

Annual Audit and Inspection Letter

Southampton City Council

Audit 2007/08

March 2009



Contents

| | |
|---|-----------|
| Key messages | 3 |
| Purpose, responsibilities and scope | 4 |
| How is Southampton City Council performing? | 5 |
| The improvement since last year - our Direction of Travel report | 7 |
| The audit of the accounts and value for money | 14 |
| Looking ahead | 19 |
| Closing remarks | 20 |

Status of our reports

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

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

- 1 The appointed auditor provided an unqualified opinion on the 2007/08 accounts and an unqualified value for money conclusion in September 2008. The audit cannot be concluded and an audit certificate issued until the appointed auditor has completed her consideration of matters that were brought to her attention by local authority electors relating to heating charges in Council properties.
- 2 The Direction of Travel Assessment has concluded that the Council is improving well. Key strengths include major regeneration projects, improvements to housing and the street scene, and promoting community safety. Indicators for children and young people remain below average, although performance has once again improved in schools.
- 3 The Council has achieved a score of three in the annual Use of Resources assessment. Key areas for improvement highlighted by this work include the following which are being addressed by officers:
 - charging policy for non-residential social care;
 - housing rents and council tax collection rates; and
 - IT system recovery plans.
- 4 An overview of the Council's performance in relation to Housing Management, found that there were some weaknesses in relation to the void repairs process and gas safety.

Action needed by the Council

- 5 We highlight below the actions arising from our audit and inspection work that councillors should ensure are implemented, some of which are repeated from last year's audit and inspection letter.
 - Implement the revised non-residential social care billing policy and replacement income billing module during 2009.
 - Improve the collection rates for housing rents and council tax.
 - Establish robust IT recovery plans which should be regularly reviewed and tested.
 - Carry out gas safety inspections on all Council owned properties within twelve month intervals, and ensure that a valid gas safety inspection certificate exists on each property file.
 - Further review the transformation approach to ensure it delivers value for money.
- 6 The Council should also continue to invest in and improve the level of educational attainment at GCSE and key stages 2 and 3.

Purpose, responsibilities and scope

- 7 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.
- 8 We have addressed this letter to councillors 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.
- 9 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.
- 10 The 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, she 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.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel.
- 12 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 Southampton City Council performing?

13 The Audit Commission’s overall judgement is that Southampton City Council is improving well and we have classified the Council as three-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA



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

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

| Element | Assessment |
|--|-------------------|
| Direction of Travel judgement | Improving well |
| Overall | Three star |
| Corporate assessment/capacity to improve | 3 out of 4 |
| Current performance | |
| Children and young people* | 2 out of 4 |
| Social care (adults)* | 3 out of 4 |
| Use of resources* | 3 out of 4 |
| Housing | 3 out of 4 |
| Environment | 4 out of 4 |
| Culture | 3 out of 4 |
| Benefits | 3 out of 4 |

(Note: * these aspects have a greater influence on the overall CPA score)
 (1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

Summary

14 Southampton City Council is improving well. Its overall performance across a range of services is good. It shows a consistent track record in improving outcomes for its residents and communities, and by working effectively with partners on longer term issues. Major regeneration projects, and enhanced housing and benefits services have delivered economic and social benefits to local people as well as tackling deprivation and inequality issues. The Council continues to promote independent living well. Performance for children and young people remains below average, although the Council has once again improved its performance in schools. Improvements have been made in promoting community safety and tackling crime, disorder and antisocial behaviour, and the overall volume of crime has reduced. The Council has made significant developments to the street scene and has made good progress with its environmental objectives. It is achieving and improving its reputation for providing good value for money. The Council has robust plans for further improvement, for example through its service transformation agenda and building schools for the future programmes. It is on track to deliver its future commitments.

Overall Performance

15 The Council's overall performance across a range of services is good and improving well. It received a four-star assessment for the first time last year, and continues to deliver a consistent track record in improving outcomes for its residents and communities. Based on a basket of national performance indicators (PIs) relating to shared priority and service areas, 63 per cent showed improvement in 2007/08, which shows an average level of improvement compared to similar councils. Twenty-five per cent of the selected PIs were within the best 25 per cent of all councils, which was below the average for similar councils. The Council is performing well in improving outcomes for local people across its five priority areas and wider community outcomes as summarised below.

Tackling deprivation and inequality

16 Major regeneration projects by the Council have continued to deliver economic and social benefits to local people. This includes large-scale projects such as improving the disadvantaged Thornhill neighbourhood with projects ranging from increased training for local people, better homes with over 2,000 new kitchens and bathrooms, and holding crime reduction and environment weeks. The Council has also worked closely with the new IKEA store to increase employment opportunities, by holding training days in several deprived areas, which resulted in over 100 local unemployed people gaining interviews with the store.

