

Annual Audit and Inspection Letter

Uttlesford 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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

- 1 Uttlesford District Council has made progress in some priority areas, despite the significant financial pressures. Urgent action had to be taken during 2007/08 to avoid major budget deficits. The Council achieved a modest underspend in 2007/08 and reserves are likely to exceed the minimum level set by the Council. There is mixed performance in key services, although performance in some other service areas is high performing and exceeds the average for district councils.
- 2 Capacity is improving, including through external support. At the Council's request, progress has been monitored through a voluntary improvement board since May 2008. Performance management arrangements are improving with a clear link between strategic plans. The Council's financial difficulties mean that its ability to fund key initiatives from its own resources is limited. However external funding has now been secured allowing it to progress with key initiatives. In addition decision making structures, which have hindered progress, are being addressed in the recovery plan.
- 3 We issued an unqualified opinion on the Council's 2007/08 financial statements on 30 September 2008, but an adverse qualified opinion was given on the value for money conclusion.
- 4 Overall, the Council's performance has been assessed as below minimum standards in its annual Use of Resources assessment. However, this assessment relates to the year ending 31 March 2008 which we recognise was an exceptionally difficult one for the Council. Against this background it was difficult to demonstrate an improvement in scores.

Action needed by the Council

- 5 Continue to work with regulators and other key stakeholders through the voluntary improvement board to ensure delivery against the recovery plan.
- 6 Ensure that there is improvement in priority and key areas, in particular where performance is deteriorating.
- 7 Continue to ensure actions agreed in response to our audit and inspection reports are monitored and implemented.
- 8 Consider the requirements of the new Key Lines of Enquiry (KLoEs) which will form part of the 2008/09 Use of Resources assessment and address the financial issues from the prior year assessment.

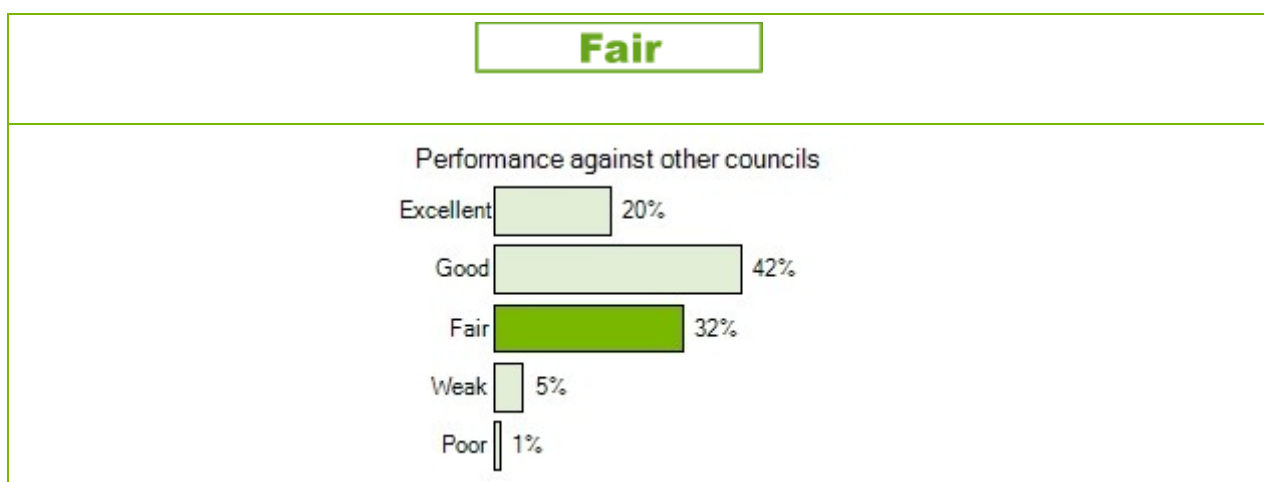
Purpose, responsibilities and scope

- 9 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.
- 10 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.
- 11 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).
- 12 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 appointed 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.
- 13 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.
- 14 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 Uttlesford District Council performing?

