

Annual Audit and Inspection Letter

Mid Bedfordshire District Council

Audit 2007/08

March 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

- 1 This is the last Annual Audit and Inspection letter which will be presented by the Audit Commission to Mid Bedfordshire District Council in advance of the Council's demise as a result of local government reorganisation on 1 April 2009. On 1 April 2009, the new Central Bedfordshire unitary authority will formally take over the roles and functions of Mid Bedfordshire District Council.
- 2 Over the last twelve months, member and officer time has been focused on preparations for the establishment of the new Central Bedfordshire Unitary Council and ensuring service continuity in the transition period. We have reported to the new shadow authorities the findings from our ongoing review of the Council's preparations for the reorganisation. Our review, although focused on identifying potential gaps and areas where additional review would yield benefit, found many positives in the approach and actions being taken to establish the new unitary council. The key areas for further action were discussed with the shadow authorities in October 2008 and are summarised in this letter.
- 3 With regard to the 2007/08 audit, the appointed auditor issued an unqualified opinion on the financial statements on 30 September 2008. The Council generally dealt well with the new accounting and disclosure requirements for capital transactions and balances. In our Use of Resources review, the Council's relatively poor performance against a number of key performance indicators in relation to some key services such as housing benefits reduced the score for 'delivering good value for money' reducing from 3 to 2. This also reduced the Council's overall score for Use of Resources from 3 to 2. Performance at level 2 means that the Council performed adequately in terms of meeting the Audit Commission's minimum standards for delivering value for money and achieving effective use of resources.
- 4 The 2008/09 financial statements, which are due to be audited during the summer of 2009, present a particular risk due to the demise of the Council on 31 March 2009. Officers will be under considerable pressure during the first few months of 2009/10, as new structures and systems become embedded. It is therefore vital that adequate resources are allocated and closedown and quality assurance arrangements are established in time to ensure that working papers are sufficiently robust to support the financial statements and minimise the impact of the audit on officers' time.

Action needed by the Council

- 5 The key actions required from the Council going forward are to:
 - ensure that key risks relating to services continuing beyond 1 April are fed into the new Central Bedfordshire 's risk management systems so that mitigating arrangements can be established promptly, and
 - establish robust closedown arrangements for the production of the 2008/09 financial statements, to ensure the audit of the Council's final set of accounts goes smoothly and can be concluded promptly and efficiently.

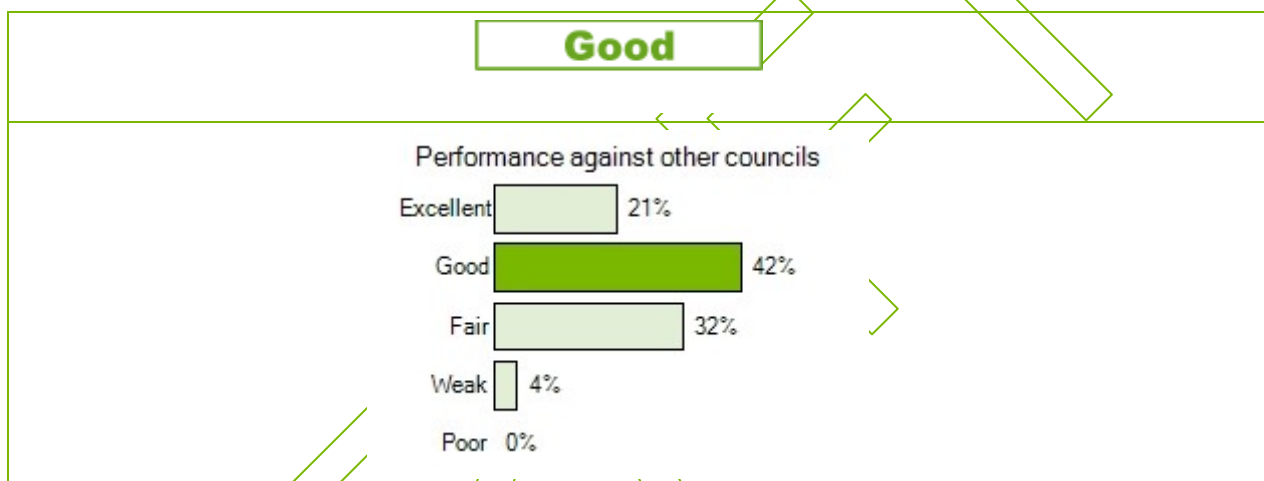
Purpose, responsibilities and scope

- 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 limited recommendations to assist the Council in meeting its responsibilities due to the fact that the Council will cease to exist from 1 April 2009 as a result of local government reorganisation.
- 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 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.
- 10 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Performance Commentary, 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 Mid Bedfordshire District Council performing?

