

Government and Public Sector

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Bournemouth Borough Council

2003/04 Joint Audit and Inspection Letter



The Members
Bournemouth Borough Council
Town Hall
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17 January 2005

Ladies and Gentlemen

Joint Audit and Inspection Letter 2003/04

We are pleased to present our Joint Audit and Inspection Letter for 2003/04. We hope that the information contained in this report provides a useful source of reference to you. The Cabinet considered this letter on 22 December 2004.

Yours faithfully

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

We perform our audit in accordance with the Audit Commission's Code of Audit Practice (the Code), which was last issued in March 2002. This is supported by the Statement of Responsibilities of Auditors and Audited Bodies, which was last issued in April 2000. Both documents are available from the Chief Executive of each audited body.

The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas.

Our reports and audit letters are prepared in the context of this statement and in accordance with the Code.

Reports and letters prepared by appointed auditors and relationship managers and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by appointed auditors or the Audit Commission to any Member or officer in their individual capacity, or to any third party.

Executive summary

The purpose of this report

We are required, under the Audit Commission's Code of Audit Practice (the Code), to issue an annual Audit Letter to the Council on completion of our audit. The purpose of the letter is to demonstrate that we have complied with the Code's objectives and also to summarise issues of significance arising from our work. This Audit Letter has been produced jointly with the Council's Relationship Manager and also includes a summary of the inspection work undertaken in 2003/04 by the Audit Commission in accordance with their responsibilities as set out in Section 10 of the Local Government Act 1999.

In January 2004 we issued our Audit Plan update to complete the audit of the extended audit period from April 2002 to 31 March 2004. Our Audit Plan set out the risks that we identified as part of our audit planning, together with the targeted work that we planned to perform in order to address these risks.

We have set out below what we consider to be the key issues arising from our audit and inspection work.

- An unqualified audit report covering the financial statements for the year ended 31 March 2004 was issued on 30 November 2004.
- The Council continues to respond to the issues raised following the CPA assessment. It has commissioned and has begun to take action arising from a number of reviews to assess the changes that are needed to its structure to enable it to better respond to the needs of the community. The Council has agreed a new structure. It is vital that the Council now sets clear corporate and service targets, and delivers real improvement to services.
- The Council produced General Fund and HRA surpluses in 2003/04 that strengthened its reserve balances at 31 March 2004.
- The Council faces a number of cost pressures, particularly relating to pension fund contributions for its staff.
- The services that were inspected were fair or good but prospects for improvement were uncertain or poor. Key improvement themes that the Council knows it needs to focus on are priority setting, cross departmental working and a more rigorous approach to improvement planning.

The joint reporting of audit and inspection work in this format recognises the steps that the Audit Commission has taken to integrate more closely audit and inspection regimes, whilst recognising and maintaining their separate statutory

responsibilities. The Audit Commission has appointed 'relationship managers' for all local authorities to co-ordinate planning and delivery of inspection work alongside the statutory audit work.

The new approach is intended to provide a more proportionate and integrated approach to performance audit and inspection work.

The main area for an integrated approach has been in respect of performance review work. This has been heavily influenced by the Improvement Plan developed by the Council following the Audit Commission's Comprehensive Performance Assessment process (CPA).

Accounts and Governance

Key issues

- We have issued an unqualified opinion on the Council's Statement of Accounts for the year ended 31 March 2004.
- The Council approved the 2003/04 financial statements in August 2004 which was in line with the deadline for the year. For next year, the deadline for approving the 2004/05 financial statements is being brought forward to 31 July 2005 and this will therefore place additional pressure on the accounting function.
- In 2003/04, the Council generated a surplus of nearly £2 million on its consolidated revenue account and increased its General Fund balance to £6.6 million at 31 March 2004. The Housing Revenue Account generated a small surplus of £106,000 which increased the balance on this account to £3 million at 31 March 2004. Looking forward, the Council faces some significant financial pressures including the likelihood of increased costs in connection with its pension contributions. The improved reserves position therefore ensures that the Council is relatively well placed to meet these financial challenges.

Accounts and Governance

The purpose of our accounts work was to perform an audit of the final accounts of the Council, in accordance with approved Auditing Standards.

Financial Reporting Standard (FRS) 17: Retirement Benefits

2003/04 was the first year of full implementation of FRS 17. The FRS is concerned with identifying the real underlying financial position of an authority with regard to its participation in pension schemes.

Preparation of the disclosures has required the Council to commission expert advice from actuaries and present more information about the Council's longer-term financial position than required under previous accounting treatments.

