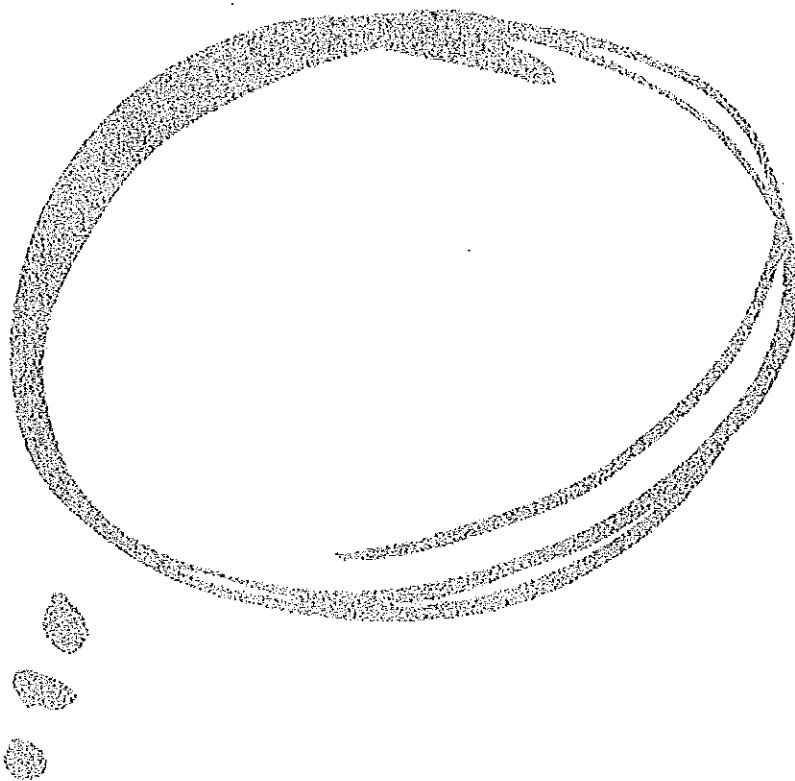


# Annual Audit and Inspection Letter

Waverley Borough 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 good arrangements for providing value for money. The Council's costs are in the lowest 25 per cent of near neighbour councils. The Council maintains information on its costs and uses this to challenge value for money assumptions across the Council.
- 2 The Council has a track record of meeting its financial targets and of making efficiencies. In 2007/08 the Council achieved an underspend against budget of £864,000 and consequently the Council drew on less of its reserves than it originally planned. The Council has demonstrated leadership and prudent financial management in the early stages of this recession.
- 3 Going forward, the economic downturn presents a significant risk to the financial standing of all councils, including this one. There is significant pressure on all of the Council's sources of income, at the same time as an increasing pressure on costs and increasing demand for some services. This will need to be carefully managed, to mitigate the risk to the Council's financial position.
- 4 The economic downturn has impacted on the Council's targets for provision of affordable housing. 66 new affordable homes were delivered in 2007/08, which was below average when compared with other councils. The projected performance in 2008/09 is for 53 new affordable homes, which is less than the planned target of 61.
- 5 The Council produced a good set of financial statements in 2007/08. On 25 September 2008 we issued an unqualified opinion on the Council's financial statements and an unqualified conclusion on the Council's arrangements to provide good value for money.
- 6 Overall performance outcomes, as measured by the Audit Commission's basket of performance indicators, are moderate when compared with other councils nationally or with near neighbour councils. 24 per cent of performance indicators are in the best 25 per cent of councils nationally.
- 7 Recycling rates are better than average and the Council is among the best councils in the country for minimising the amount of its waste stream. The Council performs well against this key priority and is in the process of setting sustainability targets so that progress in this area can be better measured.
- 8 The Equality Standard in Local Government is a measure of how good a council's arrangements are to ensure its services are accessible and of benefit to the whole community. Waverley Borough Council was rated at level 1 in 2007/08. This put the Council in the worst 14 per cent of councils nationally. The Council has now drawn up an equalities scheme and consultation is underway to develop an action plan. The Council is of the view that it will achieve level 2 by the end of March 2009 and has asked its auditors to verify this.