15 Uttlesford 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 have been updated where there was 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

- 16 Despite the significant financial pressures, Uttlesford District Council has made progress in some priority areas. Urgent action had to be taken during 2007/08 to avoid major budget deficits. The Council achieved a modest underspend in 2007/08 and reserves are likely to exceed the minimum level set by the Council. There has been a significant corporate restructure with the loss of almost 50 staff. There is mixed performance in key services. For example, performance in the benefits service has deteriorated, although other services such as recycling remain high performing. Performance in some other service areas is also high performing and exceeds the average for district councils.
- 17 Capacity is improving, including through external support. At the Council's request, progress has been monitored through a voluntary improvement board since May 2008. Performance management arrangements are improving with a clear link between strategic plans. The Council's financial difficulties mean that its ability to fund key initiatives from its own resources is limited. However external funding has now been secured allowing it to progress with key initiatives. In addition decision making structures, which have hindered progress, are being addressed in the recovery plan.

What evidence is there of the Council improving outcomes?

- 18 The Council has set itself four priorities over the period. 2007-2009, these are detailed in the Corporate Plan:
- finance – 'effectively managing our finances and operating within budget';
 - partnerships – 'working to deliver effective and co-ordinated services with partners';
 - people – 'consulting and engaging with staff and customers'; and
 - environment – 'protecting and enhancing the environment'.
- 19 Despite the significant financial pressures, the Council has made progress in some of these priority areas. An improvement/recovery plan is monitored by an improvement board.
- 20 The Council's rate of improvement in 2007/08 was average for district councils, with 59 per cent of indicators improving against the average of between 56.9 and 59.1 per cent. This placed the Council 218 out of 388 for improvement. 37 per cent of indicators are in the best performing quartile which is above the average of 33 per cent for all districts.
- 21 The last year has seen a significant corporate focus on addressing the challenging financial position. This has impacted on capacity to deliver some important services. For example, the speed and accuracy of processing housing benefit applications has deteriorated to below average when compared to all councils. The Audit Commission has undertaken a diagnostic of the benefits service, and has noted that there is evidence of some improvements in performance in the first half of 2008/09. The standard of this service is a key indicator and has a major impact on disadvantaged members of the community.
- 22 In terms of use of resources and value for money, the Council's overall financial position remains challenging. There was a significant overspend in the 2006/07 budget and shortfalls were identified in 2007/08 necessitating immediate corrective action. Steps taken to address the shortcomings in financial management have enabled the Council to improve its financial position, with the setting of a balanced budget for 2008/09, approval of a new medium term financial strategy and the introduction of budget monitoring reports to both councillors and officers. Measures have been put in place during the year to improve areas such as financial reporting and financial management and the 2007/08 final accounts were closed on time. The District Auditor issued an unqualified opinion on the accounts within the statutory deadline of 30 September 2008. Even so, these measures have not yet enabled the Council to improve its overall score of '1' for its use of resources assessment. Areas such as value for money, procurement and asset management require significant improvement if the Council is to improve its use of resources. The Council has taken proactive steps to develop its approach to use of resources, but there is still much to do. The current economic climate, coupled with the continuing lack of capacity to progress major initiatives, suggest that it will continue to face severe challenges in its efforts to improve, without appropriate support.
- 23 Housing Services show varied levels of performance. An Audit Commission inspection of Strategic Housing Services in 2008 showed the service, though fair, had poor

How is Uttlesford District Council performing?

prospects for improvement and will be re-inspected in 2009-10. The inspection found that homelessness prevention had yet to have an impact and choice based lettings were not fully utilised by the Council. The housing service was also slow to complete non urgent repairs. The Council has not addressed the strategic housing needs of the community.

- 24 The Council made significant progress in environment services. In 2007/08 the amount of household waste either recycled or composted was over 54 per cent. This represented an increase of almost 12 per cent from 42 per cent in 2006/07, resulting in the Council being one of the top performers nationally. In addition this increase was achieved whilst the cost of waste collection is falling, although overall cost is higher than most councils. The environment is also well maintained; the incidence of graffiti and land which is littered is low. The Council is positively contributing to the corporate environment priority.
- 25 Some other key services, such as planning, are also performing well. The Council performs well with regards the speed of processing planning applications. In addition the percentage of planning appeals against decisions that are allowed are falling indicating that the right decisions are made. This supports the corporate priority for protecting and enhancing the environment.
- 26 The Council has made progress in its approach to improving access to services. It has continued to develop and deliver on actions arising from the Audit Commission's inspection in August 2007. A detailed action plan has been integrated into the corporate plan and recovery plan. Progress has been made in particular in embedding equality, diversity and cohesion into the Council's services. The Council has progressed to level 2 of the local government equality standard. Uttlesford has a pro-active Disability Equality Forum and the Council has worked with the Forum on a number of initiatives. One example is a joint workshop on planning, involving councillors who serve on the Development Control Committee. Following the workshop, meetings involving planning officers, housing enabling officers and housing officers have commenced, providing greater input and less silo working to ensure that housing stock can meet the needs of the community in terms of age and disability. Initiatives such as this have heightened the profile of the Council in relation to diversity and equality.