- 17 The Council has improved its equality and diversity work and has now achieved level 4 of the local government equality standard. Only seven per cent of councils have reached this level. There is now increased representation of women and residents from black and minority ethnic communities in its workforce, and appropriate action on reported racial incidents continues to be taken. The proportion of disabled staff is not fully reflective of the population but the Council has improved the accessibility of its buildings and services.
- 18 The Council and its partners continue to make progress in the longer term challenge of reducing health inequalities. Joint working with the PCT has led to some effective work such as assessing health needs across the city, improving children's dental health within priority neighbourhoods and the health of looked after children. However, health inequalities within priority neighbourhoods inevitably remain at this point in time.
- 19 Access to affordable and decent housing continues to progress. Eighty per cent of Council homes now meet the decent homes standard, an increase of 5 per cent on last year, with over 2,000 new bathrooms and kitchens installed. Three hundred and fifty one affordable homes were completed by April 2008, which is well above the national average. Rent collection is improving but still below average. A recent performance review found concerns over gas safety which the Council has started to address.
- 20 Performance of the benefits service is below average compared with other councils, although the Council is increasing the quality of the service. New claims and changes are being processed more quickly and the transfer of the service to the new strategic services partnership with Capita has also shown improvements in customer satisfaction. For example, the time taken to process new claims fell from 33 days in 2006/07 to 25.7 days in 2007/08 and to 23.6 days by September 2008. Non domestic rate collection has increased again and is now in the best 25 per cent of councils. However, the percentage of claims assessed correctly has not improved and remains in the worst 25 per cent of councils. Overall, more vulnerable people have easier access to council services.

Promoting independent living

- 21 The Council continues to promote independent living well. The Annual Performance Assessment by the Commission for Social Care Inspection (CSCI) for adult social care concluded that the Council is again delivering good outcomes with excellent capacity to improve. Learning disability day services have been moved to local community centres to help people integrate more within their communities. The City Limits project has helped those with disabilities into employment and electoral registration has increased accessibility by issuing an audible guide and online registration. The number of older people receiving support to live independently in their own homes increased and there is prompt provision of services to older people following assessment. The Council is also now rectifying problems with charging issues for non-residential domiciliary care.

The improvement since last year - our Direction of Travel report

- 22 The Council has improved the long term placement of looked after children and increased the proportion who are adopted to good performance levels through early intervention, the provision of targeted support to foster carers and improved multi-agency working. However the stability of other placements reduced slightly as a result of the Council's practice of placing children locally, resulting in some young people staying with friends overnight rather than returning to their placement.

Promoting lifelong learning for all people

- 23 Indicators for children and young people remain below average, although performance has once again improved in schools. Attainment has continued to improve at key stages 2, 3 and 4 and at GCSE level, with good progress made in 2007 in all areas. For example, the percentage of pupils achieving level 4 or above in the Key Stage 2 Mathematics test has risen from 71 to 76 per cent. Although the proportion of young people who are not in employment, education or training remains of concern, there has been a decrease in the first half of 2008/09 and an increase in the number of 17 year olds who are now in education, employment and training. OFSTED scores for 2007/08 show performance overall as having fallen from three to two out of four in this area.
- 24 Two new academies have opened during the year, the Learning Futures Programme has been concluded and there has been an increased focus on supplying better sports and leisure facilities. Training, for example on employment relations, is being delivered to teachers to help them deal with human resource issues. The Council has also supported Learndirect to encourage 350 learners during the year, with 83 of these receiving their first qualifications in literacy or numeracy.

Improving community safety and tackling crime, disorder and antisocial behaviour

- 25 The overall volume of crime has reduced. The number of robberies, vehicle crimes, drug deaths and people killed or injured on roads has decreased over the past year, although domestic burglaries and crimes committed by young children have risen. Initiatives by the Council and its partners have led to an increase in the amount of hate crime reported, with a successful project to raise awareness of domestic violence for those with learning disabilities. Specialist support services have been introduced to help those affected.
- 26 The Council has continued to work in partnership to reduce the misuse of alcohol, and the number of antisocial behaviour contracts has reduced due to better early intervention measures. It has also been named as a centre for excellence by the Department for Transport for its work on reducing the misuse of the blue badge disabled drivers scheme. One of eight Crime Reduction and Environment Weeks (CREW) in the deprived area of Dumbleton Close, led to three arrests for drug related charges, the removal of ten abandoned vehicles, the painting of communal areas, cleaning of bus shelters, and removal of graffiti and fly tipping. In November 2008, the first themed city-wide CREW was held targeting bonfire night activities resulting in a 60 per cent reduction in anti social behaviour within targeted areas and arson rates being halved.