The information made available indicates that the position with regard to the Dorset County Council Pension Fund improved during 2003/04 and the Council's share of the underlying deficit reduced from nearly £114 million at 31 March 2003 to around £94 million at 31 March 2004.

The results of a full actuarial valuation undertaken at 31 March 2004 should be available in the near future and this will provide more up to date information about the Pension Fund and the likely long term effect on contributions. Given the relatively high proportion of the Council's costs that are payroll related, any increase in employer contributions could have a significant impact upon expenditure.

Financial standing

In this section we comment upon the Council's general financial standing taking into account both its performance during the last year and its ability to meet known financial obligations.

The Council generated a General Fund surplus of nearly £2 million that helped strengthen its General Fund balance to £6.6 million. This level of balance is in contrast to the balance of two years ago which at 31 March 2002 stood at £1.7 million.

The Housing Revenue Account generated a surplus of £106,000 that further strengthened this balance to £3 million,

The Council has therefore significantly strengthened its balances in the past two years. Looking forward there is likely to be some significant financial pressures emanating from pension costs.

The Council last formally considered the appropriate level for its balances in 2001 and assessed the level at 3% of Net Budget implying an amount of around £4 million. Given the high levels of income associated with certain services, this is due for a further review. In performing this review we would recommend that the Council assesses its financial risks to establish an appropriate reserves target.

Prudential Framework for Capital Expenditure

From 1 April 2004, the Council has been able to plan its capital expenditure under the new Prudential Framework. This framework focuses on a Council's ability to afford the consequences of spending decisions from future years' revenue and allows local authorities to set their own limits on the borrowing needed to achieve an affordable capital strategy.

We have reviewed the steps taken by the Authority in 2003/04 to prepare for the implementation of the Prudential Framework, including the process for setting limits and indicators under the CIPFA Prudential Code. Our conclusion is that the Council has made reasonable progress in developing a robust framework.

The Council is considering undertaking some substantial capital schemes including the redevelopment of the Bournemouth International Centre. This is a complex scheme and may involve several sources of finance. In addition, there are also many other schemes that are being considered. Against this background, it is important that the Council continues to monitor its arrangements in this area.

Statement of internal control

The Accounts and Audit Regulations 2003 included a requirement that the statement of accounts prepared by an authority should contain a statement on internal control (SIC). The reputations were effective for the 2003/04 financial statements and the SIC refers to much wider systems of control than purely financial systems. Authorities are required to conduct annual reviews of the effectiveness of the system of internal control, which will provide the findings to support the SIC.

We have already issued a report reporting the results of our review of systems of internal financial control at the Council. We have also performed a review of the Council's computer controls and issued a report for this work. Overall we concluded that the operation of the Council's systems was sufficient to support our planned audit approach.

The significant issues that we raised were as follows:

- The Council needs to develop a better method for internal recharging that does not include the creation and subsequent cancelling of cheques.
- The procedures for ensuring that the bank reconciliation process works effectively needed to be strengthened.

We have agreed an action plan with officers and will monitor progress against this plan during the next audit year.

Standards of financial conduct and the prevention and detection of fraud and corruption

As part of our work we performed a review of the arrangements in place at the Council.

We have considered the arrangements in place and concluded that the Council's arrangements are appropriate.

The legality of financial transactions

The Council is responsible for maintaining an appropriate framework for ensuring the legality of its transactions. This includes maintaining arrangements for ensuring the appropriate review of transactions being contemplated so that potential unlawful transactions can be prevented.

As part of our audit we reviewed the Council's arrangements and concluded that they were acceptable. A key element of this control framework involves the

monitoring officer and his legal team being able to review, at an early state, proposed courses of action being considered by the various operational units of the Council.

Performance management

Key issues

- The Council has responded to the CPA assessment of 'fair'. As part of this response it has experienced a number of external reviews and inspections by various bodies including IDeA and the Audit Commission. The messages are consistent and the results of recent Audit Commission inspections are disappointing. Your new Chief Executive has recently reported to the Cabinet – 'Organising for excellence – future management structure' – on a structure to support the drive to excellence. The Council needs urgently to implement the Report.
- Our work in connection with the Best Value Performance Indicators for 2003/04 was completed by mid-October and we were able to issue an unqualified report for this information. In our work we identified a small number of areas where the control arrangements for this information needed to be strengthened and we 'reserved' some of the performance indicators because the Council had not complied with the detailed guidance.
- A range of inspections have been completed covering community safety, waste management, homelessness and housing management. Results from these, overall, are disappointing (see next Section).

