

Annual Audit and Inspection Letter

Three Rivers District Council

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Three Rivers District Council performing?	5
The audit of the accounts and value for money	10
Looking ahead	12
Closing remarks	13

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.
-

Key messages

- 1 Three Rivers District Council is improving outcomes in most service areas that matter to local residents. Improvements continue to be made in environmental services and in keeping the district clean. Crime levels continue to reduce and remain low. The Council demonstrates strong community leadership and a commitment to partnership working. Access to services has improved through the introduction of choice based lettings. The Council performs adequately in delivering value for money.
- 2 Progress is being made on sustaining improvement. The Council's plans enable focus on the delivery of local and area priorities which are effectively linked, and objectives are being achieved. Capacity is being strengthened through joint working. The Council has effective processes for financial and performance management.
- 3 Grant Thornton (UK) LLP 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. In regard to the Use of Resources assessment, overall the Council continued to meet sufficient criteria to demonstrate that 'good' (level 3) arrangements were in place for the management and use of the Council's resources.

Action needed by the Council

- 4 The new Comprehensive Area Assessment regime will introduce a different focus to our audit and assessment work. The new approach to assessing use of resources is more outcomes focused and more wide-ranging in the areas that it covers. The Council therefore needs to ensure it can evidence its current level of performance in each of the areas covered by the new assessment and demonstrate how this performance has led to demonstrable positive outcomes for the community.
- 5 The area assessment will focus more on the outcomes delivered in the area, looking at the impact which local partners are having in relation to the issues which matter most to local people. The Council needs to maintain strong partnership working, consistent recognition of the key challenges in the area and making a difference where it matters most.

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 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 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 Three Rivers District Council performing?

12 Three Rivers District 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.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission (percentage figures may not add up to 100 per cent due to rounding)

The improvement since last year - our Direction of Travel report

- 13 Three Rivers District Council is improving outcomes in most service areas that matter to local residents. Improvements continue to be made in environmental services and in keeping the district clean. Crime levels continue to reduce and remain low. The Council demonstrates strong community leadership and a commitment to partnership working. Access to services has improved through the introduction of choice based lettings. The Council performs adequately in delivering value for money.
- 14 Progress is being made on sustaining improvement. The Council's plans enable focus on the delivery of local and area priorities which are effectively linked, and objectives are being achieved. Capacity is being strengthened through joint working. The Council has effective processes for financial and performance management.

What evidence is there of the Council improving outcomes?

- 15 The Council has made continuing progress against identified corporate priorities during the last year. Key priorities for service outcomes are expressed in the Community Strategy, Strategic Plan and various Service Plans and following revision are:
 - Safer Communities;
 - Sustainable Communities; and
 - Towards Excellence in Governance.
- 16 The Council continues to create a safe community by working effectively with the Crime and Disorder Reduction Partnership (CDRP). Overall recorded crime in the area has continued to reduce with the majority of targets at the end of March 2008 being met. Improvements have been made in most crime categories except Wounding and Theft of a Pedal Cycle, Progress against targets for 2008/09 is good and this includes environmental targets that effect residents and visitors to the area (graffiti fly tipping and abandoned vehicles). A variety of Council led diversionary activities such as 'Everyday Active', 'Free Swim' and 'Gym' have contributed to the above success, and the Council has also introduced a play strategy and has implemented a safeguarding policy and provided common assessment framework training to support integrated practice(s). The Council is effectively contributing to community safety.
- 17 Three Rivers District Council continues to actively engage with partners in creating sustainable communities for the area. The Council has introduced a number of internal processes in response to the green agenda including using renewable energy for its cooling system; reduce energy consumption and increase the use of sustainable, renewable and recyclable materials. The Council is also in the top ten local authorities in the country for recycling. Access to services is improving as the Council progresses their Local Development Framework as steps have been taken to look at how development can contribute to improvements in school and library provision, health provision, emergency service provision, leisure provision, public transport and traffic management schemes. Outcomes to date include 100 per cent of all new houses built within 30 mins public transport time of a GP surgery, primary school and secondary school, and 90 per cent within 30 mins of a hospital. This compares to 98 per cent and 73 per cent respectively the year before. In addition, 99 per cent of new houses were built on previously developed land compared to 90 per cent the year before. The Council is effectively contributing to creating sustainable communities.
- 18 The Council is making sound progress towards achieving its priority of 'Towards Excellence in Governance'. It has undertaken a corporate peer review which produced an action plan to deliver further improvements with internal processes and has restructured staffing levels and the Management Board including creating a sustainability manager, scrutiny officer, a voluntary sector and grants post and two anti social behaviour posts which collectively provide more vigour to service delivery. They have also continued a budget prioritisation process that secures new investment for the Council, for example capital schemes. By strengthening its internal processes, the Council is improving on its external service delivery as evidenced by its above average performance against national PI's. The Council is delivering improvements in services and outcomes that are in line with corporate priorities.