12 Mid Bedfordshire District Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2008. These assessments have been completed in all district councils and we are updating them, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Performance Commentary

13 During the last year the Council has devoted considerable capacity to the preparation for local government re-organisation in Bedfordshire. Despite this Mid Bedfordshire District Council has made significant improvements. 73 per cent of performance indicators improved in the last year, which is above the average for district councils and is considerably better than its performance over the past three years. The number of indicators in the top quartile is similar to the previous year.

How is Mid Bedfordshire District Council performing?

- 14 Outcomes are improving in some areas that matter most to residents. Improvements are being made in reducing the amount of waste collected per person and the district has some of the lowest amounts of litter, graffiti and fly posting in the country. There are areas where performance is weak. For example, the speed of processing all types of benefits claims is amongst the slowest in the country. A number of key indicators in the areas of revenue collection and benefit claims processing have improved since 2006/07 as expected, following the implementation of new revenue and benefits systems. However, despite the improvement noted in 2007/08 the reported indicators are still below the levels being achieved prior to the introduction of the new systems.
- 15 The Council's score for achieving value for money in its annual use of resources assessment, 2007/08 has deteriorated from the previous year, and is now adequate.

Performance over the last year

- 16 Mid Bedfordshire District Council has made some improvements against its six priority objectives which are:
 - Champion community interests and ensure all sections have an opportunity to be involved/participate in decision making
 - Help create a safer, stronger and more prosperous community
 - Ensure that the development of the district is in accord with the Local Plan
 - Help create a healthier community
 - Minimise waste, prevent and control pollution and encourage sustainability
 - Improve the delivery and responsiveness of council services to our customers.
- 17 There is strong improvement in performance indicators (PIs) over the past year. 73 per cent of indicators improved since last year which is significantly above the average range for all district authorities (57-59 per cent). The three year trend is less positive, with 48 per cent of PIs improved in the last three years which is below the average range for all district authorities (57-59 per cent). The proportion of PIs where the Council is performing in the best 25 per cent of councils is average when compared to other councils at 33 per cent and similar to performance in the previous year.
- 18 The Council and its partners are having mixed success in helping to create a 'safer, stronger and more prosperous community'. Violence against the person and sexual offences per 1,000 persons both continue to fall and are now amongst the lowest in the country. Theft of motor vehicles per 1,000 persons is also reducing and is now below average. However, robberies and theft from a motor vehicle are amongst the highest in the country. Although reducing, domestic burglaries are above average. Overall performance is inconsistent.

How is Mid Bedfordshire District Council performing?

- 19 Performance on the priority objective “ensure that the development of the district is in accord with the Local Plan” is weak. The percentage of major planning applications determined within 13 weeks is amongst the lowest in the country. In addition, the percentage of other applications determined within 8 weeks is below average. However, the percentage of minor applications determined within 8 weeks is above average and the speed of determining all three types of planning applications has improved. The percentage of new homes built on previously developed land is well below average as is the percentage of Brownfield land that is derelict. The numbers of affordable homes completed in 2007/08 is below average.
- 20 Performance on “minimise waste, prevent and control pollution and encourage sustainability” is good. In 2007/08, Mid Bedfordshire District Council recycled 37 per cent of its waste which is above average, and is increasing. The amount of waste collected per head has reduced for each of the last four years and is now amongst the lowest in the country. The percentage of the local population served by a kerbside collection of recyclables remains amongst the highest in the country. The cost of waste collection is just above average. The cleanliness of the district continues to be kept to a high standard, with low levels of litter, fly-posting and graffiti. These are achievements that residents will notice.
- 21 Performance on the priority objective “improve the delivery and responsiveness of council services to our customers” is poor although there has been recent improvement. Overall housing benefits performance remains poor compared to other councils. The percentage of claims processed correctly is below average. The percentage of council tax and business rates collected are both amongst the lowest in the country. However, the percentage of invoices paid by agreed date or within 30 days is above average, and improving. This issue was recognised by the Council, and plans were developed to improve performance and efficiency. These actions are now being taken forward as part of the transition to the new Central Bedfordshire Unitary Authority.
- 22 Performance with complaint handling is mixed. During 2007/08, the Local Government Ombudsman received 24 complaints relating to Mid Bedfordshire District Council, which is above average and eight higher than the previous year. However, the time taken to respond to Ombudsman complaints is quicker than average.
- 23 Equalities performance is not improving. The Council has remained at level 2 of the equality standard for local government which places it as an average performer. It remains below average in the duty to promote race equality.
- 24 Mid Bedfordshire District Council's score for achieving value for money in its annual use of resources assessment, 2007/08 has deteriorated from the previous year, and is now adequate. Council Tax remains at a low level comparatively, as has historically been the case.