- 9 The Council's performance in dealing with planning applications was weak in 2007/08. The time taken to process planning applications was in the worst 25 per cent of councils nationally. Performance deteriorated further in the first two quarters of 2008/09. The Council has taken a number of actions to address this and the performance in the third quarter of 2008/09 showed some early indications of improvement, from a low base line.
- 10 The Council provides a fair housing service with uncertain prospects for improvement. The Audit Commission's recent housing inspection report contained many positive messages about the management and leadership of the housing service. However 53 per cent of council dwellings do not meet the Decent Homes Standard. Under current funding arrangements just under half of the Council's rental income is paid into a national central pot and redistributed elsewhere. The Council recognises that it does not have the resources to achieve the government target of all houses meeting the standard by 2010. The report highlighted a number of other significant areas for improvement in the housing service. There is a lack of clearly defined service standards, and there is scope to improve performance management of the service. The standard of grounds maintenance and communal cleaning is inconsistent.
- 11 Data quality remains an area of concern at this Council. We qualified two of the three performance indicators tested this year in respect of the speed of processing of benefits claims, due to a number of errors in the source data. Problems also continue with the audit trails supporting some grant subsidy claims. This is important because subsidy claims account for a significant proportion of the Council's income.
- 12 During the year we have responded to a number of letters from local electors on the proposed development of the East Street area of Farnham. We have also held ongoing discussions with the Council about progress with the scheme. Going forward we will continue to monitor progress with this scheme, in so far as is consistent with our statutory remit.

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Action needed by the Council

Recommendation	
R1	Closely monitor the Council's financial position, and take timely and effective action to manage the risks to the Council's finances and performance presented by the economic downturn.
R2	Improve the performance of the housing service, by addressing the recommendations made in the Audit Commission's recent housing inspection report.
R3	Improve the approach to equalities and diversity, including the implementation of the action plan, to ensure the Council meets the requirements of the new equalities framework.
R4	Implement robust arrangements to drive improvements in data quality and address the recommendations in the Audit Commission's recent review of data quality.

R5 Address under-performance in the planning service, improving the speed of dealing with planning applications.

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# Purpose, responsibilities and scope

- 13 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.
- 14 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.
- 15 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](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 16 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.
- 17 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.
- 18 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

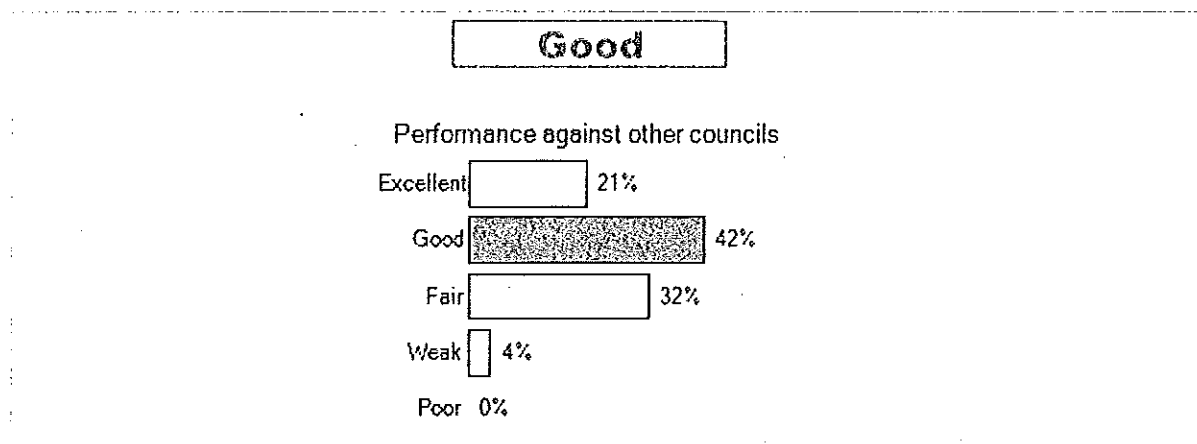
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# How is Waverley Borough Council performing?