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

- 27** The Council has recognised and positively responded to its difficult financial situation and the impact this has had on performance of services. At the Council's request, a voluntary improvement board was set up and has met on a six-weekly basis since May 2008. The Board includes representatives from the Regional Improvement and Efficiency Partnership (Improvement East), the Government Office for the Eastern Region, the Improvement and Development Agency (IDeA) and the Audit Commission. Improvement East has also provided a package of funding support for capacity building, including interim management in both finance and corporate management; the funding of a financial diagnostic; support on performance management; and peer support for the three political groups. Further support, tailored to the authority, to specifically address the use of resources issue is currently being developed.
- 28** The Council's approach to improvement is closely linked to the corporate plan (which covers the period to April 2009 and is currently being updated and reviewed) and the short term recovery/improvement plan, which is monitored by the voluntary improvement board. Initial signs are promising and progress has been made, assisted by the involvement of the right partners from an early stage. The Council has commissioned diagnostics in relation to procurement and the development of corporate document management systems, both of which are seen as means of improving the corporate base and enhancing value for money. The Council's recovery plan has an emphasis on a small set of key priorities, which are aimed at improving the Council's capacity to develop and improve services. The Council's financial difficulties mean that its ability to fund key initiatives from its own resources is limited. Support has been forthcoming from Improvement East, in terms of both financial support and also in providing links to other authorities and programmes to assist in delivering these priorities. Similarly, support from the IDeA has enabled the Council to move forward for example in its approach to equalities and diversity. The Council is therefore taking the necessary actions to address the weaknesses arising predominantly from the difficult financial environment.
- 29** The Council is taking steps to engage more closely with the local strategic partnership (LSP), Uttlesford Futures, in addressing the needs of the community and helping to deliver local area agreement (LAA) targets. An increasingly active involvement in the LSP is one of the latest priorities added to the short term recovery plan. Board meetings are attended by the Council's new Chief Executive and are chaired by a leading councillor. The Sustainable Community Strategy has been revamped and the action plan is reviewed and updated on a regular basis. The Council is therefore better placed to support the delivery of shared priorities important to the local community.

How is Uttlesford District Council performing?

- 30** The Council's approach to performance management has improved. Divisional plans are linked to the corporate plan and performance is monitored through an electronic system (Covalent). The recently enhanced business and performance team provides regular reports to service heads, the strategic management board and to the Performance Select Committee. Explanations are provided where performance is five per cent or more below target and the Committee requires attendance from the responsible officers where there are particular concerns about performance. A new system for reviewing and taking action in respect of underperforming performance indicators is being developed. The Council is also benchmarking against other rural councils, through the SPARSE group a special interest group of the Local Government Association, representing the most rural authorities in England. The Council has rolled out a new approach to individual performance review known as U Perform. It is simpler and more streamlined than the previous approach, is directly linked to the performance of the Council and is outcome focussed. The purpose of the system is to help to embed a performance culture where everyone is making a personal contribution to achieving the Council's objectives through the review and assessment of progress against objectives and behaviours. The identification of learning and development needs is also an integral part of the process. The Council has developed a clearer focus on how its services are performing.
- 31** Capacity remains a challenge. Four members of the strategic management board, including the Chief Executive, left the Council's employment in the period between November 2007 and February 2008 and almost 50 posts were deleted from a staffing establishment of around 370. A new chief executive has been appointed. Some structural changes have now been implemented however the Council has yet to complete its organisation review to ensure that capacity is in place to deliver sustainable improvement.