Service inspections

- 25 We have not undertaken any inspections in the period since the last Annual Audit and Inspection Letter, which was published in March 2008.

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The audit of the accounts and value for money

- 26** Your appointed auditor reported separately to the Audit Committee on the issues arising from her 2007/08 audit and issued:
- her audit report, providing an unqualified opinion on your accounts and a conclusion on your VfM arrangements to say that these arrangements are adequate on 30 September; and
 - her report on the Best Value Performance Plan confirming that the Plan has been audited.
- 27** An objection was raised in relation to an item of account in the 2007/08 financial statements. This issue has now been resolved, and no amendments to the accounts are required. The appointed auditor anticipates issuing the certificate on the accounts by the end of March 2009.

Use of Resources

- 28** 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).
- 29** 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 2008	Assessment 2007
Financial reporting	2 out of 4	2 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	2 out of 4	2 out of 4
Value for money	2 out of 4	3 out of 4
Overall assessment of the Audit Commission	2 out of 4	3 out of 4

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

Accounts

- 30 The appointed auditor issued an unqualified opinion on the financial statements and the value for money conclusion on 30 September 2008.
- 31 There were a number of changes to the Statement of Recommended Practice (SoRP), which sets out how the Council's accounts should be completed each year. Officers generally handled these changes well, particularly those in respect of the new accounting and disclosure requirements for capital transactions and balances in 2007/08. Working papers were generally of a good standard and adequately supported the material balances in the financial statements.
- 32 The impact of Local Government Reorganisation in Bedfordshire from 1 April 2009 means that there may be significant changes in terms of the officers available during the 2008/09 audit. It is therefore essential that the Council ensures that effective arrangements are in place to ensure the working papers supporting the 2008/09 financial statements are sufficiently detailed and robust to enable the audit to progress smoothly.

Use of Resources

- 33 With regard to Use of Resources, the Council's overall score of 2 was a reduction from the previous year's score of 3. This was due to the reduction in the score for value for money. The Council maintained its previous scores in all other areas.
- 34 With regard to delivering value for money, the Council worked hard to improve performance in a number of key areas in 2007/08 but overall performance, as demonstrated by the 2007/08 Best Value Performance Indicators (BVPs), is mixed.

The audit of the accounts and value for money

- 35 Performance with regard to tackling homelessness and recycling waste is good. Following investment in areas such as planning and the implementation of new revenue and benefits systems, a number of key indicators in the areas of planning, revenue collection and benefit claims processing have improved since 2006/07. However, the reported indicators are still below the levels being achieved prior to the introduction of the new systems, and performance remains in the bottom quartile. As a result, the assessment for delivering value for money was reduced to 2.
- 36 The challenge for the new Central Bedfordshire Council will be to ensure that the improvements secured during 2007/08 are built upon and specific actions are taken to improve performance in the areas which were in the bottom quartile in terms of relative performance nationally for 2007/08, particularly with regard to processing planning applications, revenue collection and benefit claim processing.

Local Government Reorganisation (LGR)

- 37 We carried out a review of the key risks associated with local government reorganisation in Bedfordshire. The main fieldwork, which was undertaken in the summer of 2008, comprised primarily a desk top review of key documents and assessed the risks associated with the implementation arrangements, particularly in relation to:
- transition planning;
 - staffing issues;
 - finance and governance; and
 - information management and technology.
- 38 It is important to emphasise that, although our review was focused on identifying potential gaps and areas where additional review would yield benefit, we found **many positives** in the approach and actions being taken to establish the new councils. There was evident commitment to achieving successful implementation of re-organisation and strong public service services in Bedfordshire. Despite a very challenging timescale all councils demonstrated clear recognition of the need to maintain good local government services during 2008, whilst also devoting capacity and focus to establishing new and ambitious councils.
- 39 The key areas for further action that were identified as part of our initial review were discussed with officers in the shadow authority in October 2008 and have subsequently been updated to reflect additional information made available between November 2008 and January 2009. We recognise that the councils involved are on a journey to becoming a new unitary council and that work is continuing to address the areas identified in our review which are included below for information. We also recognise the impact that the tight timeframes have had on the approach the councils' have adopted in a number of areas. Responsibility for addressing these issues sits with the shadow authority and the new Central Bedfordshire Council.
- There were different understandings about the approach to shared services. This contributed to delays in decision making to establish future arrangements for the provision of some services. The criteria for agreeing which services would be shared and which disaggregated did not appear to be systematic.

