this represents the start of the comparator year which must be reported in the 2010/11 accounts.

Closing remarks

- 48 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Corporate Governance Committee on 29 April 2009. Copies need to be provided to all Council members.
- 49 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
Audit and inspection plan	March 2007
Audit Strategy Document	June 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Data Quality report	December 2008
Use of Resources report	December 2008
Annual audit and inspection letter	March 2009

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- 50 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

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

Nigel Smith

Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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