- 32** The Council has been supported in its efforts to improve capacity and enable it to make progress, but there remain doubts about the speed with which some of its priorities can be achieved with the current level of available resources. The HR partnership with Essex County Council has been beneficial to the Council and has been able to progress the updating of policies and strategies that are key to day to day operations. Similarly, the officer equalities working group has made good progress towards ensuring that the Council achieves its long standing ambition to secure Level 2 of the equality standard. However, further external support is likely to be a crucial factor if the Council is to make progress in those areas that will secure continuing improvements in use of resources and securing value for money. For example, improved approaches to both procurement and asset management are key elements that need to be addressed in the short term and are acknowledged as such within the recovery plan. However, there is currently little expertise within the organisation to address these issues. Despite the problems that have faced the Council, performance in many areas has been maintained. Customer satisfaction in the important benefits service is good, despite the slight deterioration in performance. The new Chief Executive has encouraged an 'open' approach to management and this has been generally well received. Communication between senior management and staff has been enhanced and a recent staff survey shows that the regular Chief Executive briefings are valued by the staff. The Council is delivering many of the priorities identified in both the corporate plan and the recovery plan, but is likely to continue to face serious challenges for the future.
- 33** A significant amount has been achieved to address the financial problems faced by the Council, under difficult circumstances. It is still early in the process, and there is still much to do to bring the Council into line with district councils that are categorised as 'good'. Key action has been taken, initially to address the acute financial problems and then to provide a solid base for the future, particularly around corporate capacity. The Council needs to continue to build on these actions. The decision making structure has at times hindered progress and has been identified within the recovery plan as being in need of review. A more streamlined approach to making key decisions (whilst maintaining an appropriate level of checks and balances) could assist in enabling the Council to take forward its plans.

Benefits service diagnostic

- 34** This work was undertaken to identify the reason for service deteriorations; whether actions taken to make improvements to the Benefits service were sustainable; and assess the extent of customer focus of the service.
- 35** The Benefits service performance levels have declined and may fail to achieve top quartile levels in future years. It is heavily reliant on the efficient operation of modern IT systems. However, there is limited expertise to maintain the document management system and scope for more active management of the benefits system contract to maximise their potential. This affects the cost effective response to service delivery and slows down processing as system reliability and response times become an issue. Staff working in U Connect do not routinely have access to information. Responsive IT support is important to the ability of a benefits service to meet the needs of its customers.

How is Uttlesford District Council performing?

- 36** The Benefits service faced significant problems in 2007/08 which it has started to overcome. Most vacancies have been filled. Staff have permanent posts in the service, helping to improve morale. Some work has been undertaken to improve the interface between U Connect and the Benefits service with a higher proportion of queries being handled by U Connect, though more work is needed. The service has revised some of its processes to improve efficiency. This has contributed to halting the decline in performance in relation to new claims and started to improve performance in relation to dealing with changes of circumstances where performance improved in each quarter of 2007/08.
- 37** The Benefits service has more work to do to fully recover from its dip in performance in 2007/08. In 2007/08 performance for processing new claims deteriorated from 19 to 30 days. The deterioration in performance for processing changes of circumstances was from 6 to 11 days. However, the service has a strong track record of top quartile performance prior to this. Accuracy as measured by the relevant BVPI deteriorated from 99 per cent to 94 per cent. Delays in payment of the right benefit at the right time impacts on the most disadvantaged in an affluent society and widens the gap and feeling of exclusion.
- 38** Accessibility of the Benefits service is not maximised. Information about the Benefits service on the Council's website is helpful and includes an on-line calculator so potential customers can decide whether to make an application and an on-line claim form. However, there is no out of hour's service for those without internet access. Customer service standards are not in place so customers do not know what level of service to expect. However, in 2006/07 customer satisfaction with the service was good though it was 4 per cent lower than at the previous survey in 2003/04 and was prior to the drop in performance levels.
- 39** The Benefits service approach to understanding the needs of its customers and making the service more accessible is not fully effective. For example, the service has no management information on the ethnic make up of its customer base. Management information about such groups will help the service tailor its service to better meet the needs of its customers.
- 40** Overall satisfaction with the service is good but deteriorating. Customer satisfaction as measured by the benefits Best Value Performance Indicator (BVPI) satisfaction survey, reduced slightly from the last survey in 2003/04 from 87 per cent to 83 per cent in 2006/07. However, this remains in the top quartile of performance nationally. Although satisfaction fell in all of the six components it only failed to be within the top quartile in relation to satisfaction with contact with the benefits office. However, the survey was conducted prior to the dip in performance in 2007/08.
- 41** The report highlighted a number of recommendations to help address the issues raised.