Comprehensive Performance Assessment (CPA)

In December 2002 the Council's CPA was an assessment of 'fair'. The Council

developed an action plan in response to this assessment. However progress on the plan was inhibited by the Council elections of May 2003. Since the elections the new administration and Chief Executive have commissioned a number of reviews of the Council. These have focused on the management structure and the ability of the Council to improve its performance. The reviews and the results of the Audit Commission Inspections, reported later in this letter, along with comments in last year's audit letter all have similar findings.

All stress the need for the Council to agree a set of corporate priorities and associated targets, to link available and projected resources to these and to enhance the capabilities of the Council to improve performance. In addition we have commented on the need to have an effective risk management system in place which reviews risk which could detract from the achievement of targets, and develops ways of mitigating these risks.

The Chief Executive, in his recent report to the Cabinet entitled 'Organising for excellence – future management for the future', has set out a clear rationale for changing the management structure of the Council and the objectives of the new structure, which include better performance and performance management and improved services. This has been agreed by Cabinet. For the structure to succeed the Council needs urgently to clarify its corporate targets and key performance measures. These will then allow the new strategic directors to focus their attention on those targets and the Council to measure progress and success against the key targets. At the same time the Council and its officers will

need to review the way services are provided and supported by the central services. These services will need to consider the way they support front line services and the associated costs.

The Council has been willing to accept review by outside bodies and has taken some steps to respond to these. Setting clear priorities and targets will allow the new structure to support the strategic direction of the Council rather than hinder it. Targets should be set to coincide with the new structure.

Best Value

Under the Local Government Act 1999 we are required to carry out an audit of the Council's Best Value Performance Plan (BVPP). This work is due to be completed by the end of October. Our review of the Best Value Performance Indicators (BVPIs) was carried out in September and October. All required adjustments identified during our work were amended by management. We were required, however, to 'reserve' three of the indicators because the Council had not complied with the guidelines relating to these specific indicators. This related to the percentage of the Council's roads that were surveyed which was insufficient to meet the Audit Commission guidance in 2003/04. The reserved indicators all related to road maintenance and came under the transport section of the BVPIs. We have brought this matter to the attention of management who have indicated that they will ensure that this issue does not recur in 2004/05.

Inspections and work managed by the Relationship Manager

Since April 2003, a number of formal inspections have taken place and the reports issued to the Council. The Relationship Manager has also carried out a qualitative assessment of continuous improvement. This feeds into the CPA scorecard which, along with a more detailed improvement report, is set out below. The inspections have covered a range of areas and a summary is given following the CPA scorecard and qualitative assessment report.

CPA Scorecard

Results have been mixed.

The Council has made improvements in some areas over the last year including services for homeless people and some good community safety initiatives. But housing management and waste services are not strong and there is lack of ownership in the council for the borough's crime and disorder figures. The Council has not met its demanding recycling targets this year and it has yet to meet some of its challenging education targets.

The Council recognises the need to improve customer access to services in a variety of ways and community engagement and customer access are among the Council's emerging priorities. But the Council is not meeting its obligations under the disability discrimination act with only 27 per cent of its public buildings accessible to disabled people.

Bournemouth Borough Council needs to continue to focus attention on clarifying its corporate priorities, improving some internal processes and implementing new management arrangements before there can be any real improvement in the services it provides to local people. The Council is now addressing these areas. We will continue to monitor progress over the next 12 months

Improvement report

Priorities

The Council is not clear about its priorities. Since the change in administration in May 2003, the Council has been slow to clarify its future direction. It recognises that it needs to be much clearer about what are and are not its priorities and what the implications of this on individual services will be.

The Council's current priorities are:

- Caring for people
- Developing communities and tackling crime
- Education and lifelong learning
- Strengthening our economy
- Sustaining our environment
- Quality services and value for money

These are the same as the ones set out in the community plan with the addition of quality services and value for money.

The Council also has a number of internal improvement themes and these are:

- Leadership and vision
- Customer focus
- Systems / efficiency / effectiveness / continuity
- Performance management
- Partnership and Learning

Despite these priorities, a number of recent inspections have highlighted the lack of prioritisation as a weakness and the Council recognises that it needs to better articulate its strategic priorities to make them a reality and help them to drive service planning and more rigorous performance management. This lack of clarity means that currently business plans do not clearly articulate corporate priorities in a meaningful way for delivering service improvements.