19 Waverley Borough Council was assessed as Good 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.

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Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

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The improvement since last year - our Direction of Travel report

Performance overview

- 20 The Council continues to make steady progress against its key priorities. It provides a fair housing management service and is supporting the well-being of the local community through increased investment in services such as leisure. In a difficult economic climate, the Council has shown leadership and introduced a number of community inclusion initiatives, for example, the 'don't lose your home or business' initiative. However in 2007/08 the time taken to process new housing benefit claims and planning applications was slow in comparison to other councils and the Council remains at level 1 of the Local Government Equality Standard (though is taking action to address this). The Council performs well in delivering value for money and its performance on waste collection and recycling is good and improving. The Council is working effectively in partnership to develop a strategic and joined up approach to service planning and has taken a pragmatic approach to extend its delivery plans for the East Street Regeneration Scheme. Performance management has been strengthened but has yet to achieve demonstrable results across all service areas. The Council has enhanced its staff and financial capacity and while the economic downturn continues to pose challenges for all councils, the Council is self aware and taking appropriate action such as reducing dependency on reserves.
- 21 The Council's overall performance, as measured by the Audit Commission's basket of performance indicators, was moderate compared with other councils nationally. In 2007/08, 54 per cent of the Council's key performance indicators (KPIs) improved, which is below the average rate of improvement for district councils. During the same period the Council had 24 per cent of its key KPIs performing at the level of the best 25 per cent of councils, which again was below the district council average of 33 per cent. 60 per cent of key performance indicators have improved over the previous three years and this performance is slightly better than the average council.
- 22 Waverley's Corporate Plan 2008 'Town and Countryside Together ' was adopted in February 2008 and identifies the following Corporate Priorities:
- subsidised affordable housing;
  - leisure;
  - improving lives;
  - value for money; and
  - environment.
- 23 In the paragraphs which follow we take each priority in turn.



### Subsidised affordable housing

- 24 The Council provides a fair housing management service, as assessed by a recent Audit Commission inspection. Most tenants benefit from easy access to services through a network of offices and high quality published information. The Council understands the condition of its housing stock and planned capital improvement work is delivered on time and within budget. Tenant satisfaction with responsive and empty property repairs is positive and homes are re-let promptly. Performance in rent collection and management of anti-social behaviour is generally positive with an appropriate balance between enforcement and support. Overall there is a reasonable balance between the cost and quality of services.
- 25 However, the Council has not developed well-defined service standards and the approach to diversity within the housing service is under-developed. A high proportion of homes (53 per cent) fail to meet the Government's Decent Homes Standard and, due to resource constraints<sup>1</sup>, only a limited amount of preventative and cyclical maintenance work has been carried out, although £600,000 has now been allocated in the budget. Under current funding arrangements just under half of the Council's rental income is paid into a national central pot and redistributed elsewhere. The Council recognises that it does not have the resources to achieve the government target of all houses meeting the standard by 2010. Standards of grounds maintenance and communal cleaning are inconsistent and sometimes poor. There is a lack of a clear and detailed strategic approach to value for money in the housing service.
- 26 In 2007/08 the Council made steady progress against its affordable housing target. It developed 66 affordable homes, slightly below the target of 70. This is below average when compared with other councils. The projected outturn for 2008/09 is 53 affordable homes, which is lower than the annual target of 61. The shortfall is largely due to private sector developers deferring building programmes as a result of the recession.
- 27 The Council has been praised by the Department of Communities and Local Government (DCLG) for its success in homelessness prevention, as measured by the percentage change in the number of households in temporary accommodation, which is in the best 25 per cent of councils.

### Leisure

- 28 The Council is increasing its investment in culture and leisure services and refreshing its Cultural Strategy. The Council's new long term leisure contract commenced in July 2008. It supports £9.1 million capital investment into three of the five leisure centres in Waverley, with spending to commence in 2009. Improvements to the cultural offer in 2008 include:
- free swimming for the over 60s and under 16s;
  - installation of a multi use games area in Godalming;
  - an over 9's play area in Cranleigh; and

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<sup>1</sup> The Council has launched a campaign leading other local authorities calling for urgent and significant changes to the Government's HRA subsidy system.

- completion of the new Museum of Farnham garden classroom resulting in improved usage.
- 29 Performance management of the new contract has been strengthened and targets have been introduced to boost participation across diverse communities. The Council promotes IN2 cards for subsidised leisure use and three of the five leisure centres have reported an increase in attendance in 2008.