- There was a lack of strategic approach to service design in some areas.
- Residents and service users did not appear to be consistently engaged in shaping future service provision. This is an area where the tight timeframe has impacted on the councils' approach and it is that further work will be required post Vesting Day.
- Arrangements for agreeing and establishing ICT systems and data transfer were not well advanced, thus presenting a risk to future service delivery. This has been recognised as a key risk area and is now being monitored at Executive Director level and consultants have been appointed to determine if the necessary activities and arrangements are in place for Vesting Day and to determine approaches to any risks identified.
- Compliance with procedures to effectively manage additional capacity secured through external appointments and to ensure value for money was not clearly evidenced.
- Arrangements for risk and programme management were not comprehensive; risk and issues logs focused on the consequences in respect of the new council but did not highlight the potentially negative impact on residents and vulnerable sectors of the community. The consequential impact of target dates not being met on other milestones were not clearly identified.
- The impact of delays in disaggregating staff created potential risks to delivery of other elements of the implementation plan.

Health Inequalities

- 40 In May 2008 we reported on a review of health inequalities in Bedfordshire. This was part of a review of health inequalities across the East of England. The main findings and recommendations are summarised below.
- 41 There is a willingness and commitment to tackle the issue of Health Inequalities (HI) in Bedfordshire but not all partners are clear about the role they can and should play to contribute to reducing HI. To date, all partners have been involved in the health improvement agenda and undertaken schemes or projects aimed at improving the wider determinants of health. This has resulted in some local successes but lacked a strategic focus across the county, so not all activity has been targeted at the greatest areas of need.
- 42 There is a wealth of data on HI in Bedfordshire, but this has historically been the preserve of the Primary Care Trust (PCT). Some partners have had difficulty interpreting the data to make sense of HI in their locality. As a result partners have used locally available data to identify local priorities and pursue local targets, which may or may not have contributed to achievement of the PCT's HI targets. While partners have pursued local targets, monitoring mechanisms have not been universally robust and it has therefore proved difficult to measure the impact and cost effectiveness of some local schemes. There is however a shared willingness amongst partners to build upon current examples of good practice and develop local schemes based upon the Joint Strategic Needs Assessment.
- 43 The restructuring of PCTs in Bedfordshire resulted in a loss of leadership on the HI agenda. However, the joint appointment of a Director of Public Health, by the PCT and

The audit of the accounts and value for money

Bedfordshire County Council has provided the opportunity and the impetus for a reinvigorated approach to the HI agenda. The resolution of Local Government Review in Bedfordshire means that there will be two unitary authorities in Bedfordshire from 2009. Each of the successor bodies and the PCT must be mindful not to lose the recently regained focus and impetus on the HI agenda as restructuring progresses.

- 44 The recommendations agreed in May 2008 which will need to be taken forward by Bedford Borough and Central Bedfordshire (with other partners) are:
- Build on the Health Inequalities section in the Bedfordshire Sustainable Community Strategy (2003-2013) as the HI strategy and develop health inequalities strategies and joint action plans covering the new unitary councils.
 - Develop a cohesive model for working together to tackle health inequalities that sets out priority needs; joint strategy; action plan; review and impact assessment.
 - Decide as partners how to make best use of the information and data available, including the JSNA and PCT public health report on health inequalities.
 - Identify the skills, competencies and capacity required to address health inequalities in Bedfordshire. Acknowledge what capacity is already in place and develop a joint plan to address the gaps.
 - Develop an effective framework to monitor progress across the county against strategic HI targets. Review all targets contained in the Countywide Sustainable Community Strategy (2003-2013) and for local initiatives to ensure that they are the right targets and that they are SMART.

Advice and Assistance work

- 45 We did not carry out any Advice and Assistance work during the 2007/08 year.

Looking ahead

- 46 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.
- 47 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.
- 48 Due to the local government reorganisation in Bedfordshire, the Council will not be subject to a use of resources assessment for 2008/09. The first assessment under the new framework will be for the new Central Bedfordshire Unitary authority in 2009/10
- 49 The first results of our work on CAA will be published for Central Bedfordshire 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

- 50 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit Committee on 23 March 2009. Copies need to be provided to all Council members.
- 51 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
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of Resources	December 2008
Annual audit and inspection letter	March 2009

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- 52 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

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

Nigel Smith
Comprehensive Area Assessment Lead

March 2009