The Council held its first state of the area Bournemouth Debate with its citizens in June 2004 endorsing the vision of *A place where everyone has an excellent quality of life, which all can play a part in improving for future generations making Bournemouth a place where everyone wants to be*

Following this, the further strategic priorities that are emerging for the Council are as follows:

Outcomes the Council wants to deliver are:

- Regeneration and growth (including cultural & creative renaissance, and development of the knowledge economy)
- Affordable Housing
- Better transport for all
- Recycling

Ways that the Council wants to improve how it works are:

- Partnership and joint working, where this can improve services or value for money
- Community Engagement and Empowerment
- Customer First including easier access to services

The latest corporate plan does not reflect the new vision and priorities and these will feed into the next update of the plan.

Future plans

The Council has some plans in place to address the areas it wants to improve, particularly around its internal improvement themes. The Council is in a period of significant change including some organisational changes that are in train. The Council has agreed additional resource to increase capacity in corporate planning and policy development, customer focus, and devolution of power to communities. In addition, as part of the capital program, the Council has agreed that 5 per cent of all new capital receipts will be top sliced to resource a new dedicated project team to handle major development projects.

The Council's best value reviews have not resulted in strong improvement plans for services and this has been reflected in the inspection scores for prospects for improvement that have been uncertain, or in one case, poor.

The Council has been unable to turn many of its plans into reality because of a lack of robust performance and project management.

Focus

Recent inspections have found a lack of focus on key problems. For example in the priority area of developing communities and tackling crime, the community safety inspection found that the Council is not explicitly focussing on a local priority to reduce alcohol-related crime and disorder.

The Council recognises that its lack of focus is a weakness and it plans to address this through linking financial and service planning and setting clearer priorities based on its emerging vision over the next 15 months. It is also strengthening its corporate review process to ensure that as well as encompassing the principles of best value reviews (compare, compete, challenge and consult), reviews are properly scoped at the outset to maintain focus on emerging priority areas.

Capacity

The Council recognises that it needs to improve its capacity. It is in the process of a significant change program aimed at increasing capacity. This is described further under the investment and future plans sections of this assessment.

In the priority area of developing communities and tackling crime, our community safety inspection found some weaknesses in capacity. For example there is a

lack of challenge to service delivery through scrutiny and review panels. On the other hand, the inspection also highlighted good partnership working helping to increase capacity.

In another inspection, also linked to the priority area of developing communities and tackling crime, we found that the Council was unable to demonstrate value for money in its housing management service. A waste inspection, linked to the Council's priority of sustaining our environment, also found that the Council could not demonstrate cost effectiveness in its waste service. In addition, this inspection found that there are no plans to resource improvements needed. Opportunity to develop the service by using significant external grant aid was lost. This is important because it shows that the Council is not currently maximising its resources and so not making the most of its capacity. The Council is in the process of a waste review that is due to report in January that it hopes will address some of the issues raised in the waste inspection.

Performance management

The Council recognises that it needs to improve performance management and our inspections also found this. As well as new systems and procedures, there is a need for cultural change to deliver effective performance management.

The Council is working on improving its performance management arrangements including the introduction of a performance management group aimed at ensuring consistent use of performance information throughout the Council and the introduction of a new scorecard for the directors' management team. There are also plans to improve the monitoring of LPSA targets because the Council cannot clearly show how actual progress compares to expected progress for these three year joint (with other agencies) targets. The Council is also working on improving business-planning processes in line with the improvements to its performance management processes.

The Council does not yet have effective mechanisms in place for measuring, monitoring or managing the performance of all of the partnerships that it is involved in, such as the crime and disorder partnership. Arrangements are in place for some partnerships such as the LSP and the Council is working to further improve these.

Learning

Recent inspections have found a lack of a consistent approach to learning and in one case no progress since a previous inspection on Audit Commission recommendations.

In the priority area of developing communities and tackling crime, a community safety inspection found that awareness of community safety and section 17 responsibility remains low among some councillors but there is a growing awareness across the Council about community safety. In the same priority area, our housing management inspection found a lack of learning from within and outside the Council. Similarly, in the priority area of sustaining our environment, our waste inspection found that the Council is not learning from others to improve waste management and street cleaning services

The Council is putting some mechanisms in place to improve learning. These include a compact between Poole and Bournemouth Council Leaders and Chief Executives to encourage joint working. There are also some inter-directorate groups in the Council that can be used to share learning.

Investment

Recent inspections found that it is not clear how the Council will resource service improvements.

Investments are underway to improve capacity such as training in project management and the Council has created corporate budgets to support management of change, the accommodation strategy, councillor development, leadership and management competency programmes.