#### Improving Lives

- 30 The Council has shown leadership and introduced a range of community inclusion initiatives which are improving the quality of life of local people. It adopted a Social Inclusion Strategy in July 2008 to ensure a strategic approach to inclusion. To support the challenges posed by the economic climate, the Council has been proactive in developing a debt management policy; customers who owe it money across a number of service areas are assisted to prioritise and manage debt through one point of contact. An extra £30,000 of housing benefits has been granted. The recent introduction of the 'Don't lose your home or business' initiative also provides advice to householders and businesses who are suffering from the impact of the economic downturn and has already resulted in ten people not losing their homes and 20 new benefit claimants.
- 31 The Council launched a shared Domestic Violence service with Guildford Borough Council as well as forming the Waverley Youth Alliance, a group of voluntary and statutory agencies working with young people. It has introduced initiatives such as 'I'm a councillor get me out of here' as a means of engaging young people in decision making. The Waverley residents' magazine Making Waves has been re-launched, with different editions tailored to the different areas of the Borough. The Council has further enhanced communications through participation in a year long pilot to assist individuals and local businesses access free wireless technology. A new Council website was also launched in 2007/08.
- 32 In 2007/08, the time taken to process new housing benefit claims was in the worst 25 per cent of councils. The Audit Commission also qualified this performance indicator in 2007/08 due to poor data quality. More recent performance information indicates that the timeliness of housing benefit processing is improving, but the Council is still not meeting its local targets. The Council recognises the issues with this service and has strengthened the team by filling the benefits manager post after a lengthy vacancy and appointing into a new role of PIs/subsidy officer.

- 33 The Council remains at level 1 of the Local Government Equality Standard and key legislative equality schemes are not fully developed. The Council does not presently have an effective strategic approach to equality and diversity but does now have an Equality Scheme, supported by an action plan which is currently out to consultation. The Council recognises this as a key area for improvement. A project plan has been developed and the Council expects to progress to Level 2 by the end of 2008/09. The Chief Executive chairs the Councils Corporate Equalities Group, providing high level commitment to this agenda. Equality Impact Assessments have been produced for all service areas. However these are too recent to have made a demonstrable impact on the performance of services, and they have not yet been communicated to all stakeholders. The quality of the Impact Assessments is mixed and work to fully integrate these into service planning is ongoing.

#### Value for money

- 34 The Council performs well in delivering value for money. Expenditure is in the lowest 25 per cent of near neighbour councils, which represents a relative improvement from last year. External factors that impact on costs are well understood by the Council. For example, it has increased expenditure on public transport to address rural isolation and the needs of an ageing population. The Council delivers a low cost environmental service delivering improved levels of waste collection and recycling. The Council expects to meet its three-year VFM national target. However satisfaction levels with the Council's services are mixed.

#### Environment

- 35 The Council's performance on waste collection and recycling is good and is improving. Waverley's recycling and composting rate is improving and remains above average; most recent un-audited data suggests a rate of 40 per cent. The level of household waste collected is also improving and remains as one of the best performing councils in the country, with associated costs which are lower than average. The Council is therefore making a positive impact on sustainability.
- 36 The Council is taking steps to address climate change. It has installed a wood-fired boiler at Farnham Park, encouraged staff to participate through the Green Travel Week, provides incentives for car sharers and has installed a gas condensing boiler with solar-powered pre-warming facility in the Godalming Council offices. The Council is in the process of setting sustainability targets so that impact can be better measured.
- 37 The time taken to process Major, Minor and Other planning applications was in the worst 25 per cent of councils in 2007/08. Performance deteriorated further in the first two quarters of 2008/09 but picked up in the third quarter, from a low baseline. The percentage of appeals allowed was also worse than average when compared to other councils but is improving in 2008/09. An internal review in Summer 2008 found the planning administrative process to be unnecessarily burdensome and this, combined with a high volume of applications in comparison to near neighbours, has resulted in a significant planning applications backlog. As a consequence the Council has implemented a number of actions to improve performance which included:

- restructuring the planning team;

- increasing capacity within the service; and
- introducing weekly performance management reviews.