How is Three Rivers District Council performing?

- 19 Performance in priority services has improved from the previous year. The overall rate of improvement continues to be above average, with 62 per cent of performance indicators (PI's) improving in the last year (compared to the average range for all district authorities of 57 to 59 per cent). The Council is average in terms of PI's in best quartile achieving 32 per cent compared to the district average of 33 per cent. Improved performance has been sustained over the past three years with the Council having 61 per cent of PI's improved in the last three years which is above the average range for all district authorities of 57 to 59 per cent.
- 20 Three Rivers District Council continues to demonstrate strong community leadership and a commitment to partnership working. The Council's community leadership has been demonstrated on numerous occasions especially with their actions to protect the environment and create sustainable communities. In addition to the initiatives delivered as part of the CDRP described above the Council is working effectively in other partnerships. They are working in a number of local and county wide partnerships to improve transport links, concessionary fares and develop an integrated transport service. They are also working with other agencies to safeguard children and occupants living in houses of multiple occupancy as well encouraging and promoting greater exercise for its residents and staff. Three Rivers through local and regional partnerships is improving services for the wider community.
- 21 The Council is improving both access and the quality of service for its residents. In late 2008, the Council introduced choice-based lettings (CBL) together with a new Inclusion and Access Policy for vulnerable and hard to reach groups. This approach gives more choice where customers want to live and create more sustainable communities whilst significantly targeting vulnerable and hard to reach groups with support. A total of 20 properties have been advertised of which six are in a cross partner 'pool' with Hertsmere Borough Council. All sports pavilions are now compliant with the Disability Discrimination Act and the Council is supporting the local community through revenue and capital grants - impacting on children, people with learning difficulties, special needs and disabilities and those with mobility problems. This has resulted in an increased participation from members of these groups in sports and recreational activities. Over the past year, the Council has made a number of improvements to its website including adding Frequently Asked Questions (FAQs) for all Services thereby helping to reduce the need for people to contact officers and to visit the office. The Council continues to address diversity in a number of ways. It is currently at Level 2 of the Local Government Equality Standard and has engaged external equalities consultants to help assess the key gaps for obtaining the 'achieving' level of the new Equality Framework for April 2009. The choice based lettings policy has an explicit equalities statement whilst the new Community Strategy has adopted 'Reducing Inequality' as a main theme. The Council, through its newsletters, has encouraged black and minority ethnic (BME) residents to become more active in local politics to increase the numbers of BME representatives in the Council's political groups. The Council is ensuring that all elements of the community are afforded the same level and access to services.

How is Three Rivers District Council performing?

- 22** Value for money is currently adequate but is demonstrating continued improvement. The Council's recent use of resources assessment scored the Council's arrangements for delivering economy, efficiency and effectiveness in its use of resources as level two (achieving the minimum requirements/performing adequately). They have benefited from joint procurement processes and have tendered a new joint contract for grounds maintenance and environmental maintenance to create economy of scale and improve outcomes. The Council has recently renewed their leisure management contract with service improvement and cost reduction. There remain some areas for development. Overall costs remain high compared to neighbouring Councils and there have been some specific issues with the delivery of capital projects. By continuing to improve its management of value for money the Council will be able to make better use of its financial resources.

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

- 23** The Council has robust improvement plans in place. Three Rivers District Council's Strategic Plan 2009/11 consolidates high level, medium to long-term objectives which the Council considers its priorities and focuses on those areas where the Council has a lead role, or can play a key part in delivering or influencing the outcomes. The Strategic Plan has been modified to reflect the objectives of other major documents, all of which have been the results of public consultation such as the Local Area Agreement (LAA) developed by Hertfordshire Forward the countywide Local Strategic Partnership (LSP) and the Three Rivers Community Strategy 2006–2021 developed by the Three Rivers LSP. Internal council plans, service and team plans reflect the corporate view and ensure consistency across the Council. The Council's Strategic Plan is clearly aligned to the local strategic area plan and supports the long term vision for the area.
- 24** Performance management arrangements are effective. The Council's performance framework has been improved and the introduction of a strengthened Management Board results in a clear focus for identifying under-performance. Service plans provide a key focus for performance and project management with service heads responsible for managing and reporting performance within their areas. Service planning is completely aligned to the Council's medium term financial planning cycle ensuring that resources are matched to priorities. In addition, 'Star Chamber' exercises are undertaken to monitor expenditure and future plans, bringing together service heads and councillors to progress implementation of plans. Three Rivers District Council was the first local authority in England to achieve Charter Mark across the whole organisation. As a result of these arrangements, the Council's progress against priorities is effectively monitored and reported resulting in improved performance and service outcomes for residents.