Achievement

Our performance information for the Council shows that of the 74 targets set by the Council in 2003/04, it achieved 47 per cent. Of the 39 indicators where the Council did not achieve its targets, 49 per cent failed to show improvement.

Progress against 2003/04 priorities can be summarised as:

- Caring for people – Failed to meet majority of targets set out in the best value performance plan. But capacity for improvement in children’s services has improved from uncertain to promising this year.

- Developing communities and tackling crime – Met or exceeded more than half of targets where set but did not meet targets around some crime figures including alcohol induced crime and vehicle crime.
- Education and lifelong learning –Strong overall education rating, but has not met some challenging targets and remains amongst the lowest performing councils for some indicators.
- Strengthening our economy – Met or exceeded more than half of own targets but not meeting government targets for planning times.
- Sustaining our environment – Amongst the best performing councils nationally for amount of waste recycled but not meeting demanding government recycling targets. Although the amount of waste collected is high (amongst the worst performing councils nationally), it is decreasing.
- Quality services and value for money – Met or exceeded less than half its targets including access for disabled people and electronic access to services.

Inspections

The following table summarises the findings of our inspections:

<i>Inspection</i>	<i>Score</i>	<i>Prospects to Improve</i>
Community Safety	Fair	Uncertain
Waste Management and Street Cleaning	Fair	Poor
Homelessness and Housing Advice	Good	Uncertain
Housing Management	Fair	Uncertain

Overall these are disappointing results, particularly the assessment of all the inspections that the prospects for improvement were either uncertain or poor.

The detailed results of the inspections are set out below.

Community Safety Inspection

The community safety inspection judged the service provided as ‘fair’ with ‘uncertain’ prospects for improvement.

The Audit Commission inspection team gave the service one star out of a possible three because the Council's aims and priorities for community safety are unclear and there is insufficient ownership of the borough's full crime figures. Crime remains high and performance is poor compared to similar councils. Bournemouth is in the worst 25 per cent for overall crime nationally and the Council has lacked focus in accepting and addressing this. The Council has set up community safety initiatives and is now working with the police to try and improve the situation, but alcohol related disorder in the town at night time remains a key concern for local people.'

The inspectors found the following weaknesses:

- The Council at all levels does not take sufficient ownership or fully accept the borough's crime and disorder figures and has lacked focus in the past on addressing key priorities for improvement.
- Performance information used by the Council does not inform the public or councillors of the full extent and trends for crime and disorder in Bournemouth. Awareness of their community safety responsibility, among some councillors is low.
- The quality of the Council's improvement plans and the evaluation of the impact of initiatives relating to community safety is variable, plans are not prioritised and targets for improvement are not challenging.
- The Council's current provision of CCTV is inadequate and future plans to improve it unclear.

Inspectors found some stronger points:

- The Council works well with partners in implementing many positive community safety initiatives.
- The Council has successfully mainstreamed some aspects of community safety across its services and there are effective links into the local community.
- The Council and partners recognise the importance of addressing the fear of crime and fear of crime among residents is relatively low.

To help the service improve, inspectors made a number of recommendations, including:

- Improve the management of community safety by establishing and publishing the Council's aims, objectives and priorities, setting challenging targets for reducing all crime and disorder and monitoring and reporting the impact of all initiatives on crime and disorder.
- Raise awareness of community safety by improving the content and simplifying the presentation of community safety performance information within the Council and to the public.
- Ensure future improvement to community safety by improving focus and ownership within the Council on reducing crime and disorder figures, addressing alcohol related crime and disorder as a priority and taking action to resolve the current state of CCTV within the borough.

Waste inspection

The waste and street cleaning services inspection judged the service as 'fair' with 'poor' prospects for improvement.

The Audit Commission inspection team gave the service one star out of a possible three because there are no plans or strategies to encourage people to limit the amount of rubbish they produce and the amount of waste collected is high. The Council did not meet its recycling targets in 2003/04 and its civic amenity site does not focus on recycling and is poorly managed. It is not clear if or how the Council will meet challenging recycling targets next year. There are some early signs that the Council has started to recognise the importance of this now.

The inspectors found the following weaknesses:

- The public toilets in the borough are old and need updating. The standards of neighbourhood recycling facilities are generally poor.
- The Council has not met its statutory recycling target of 33 per cent in 2003/04 and it has taken no significant action in recent years to improve its recycling and composting performance.
- There is a lack of integrated working in the Council and this leads to satisfaction is falling in some areas.