Progress in implementing improvement plans to sustain future improvement

- 38 The Council is working effectively in partnership to develop a strategic and joined up approach to the way it plans its services. Waverley's Local Strategic Partnership (LSP) adopted the themes of the Surrey Strategic Partnership's interim Surrey Sustainable Community Strategy in April 2008. The LSP and the Safer Waverley Partnership merged in September 2008 to form the Waverley Strategic Partnership (WaSP), with refocused terms of reference and sub-groups. The Waverley Strategic Partnership Board is chaired by the Chief Executive and an action plan is being developed for adoption alongside the Surrey Sustainable Community Strategy in March 2009. Performance management of the LSP is to be a focus for further improvement as this was previously not fully developed. The Council adopted its Corporate Plan 2008/11 'Town and Countryside Together' in February 2008, which will be aligned to the work of the Waverley LSP as its action plan develops. The Council is reporting positive progress against its corporate plan targets.
- 39 The Council has taken a pragmatic approach to extend its delivery plans for the East Street Regeneration Scheme comprising housing, retail and commercial space. Planning permission was agreed in October 2008 but the other pre-conditions were not completed by the agreed date of December 2008. The other pre-conditions include site assembly, road and footpath closure and financial viability. In response to a request from the developer the Council has agreed to extend the contract to 31 December 2010. During the next two years the Council will aim to acquire two pieces of land, either through private treaty or through the compulsory purchase order process. The revised Development Agreement allows for a rolling viability test to examine the economic conditions to assess when the scheme can commence. This action is being taken to protect the Council's interests in a volatile economic climate.
- 40 The Council has strengthened its performance management but it has yet to achieve optimum performance outcomes across all service areas. The Council's Performance Management Framework (PMF) and Service Planning process have been refreshed and re-aligned to support the delivery of the Corporate Plan. The Council is taking effective action to implement improvement plans, for example: actions from the review of the sheltered housing service have been implemented and the planning recovery plan and the equalities project plan are progressing well.
- 41 The recent inspection of housing found a number of barriers to future improvement in housing management. Service action plans are inconsistent and in some cases lack clear and measurable targets. Some aspects of performance management within the housing service are weak. There are insufficient financial resources to deliver the level of improvement required to the condition of the housing stock. However there is increasingly strong leadership of the service and housing is a clear strategic priority for the Council and its partners. An effective approach is taken to financial and risk management and the service benefits from a stable and experienced workforce and positive use is made of partnerships to deliver services.

- 42 The Council has enhanced its staff and financial capacity to deliver its key priorities. It has successfully implemented a senior management restructure in January 2008, resulting in an annual saving of £323,000. In 2008, it was also re-awarded the Investors in People accreditation and ranked as the 15th Best Council to work for in The Times Best Council awards. To address capacity weaknesses in the planning service, the Council has integrated its administrative and professional functions as well as creating a new post of Development Control Manager to strengthen its enforcement role. In November 2008, the Council also agreed to set up a company limited by guarantee to secure a greater return from investment in affordable housing. However, the Council has only recently been able to accurately calculate days lost due to staff sickness absence (SA) as the data held on the HR system was not robust.
- 43 While the economic downturn continues to pose challenges for all councils, the Council is taking appropriate action. The Council's return from interest is projected to fall from 6.7 per cent in 2008/09 to 2.7 per cent in 2009/10, which will have a significant impact on revenue, equating to £0.9 million. A further effect is that of reduced fees and charges and income from planning applications. Prudent levels of income are included in the budget supported by regular monitoring throughout the year. It is anticipated that the majority of the budget gap will be met through savings from the Star Chamber process, mainly in streamlining services, some through natural wastage.
- 44 The Council is exploring shared services and has made a start on a number of fronts (for example choice-based lettings, and its engagement with the county-wide joint strategic waste partnership). The primary focus has been to ensure that effective internal systems and processes are in place. Examination of shared services with partners is developing and the Council is considering options to join the Surrey IT network to address some of the computer systems issues it is faced with.

# The audit of the accounts and value for money

45 As your appointed auditor I have reported separately to the Audit Committee on the issues arising from our 2007/08 audit and have issued:

- my 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.

## Use of Resources

46 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).