How is Three Rivers District Council performing?

- 25** The Council has good capacity to deliver its plans. There is strong and committed leadership supported by the administration with good relationships between officers and councillors. Internally, as part of a restructuring process, the Council increased resources in priority areas and a number of cross service Council groups were established such as the Safeguarding Working Group, Asset Management Group and Communications Group. These groups ensure that services are more joined up in their approach, planning and delivery and not working in silo's or duplicating effort. Workforce development is now an integral part of service plans and the Council's planning section was awarded 'Learning Partner Status' for their staff training and development plan. Externally, the Council is using partnerships to deliver shared services and the voluntary sector to strengthen its capacity. For example, when a vacancy arose in the leisure administration office, the Council did not replace directly but appointed an officer to work with the voluntary sector to deliver improvement through grants and the Compact agreement with the third sector. In addition, the Community Sports Network channels funds through local sports clubs and grants are directed at specific areas of need including children, people with learning difficulties, special needs and disabilities and those with mobility problems. The action that the Council has taken internally and its work with partners ensures the Council has the necessary capacity to deliver priorities.

Service inspections

- 26** No service inspections were conducted this financial year.

The audit of the accounts and value for money

- 27** Your appointed auditor, Grant Thornton (UK) LLP has reported separately to the Audit 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.
- 28** The key issues arising from this work are highlighted in the report to those charged with governance (ISA 260) issued in September 2008. The key issues arising from this work were that:
- although there were no material misstatements in the accounts that required adjustment, there were a number of non-material misstatements. There were also a number of errors in presentation and disclosure which required amendment; and
 - the auditors recommended that the Council should plan for the introduction of International Financial Reporting Standards (IFRS) well in advance of implementation as experience in other sectors shows that organisations that plan early limit the problems faced on transition. IFRS will replace UK GAAP as the basis for local government accounts in the financial year 2010/11.

Use of Resources

- 29** The findings of the auditor are an important component of the CPA framework described above. The Council consolidated the significant progress made in its 2007 UoR assessment.
- 30** Overall, the Council continued to meet sufficient criteria to demonstrate that 'good' (level 3) arrangements were in place for the management and use of the Council's resources.
- 31** For the purposes of the CPA Grant Thornton (UK) LLP has assessed the Council's arrangements for use of resources under the five key 'themes' as follows.

The audit of the accounts and value for money

Table 1

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

Note: 1 = lowest, 4 = highest

Table 2 The key issues arising from the audit

Financial reporting	The Council continued to demonstrate sound arrangements for accurate and timely financial reporting and has produced a comprehensive annual report.
Financial management	The arrangements for financial management continued to be sound, with effective arrangements in place for developing financial strategies.
Financial standing	The Council's financial standing was considered to demonstrate good performance in 2007/08. The score was upgraded to a level 3 from the prior year, in recognition of the sustained level of financial stability over a number of years.
Internal control	Internal control arrangements remain sound, with a sound system of internal control, good arrangements for managing risks and ensuring probity and propriety in the conduct of business.
Value for money	<p>The Value for Money (VfM) theme remained at level 2 (adequate), despite some areas of improvement. The Council's VFM profile indicated that although service performance tended to be above average, costs remained disproportionately high. The Council should continue to focus on the issue of capital budget under-spends and the re-phasing of projects as this impacts on any assessment of financial control and value for money.</p> <p>In order to meet the challenge of the new Use of Resources assessment, the Council will need to formalise and strengthen the way in which value for money is measured and reported.</p>

Looking ahead

- 32** 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.
- 33** 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.
- 34** 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

- 35 A copy of the letter will be presented at the audit committee on 15 April 2009. Copies need to be provided to all Council members by 31 March 2009.
- 36 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	September 2008
Use of Resources & Data Quality Report	March 2009
Annual audit and inspection letter	March 2009

-
- 37 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

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

Gary Hammersley
Comprehensive Area Assessment Lead

27 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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