Community housing services

- 42 The strategic housing service provided by Uttlesford District Council is assessed as being a 'fair', one-star service with 'poor' prospects for improvement.
- 43 However, this inspection was undertaken in January 2008 against the background of an extensive programme of redundancies following the discovery of major discrepancies in the Council's budget structure. During the week of the inspection, the Chief Executive announced his departure from the Council, which was preceded by the departure of three of the five directors. The detailed findings and recommendations should be recognised in this context.
- 44 The service is fair because strategic housing functions are not customer-focused and the views of customers are only now being captured and have yet to be used to improve services. The Council's approach to diversity and value for money are still in their infancy, as leadership is weak in driving forward these agendas. The strategic approach to housing lacks overall co-ordination, and not all the actions in the housing strategy have been delivered. Homelessness prevention has yet to significantly reduce homelessness, and choice-based lettings is not being fully utilised by the Council. The Council reacts to poor housing conditions in the private sector rather than targets resources to improve them and does not make the best use of private sector housing to meet local housing need.
- 45 However, there are positive aspects to the service. Staff are welcoming, and signpost customers to other organisations. All buildings accessed by customers comply with the Disability Discrimination Act. Equality impact assessments are now being undertaken for all new policies and procedures. The future housing strategy will be integrated into the sub-regional housing strategy. It also is an effective partner in numerous sub-regional housing partnerships that have helped meet housing need, such as new affordable housing. There is less reliance on the use of bed and breakfast accommodation for homeless families, as the Council develops alternative provision, such as the use of empty Council-owned homes. A choice-based lettings scheme is now in place and offering more choice. The Council have also taken a proactive approach to energy efficiency. The Council are focused on increasing the amount of new affordable homes to meet the needs of local people in an area with relatively high house prices.
- 46 The prospects for improvement are poor. The Council cannot demonstrate a sustained track record in delivering service and value for money improvements across the strategic housing functions. A culture of performance management is yet to be sufficiently developed within the Council, and there is a lack of leadership and customer involvement in driving forward improvements. Within the strategic housing functions the performance management arrangements are not being effectively used to manage all areas of performance. Weaker performance is not being effectively tackled. There is an over-reliance on a small number of staff to deliver services as well as the improvements required. A significant barrier for improvement is that the Council's poor financial situation is significantly reducing the availability of resources to fund improvements.

How is Uttlesford District Council performing?

- 47 However, there are a few drivers to improvement. There is Member support for the provision of new affordable housing, which has been supported by a commitment to use Council land. Partnership working and external funding has added capacity to the strategic housing functions and helped to improve some services. Through difficult decisions, the financial capacity of the Council has now been stabilised.
- 48 The report made a number of recommendations which identified the expected benefits for both the local people and the organisation and offered practical pointers for improvement.

Health inequalities in Essex

- 49 We reported on our assessment of the arrangements to reduce health inequalities in Essex in our 2007 Annual Audit and Inspection Letter. The audit identified four main areas to be addressed:
- strategic approach;
 - information and joint planning;
 - delivery and monitoring performance; and
 - political involvement.
- 50 We intend to follow up progress on this work as part of the 2009/10 audit.

The audit of the accounts and value for money

- 51** Your appointed auditor reported separately to the Performance Select Committee on the issues arising from our 2007/08 audit and issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are inadequate on 30 September 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 52** 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).
- 53** 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	1 out of 4
Financial management	1 out of 4
Financial standing	1 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	1 out of 4

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

Audit of the accounts

- 54** We issued an unqualified opinion on the Council's financial statements on 30 September 2008. Comprehensive working papers were provided at the start of our audit, however these were not complete and the trail between the working papers and the financial statements was unclear in some instances.
- 55** In addition, the financial statements submitted for audit contained errors and during the audit, management agreed to a number of adjustments to the accounts that we recommended. We also identified uncertainties in the financial statements that management decided not to adjust. These issues were reported in the Annual Governance Report.
- 56** Although there have been some improvements in your arrangements for the production of your financial statements and we recognise officers' efforts in this achievement, further improvements still need to be made. The key areas for improvement identified by the audit were:
- to improve year end processes for the production of the accounts to ensure they are free from material error and misstatement; and
 - to improve review processes for the production of the accounts to ensure they comply with all relevant financial reporting standards and proper practices and are free from error and internal consistency.