47 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	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 – lowest, 4 = highest

## The key issues arising from the audit

### Financial reporting

- 48 The Council prepared a good quality set of financial statements, which were supported by clear and comprehensive working papers. The Council made a small number of amendments to the draft statements following the audit. These amendments were not material to my opinion and had no impact on the bottom line. I reported these amendments to the Audit Committee in my Annual Governance Report and I issued an unqualified opinion on the financial statements on the 25 September 2008.

### Financial management

- 49 The Council has sound budgetary control arrangements. Corporate planning and the medium term financial strategy are well integrated. There is a capital strategy and an asset management plan which are aimed at promoting best use of the Council's asset base.

### Financial standing

- 50 The Council has a good track record of meeting its financial targets. The Council achieved an underspend against budget in 2007/08 of £864,000. As a result the Council drew on less of its reserves than it originally planned to. The Council's stated intention is to eliminate its reliance on reserves over a four year period.
- 51 Significant levels of savings have been achieved through the Council's efficiencies programme, which have met and exceeded original budget targets despite significant cost pressures. The Council projects that it will meet its targets in 2008/09, with a budgeted use of reserves of £250,000. National efficiencies targets (also known as 'Gershon' savings) have been exceeded.
- 52 Despite the economic downturn, the budget projections for 2009/10 are for the Council to break even again with a minimal use of reserves of £70,000. The Council's efficiencies programme has identified potential savings of £1.6 million, which are largely to be delivered through streamlining services and natural wastage. The Council's record of delivering such savings is good, but this will be increasingly challenging to achieve during an economic downturn and the Council will need to continue to ensure it has robust plans in place in the current economic climate.
- 53 In the longer term the economic downturn presents a significant financial challenge to this Council, as it does to all councils. Major sources of income such as interest receipts on reserves, search fees and planning fees are all substantially reducing. The Council's Revenue Support Grant contains an increase of just 0.5 per cent for 2009/10. The government's expectation is that council tax increases will be substantially below 5 per cent.
- 54 At the same time the cost pressures for delivering services continue to increase. The Council faces increasing demand for some of its services, in particular benefits, as a direct consequence of the recession.

- 55 With pressure on both income and expenditure the Council will face a significant challenge to maintain its good track record of financial balance. The length and severity of the economic downturn are uncertain and the Council will need to manage these risks going forward. Effective and timely budget monitoring will be essential, with timely action to address pressures, if the Council is to maintain the good track record achieved to date.
- 56 There is evidence that the Council is actively managing these risks. It has a prudent and proactive approach to Treasury Management. It anticipated the problems with Icelandic Banks and withdrew all of its deposits before those institutions failed. The Council had significant amounts of its reserves in fixed interest investments before interest rates reduced. However when those investments reach their maturity dates it is likely that the Council's income from interest receipts will reduce significantly. The Council's medium term financial plans reflect this expected reduction in income.
- 57 The Council is a major local employer and a major driver of economic activity in the local area. The Council is aware of its role as a community leader during the economic downturn. The Council's 'Don't lose your home or business' scheme has supported ten families in the Borough to keep their homes.
- 58 The Audit Commission has produced a national report called 'Crunch Time', which summarises the impact of financial downturn on councils nationally. This can be found on the Audit Commission's website [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

#### Internal control

- 59 The Council has good financial systems in place and a sound control environment. Risk management arrangements are embedded in the Council, with the Audit Committee playing a key role. There are arrangements in place to promote good standards of financial conduct.
- 60 In last year's audit letter we reported on the arrangements to promote IT security and to manage IT projects. Following our report the Council drew up an action plan to address the issues we reported. At the time of our 2007/08 review the Council was in the early stages of implementing this plan. It was too soon for the revised arrangements to be considered embedded and as a consequence we concluded that the Council's IT environment was still 'high risk' in 2007/08. We plan to revisit this as part of our 2008/09 audit.

#### Value for Money

- 61 The Council provides good value for money. Services are provided at a comparatively low cost (in the lowest 25 per cent of near neighbour councils). The Council maintains good information on costs and performance and this is used to challenge value for money across the Council.
- 62 Investment is targeted at improving value for money in the longer term. Significant increased investment in leisure services and planning have yet to deliver improved service outcomes.



- 63 Our use of resources work is increasingly focused not just on cost but on sustainability, equity and partnership working. These are areas where there is scope for the Council to improve further. At the time of our review the Council was rated at level 1 of the Equalities Standards in Local Government, along with the lowest 14 per cent of councils nationally. Other performance outcomes are moderate when compared with near neighbour councils.