Inspectors found some stronger points:

- The Council maintains the streets, parks and beaches of Bournemouth to a high standard.

- Bournemouth is amongst the best councils nationally for its current levels of recycling.
- There is a well-developed call centre that provides a good response to residents.

To help the service improve, inspectors made a number of recommendations, including:

- Gain political consensus and commitment to the long-term future direction of its waste management and street cleaning service.
- Work with national government departments to help meet statutory recycling targets.
- Make it easier for people to reduce their waste by delivering active educational & promotional campaigns, refocusing the civic amenity site on recycling and setting a good example itself.

Homelessness and housing advice inspection

The homelessness and housing advice inspection judged the service as 'good' with 'uncertain' prospects for improvement.

The Audit Commission inspection team gave the service two stars out of a possible three. The Council has successfully reduced the number of people made homeless and those sleeping rough in the town centre. Given the scale of the problem faced this is quite an achievement and reflects the wide range of initiatives implemented in the last 18 months. However, for this to be sustained its performance will need to be better managed and improvement plans firmed up.

The inspectors found the following strengths:

- Homelessness has been prevented in many cases by finding solutions before someone loses their home.
- The use of bed and breakfast hotels has been minimised with people now staying in good quality temporary housing or being housed permanently.
- When people do become homeless they are helped in finding a new home and to deal with personal and health problems.

However, inspectors also found weaknesses such as:

- People in temporary housing are not always kept informed of progress with

their applications for permanent housing.

- Limited information is available to customers about the service they can expect.

To help the service improve, inspectors made a number of recommendations, including:

- Ensure that all temporary accommodation remains good quality.
- Provide all service users with more information about the service they receive.

Housing management inspection

The housing management service inspection judged the service as 'fair' with 'uncertain' prospects for improvement.

The Audit Commission inspection team gave the service one star out of a possible three. Bournemouth has not improved its housing services since the previous inspection in 2001 when they were judged to be fair. While the condition of Bournemouth's council housing and estates is good, there is much room for improvement in the quality of service provided to their tenants, particularly tenant participation.

The inspectors found the following weaknesses:

- Nuisance and anti-social behaviour problems are not dealt with effectively.
- Tenants have limited opportunities to get involved in how services are provided for them.
- Services are not easily accessible or customer focused.
- Limited assessment of value for money.

Inspectors found some stronger points:

- High levels of rent is collected and arrears are low.
- Housing estates are well maintained.

To help the service improve, inspectors made a number of recommendations, including:

- Broaden the involvement of tenants in the management of the housing service.

- Produce clear measurable service standards for housing management services which inform tenants of what they can expect.
- Develop, publicise and enforce clear policies for dealing with nuisance and anti-social behaviour.

Audit plan 2004/05

Audit Plan 2004/05

We have issued our Audit Plan for 2004/05 and we presented it to the Quality Services and Value for Money Scrutiny Panel meeting held on 1 July 2004.

Given the dynamic environment within which you operate, we expect to periodically review our Audit Plan to ensure that it remains appropriate for the 2004/05 financial year. We have identified the following areas that will require audit attention:

- the Council's proposals for the redevelopment of the BIC and other capital projects which will impact upon the Prudential Framework.
- the Council's progress towards meeting the 2004/05 accounts approval deadline of 31 July 2005.
- progress in connection with the targets set out in the Local Public Services Agreements (CPSA) negotiated with ODPM and other central government departments.

We will discuss with you the implications of these changes on our Audit Plan.

Fees update for 2003/04 (audit) 2004/05 inspection

We reported our fee proposals as part of our Audit Plan for 2002/04 and the inspection plan for 2004/05, which we presented to the Quality Services and Value for Money Panel. The audit fee proposal covered the 17 month period from 1 November 2002 until 31 March 2004. The inspection fee covered the financial

year 2004/05.

Our actual audit fees were in line with our proposal and details are set out below:

Aspect of the Audit Role		£'000
2002/03	Accounts and Systems	95
2002/03	Financial Aspects of Corporate Governance	90
2002/03	Best Value Performance Plan and Performance Indicator audit specialist reviews and the impact of CPA	70
2003/04	Accounts and Systems	85
2003/04	Financial Aspects of Corporate Governance	70
	Total	410

Our actual inspection fees were in line with our proposal. The fee for our 2004/05 inspection work was £78,720. The inspection fee reflects only the amount to be paid by the Council. This is 75% of the full fee as the

remaining 25% is met by grant from the Office of the Deputy Prime Minister.

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