Value for money conclusion

- 57 We identified a number of weaknesses in the Council's arrangements for securing value for money. In particular, the Council's arrangements for six of the twelve criteria were found to be inadequate. These were:
- the body has put in place a medium term financial strategy that are soundly based and designed to deliver its strategic priorities;
 - the body has put in place arrangements for managing performance against budgets;
 - the body has put in place arrangements for the management of its asset base;
 - the body has put in place arrangements to maintain a sound system of internal control;
 - the body has put in place arrangements to ensure that its spending matches its available resources; and
 - the body has put in place arrangements to manage and improve value for money.
- 58 The Council should ensure that weaknesses to secure economy, efficiency and effectiveness in its use of resources are addressed.

Use of resources

- 59 Overall, the Council's performance has been assessed as below minimum standards. However, this assessment relates for the year ending 31 March 2008 which we recognise was an exceptionally difficult one for the Council. Due to the emergence of major financial problems and the need to make significant budget savings and staff redundancies. Against this background it was difficult to demonstrate an improvement in scores.
- 60 For 2008/09, a number of measures taken by the Council should start to have impact and this will form part of our assessment in 2009. More immediately, our direction of travel assessment describes in narrative terms the challenges over the past year and the steps the Council has taken to tackle them and put the Council on a sounder financial footing.

Financial reporting

- 61 The Council prepared annual accounts in accordance with the relevant timetables and statutory guidance and we were able to issue an unqualified audit opinion by the deadline. However, the accounts presented for audit contained several material and non trivial errors which required amendment before the audit opinion was given. Some of the working papers provided to audit were incorrect as they initially did not agree to the accounts. However, given that the finance staff were new to the council, they were positive in providing assistance in difficult circumstances.
- 62 The Council does not produce an annual report or summary financial information to meet the needs of a range of stakeholders.

The audit of the accounts and value for money

Financial management

- 63 Whilst material errors were identified in the budget setting for both 2006/07 and 2007/08 and Medium Term Financial Strategy (MTFS), action was taken and the Council revised its MTFS in March 2008 and took robust action to achieve challenging savings in 2007/08, with further savings needed from 2008/09. Improvements continue to be made to manage and monitor performance against budget; however these arrangements were not in place throughout 2007/08.
- 64 There were inadequate asset management arrangements for non-HRA assets and a lack of ownership for this function due to responsibility being split between several departments and committees. The Council did not have a formal and complete asset register in place and no formalised process for notifying changes to the asset register exists.
- 65 The Council did not undertake an equalities impact assessment of strategies to consider the effects and impact their strategies had on the diverse population to whom they provide services.

Financial standing

- 66 The Council did not set balanced budgets for 2006/07 which led to an overspend in 2006/07 and unplanned use of reserves. The Council managed its spending for 2007/08 within available resources and levels of reserves and balances were maintained within the range approved by members in 2007/08. However, this was not due to financial strategies and monitoring arrangements but achieved through significant redundancies, reduced spending by services and the receipt of a Local Authority Business Growth Incentive (LABGI) grant halfway through the year. The Council do not proactively monitor and manage income collection and recovery of arrears, mainly due to the lack of staff availability.
- 67 The Council's policy on the level and nature of reserves and balances is sound and was approved by members and reflected in the budget and the MTFS. The Treasury Management strategy reflects the requirements of the CIPFA code of practice for Treasury Management in the Public Services and was kept under review and performance against it monitored through the year.

Internal control

- 68 Risk management arrangements continue to be developed. A risk management strategy has been approved which identifies corporate and operational risks, assesses the likelihood and impact of each risk arising and identifies mitigating controls for each risk with responsibility for each mitigating control assigned to an officer. Heads of Service regularly review the service risk registers, which support the corporate risk register. However, the role of the Risk Management Steering Group who are responsible for corporate risk management has yet to be fully developed.

- 69 There is a Performance Select Committee attended by members which undertakes the role of an audit committee as identified in the CIPFA guidance and the Council has an internal audit function that operates in accordance with the CIPFA code of practice. Members reviewed and approved the annual governance statement (AGS), which considered the effectiveness of the Council's governance framework. An action plan was put in place to address significant governance issues. However the sources to support the assurances in the AGS were not reviewed by members. Standing Orders and Standing Financial Instructions are in place; however the most recent updates were undertaken in 2003 and 2005 respectively. In addition, procedure notes for all key systems are not in place.
- 70 The Council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. There is a code of conduct in place for members with the appropriate anti-fraud and corruption policies. Ethical standards and ethics training has recently been provided to members, however these arrangements were not in place for all staff.