#### Other work

##### Data quality

- 64 We continue to identify concerns with the quality of the Council's data and the quality of performance indicators continues to be mixed. In 2007/08 we carried out 'spot check' testing of three indicators.
- BV78a - Speed of processing of new benefits claims.
  - BV78b - Speed of processing changes of circumstances.
  - BV184 - Proportion of Local Authority homes which were non-Decent.
- 65 We carried out detailed testing of 29 new benefits claims and 31 changes of circumstance. There was a significant error rate in both indicators, which led us to conclude that they were not fairly stated.
- 66 Last year (2006/07) we qualified the indicator BV184 (proportion of non decent homes) and we reviewed it again in 2007/08 to follow up progress on last year's issues. We found that it is now fairly stated, but that there is scope to simplify and improve the audit trail supporting it.
- 67 The Council has demonstrated its intention to improve data quality. For example it has:
- developed an action plan to address the issues we reported last year;
  - increased staff capacity; and
  - involved internal audit in the verification of reported performance information.
- 68 We made a number of recommendations as a result of this review and we have agreed an action plan with the Council.

##### Grant claims

- 69 The quality of information supporting grant subsidy claims has improved over the last year, but continues to be an issue at this Council. This has resulted in missed deadlines, in qualification of one claim and in audit fees that are higher than necessary (because of the additional time taken to certify the claims). It is important because a significant proportion of the Council's income comes from subsidy claims. We continue to work with the Council on improving the quality of grant claim submissions.

East Street

- 70 The Council continues to plan a major redevelopment of the East Street area of Farnham. During the year we have responded to a number of questions from local electors about the scheme. We have also held ongoing discussions with the Council about progress with the scheme. Going forward we will continue to monitor progress with this scheme, in so far as is consistent with our statutory remit.

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## Looking ahead

- 71 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.
- 72 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 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.
- 73 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 a key aspect of each area's Local Area Agreement.

# Closing remarks

- 74 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit Committee on 10 March 2009. Copies need to be provided to all Council members.
- 75 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	May 2007
Interim audit memorandum	September 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of Resources Report	January 2009
Data Quality Report	February 2009
Housing Inspection Report	January 2009
Annual audit and inspection letter	March 2009

- 76 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

- 77 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.

## Names

**Paul Grady**  
District Auditor

**Paul Chambers**  
Comprehensive Area Assessment Lead

March 2009

## Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Closely monitor the Council's financial position, and take timely and effective action to manage the risks to the Council's finances and performance presented by the economic downturn.	3	Deputy Chief Executive	Yes	Significant measures taken in setting the 2009/10 Budget. Members requested full review of the MTFS and key budgets in Summer 2009. Regular budget monitoring in place for managers and Members on capital and revenue budgets and key income areas.	Monthly reports to CMT  Qly and exception reports to the Executive
5	R2 Improve the performance of the housing service, by addressing the recommendations made in the Audit Commission's recent housing inspection report.	2	Head of Housing	Yes	Action plan in place – Executive 31 March 2009.  Budget provision agreed in 2009/10 – for cost arising from implementation of actions.	Ongoing – dates agreed for individual actions
5	R3 Improve the approach to equalities and diversity, including the implementation of the action plan, to ensure the Council meets the requirements of the new equalities framework.	3	Chief Executive	Yes	Staff resources strengthened with secondment and realignment of senior post. New equality scheme approved. Major work in 2008/09 and self-evaluation now at level 2. Action plan in place to achieve level 2 of new framework (equivalent to level 3 previously) by 31 March 2010.	31 March 2010

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R4 Implement robust arrangements to drive improvements in data quality and address the recommendations in the Audit Commission's recent review of data quality.	2	Head of Finance and Performance	Yes	Audit Commission report signed-up to with targeted action in key areas of housing and benefits.	Implement all recommendations by 31 December 2009
5	R5 Address under-performance in the planning service by improving the speed of dealing with planning applications.	2	Head of Planning	Yes	Improvement plan in place. Significant improvements in performance by Q3 in 2008/09.	Achieve target levels by 31 March 2009 and meet target in 2009/10.

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# 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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