Value for money

- 71 Although some services are performing well, Uttlesford District Council's costs are higher than the Council average in most services. The Council has 35 per cent of best value performance indicators at top performing level (provisional 2007/08 figures) which is above the council average of 33 per cent. Some services are deteriorating and fewer services are improving than the district average, with some services relatively expensive compared to other councils.
- 72 Performance monitoring and target setting is improving and the Council has a business improvement team to undertake internal reviews. The Business Improvement team has made recommendations on improving efficiency in democratic services and housing.
- 73 Although, the Council has effective performance management systems it does not currently review cost at the same time as performance, so cannot systematically track the effect of investment/disinvestment in services. The Council has improved its use of cost benefit analysis and is developing knowledge of project management. However, this has not yet been followed up by comprehensive training in applying project management techniques proportionately.
- 74 The Council is making some use of partnership working to enhance value for money, for example the HR partnership with Essex County Council, and there have been some examples of good practice in procurement, for example the Leisure PFI and the new contract for waste collection. However, this is dependent on individual services to take the initiative.
- 75 Uttlesford District Council did not submit an efficiency statement this year as its financial baselines were unreliable. Instead, it is working on setting up appropriate systems for the future and has sought external expertise in order to achieve this.

Grant claim certification

- 76 In 2007/08, Uttlesford District Council had five claims and returns above the £100k certification threshold requiring certification, which accounted for total expenditure of £48.4 million.

The audit of the accounts and value for money

- 77** Certification of these claims at the request of the grant paying bodies resulted in all five claims required amendment and three required a qualification letter to accompany the certificate.
- 78** The reasons for the high level of testing and qualification related substantially to lack of supporting documentation, incorrect compilation of the return, failure to follow the grant-paying body's terms and conditions and system control weaknesses.
- 79** In addition, a new approach to our certification of the Housing Benefit grant claim was adopted, as required by the DWP. In line with a number of other Councils, the new approach identified some issues. In particular, data input errors meant that amendments to the claim and further detailed testing was required.

Recommendations made to the Council under Section 11 of the Audit Commission Act 1998

- 80** Our 2006/07 Annual Audit and Inspection Letter commented on the severe financial position and general capacity issues faced by the Council. This led the appointed auditor to make a series of recommendations under section 11(3) of the Audit Commission Act 1998.
- 81** Our Direction of Travel Statement above sets out progress made by the Council in the last year. The Council have responded well in considering the issues raised in our section 11 recommendations. In particular:
- they have established a voluntary improvement board which is working with other regulators and stakeholders to support the Council's recovery;
 - performance against the 2008/09 budget is forecasting a small overspend at the year end;
 - a balanced budget has been set for 2009/10 and the Council are actively reviewing future years to ensure this can be maintained as part of their Medium Term Financial Strategy;
 - processes to ensure robust budget monitoring are being developed and put in place to ensure close monitoring of the financial position and appropriate action taken where necessary; and
 - senior management posts have now been filled to provide effective leadership at officer level.
- 82** As part of our planned work, we reviewed the Council's revised financial management and budget monitoring arrangements during 2008/09 and provided a commentary to members on the Council's position and areas for improvement. Specific areas considered were:
- review of the Council's revised Medium Term Financial Strategy (MTFS) including compliance against the 'Use of Resources' key lines of enquiry, best practice identified from other councils, and learning from key publications such as 'World Class Financial Management';

The audit of the accounts and value for money

- review of the adequacy of the Council's new budgetary control arrangements being introduced in June 2008. This included an analysis of the Council's current financial management arrangements using the Commission's 'Better Budget Management Toolkit' to identify specific areas for improvement; and
- Review of the work carried out by the Internal Audit team on the Council's budgetary control to place reliance on that work and also forming a conclusion on the adequacy of the Internal Audit review.

Looking ahead

- 83** 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.
- 84** 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.
- 85** 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 aspects of each area's Local Area Agreement.

Closing remarks

- 86 This letter has been discussed and agreed with the Chief Executive and senior officers. A copy of the letter will be presented at the Performance Select Committee on 14 May 2009. Copies need to be provided to all Council members.
- 87 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
Community housing services inspection	May 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Benefits diagnostic report	November 2008
Use of resources report	January 2009
Final accounts memorandum	February 2009
Grant Claims report	February 2009
Annual audit and inspection letter	March 2009

- 88 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

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

Ian Davidson
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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