Improving the street scene and environment

- 27** The Council has made significant improvements to the street scene. Major highways work is leading to better accessibility such as opening up roads to the port, replacing street lights, widening footpaths and planting more trees. A multi-million pound investment has begun in the city centre high street and a new regional business centre is underway. Improvements have been made to Shirley high street, along with construction of a new community building.
- 28** The Council continues to progress environmental issues well. The amount of waste collected remains low and within the best 25 per cent of councils, meaning the Council is sending less to landfill. Street cleaning has improved and streets have less litter and graffiti. Increased work through volunteer 'friends' groups has resulted in more resources for parks, and the Council has received four Green Flag awards for its parks this year. It has received a civic amenity site award for its household waste recycling centre, due to a 12 per cent increase in recycling at the site, a 35 per cent drop in the amount of waste sent for disposal, excellent customer satisfaction levels and improvements such as a new charity corner and better disabled access.
- 29** Recycling rates have improved from 25.5 to 27.1 per cent over the year. This performance is good compared with unitary councils but below average when compared with other councils within a similar waste group. Waste costs also remain relatively high although efficiency savings in excess of £1.3 million have been made over the past three years and costs are reducing. The speed of deciding major and 'other' planning applications reduced in 2007/08 to below average, although the speed of progressing 'other' applications and the amount of appeals allowed has recently improved. The Council also received its highest ever planning delivery grant this year for its previous good performance. This is within the context of several significant large scale planning applications which should help secure the regeneration of the city.

Value for money

- 30** The Council continues to achieve and improve good value for money. Costs are low compared with other councils and relatively higher cost services such as waste collection are performing well and delivering good outcomes in line with customer preferences. The Council has improved performance in the last year in high-cost priority services of waste collection and disposal, leisure, council tax collection and educational attainment, although some results remain below average compared with other councils.
- 31** It has strengthened its management of the capital programme and capital investment is resulting in improvements such as more council homes meeting the decent homes standard. It is making better use of benchmarking information which is contributing to improved performance and it has integrated financial and performance monitoring. It is using its strategic services partnership to invest in new technology, including a new call centre, and this has started to deliver efficiencies and more accessible, good quality services. The Council has achieved £18.6 million of efficiency savings over the last three years, exceeding its target by £3.5 million. Procurement practices have improved and the Council achieved £1.1 million of procurement savings in 2007/08. The Council has not yet evaluated partnerships' contributions to improving value for money but has plans to do this.

Sustaining future improvement

- 32 The Council has robust plans for improving. The sustainable community strategy is being implemented by effective joint work through the local strategic partnership, with progress being made towards reaching Local Area Agreement (LAA) targets, for example in educational attainment. Major developments have been secured, such as the waterfront, a new regional business centre and development of Above Bar Street.
- 33 The Council has begun its transformation agenda, and is investigating different delivery mechanisms for its services. This agenda is designed to reshape services to enhance the city's economy, community engagement and educational attainment. It includes a planned highways public private partnership and a street lighting private finance initiative. The Building Schools for the Future programme is currently on track, with a 'strategy for change' document out for approval which will advance the renewal of secondary schools including special schools as well as co-locating services for the community. The Council is building on this programme and re-organising primary education within the city to further improve school standards and address rising birth rates in some areas. These plans are being consulted on with the public, for example there is an online feedback facility for the 2009/10 budget proposals.
- 34 The Council is dealing proactively with the current economic climate. It has developed local indicators with partners to highlight changes such as increased job vacancies, redundancies or benefits claimants. The Council has received a letter of commendation from the Secretary of State for Communities and Local Government as a result of managing this information well.

Improvement planning

- 35 The Council continues to implement its improvement planning well. It delivered 92 per cent of its 158 commitments in the Corporate Improvement Plan for 2007/08, and is on target to meet 94 per cent of this year's. For 2008/09 59 per cent (13 out of 22) of local area agreement (LAA) indicators are on target, with 18 per cent behind target, such as reducing the number of people not in education, employment or training. Overall the Council is delivering well against its priorities.
- 36 Performance management continues to make progress, with standardised, cross-organisational quarterly monitoring of new national indicators and LAA targets, which are also available online. This helps stakeholders track the progress of partners in delivering the LAA. The Council is also now investigating using its performance management system to track the Multi Area Agreement (MAA) for the overarching Partnership for Urban South Hampshire (PUSH).

Capacity

- 37** The Council is improving its capacity to help it deliver its plans. Partnership working, for example with the Southampton Partnership and the Strategic Services Partnership, is effective. Partnership structures have been updated this year to ensure delivery of challenging targets. Work through the SSP, set up in October 2007 has led to improved customer service, quicker waiting and processing times, increased investment and procurement savings. Proactive work with PUSH has also led to improved customer care and savings, for example work on the introduction of a consistent choice based lettings system, increased funding for strategic studies such as flood assessments, as well as positioning the area well for future sustainable development and economic growth. This is helped by all the individual LAAs linked into this overall PUSH Multi Area Agreement. The Council has also recently aligned its three year business planning arrangements with the local Primary Care Trust's. This is a major achievement and shows a shift in culture towards joint working.
- 38** Councillor capacity continues to develop with the Council's personal development and mentoring programmes and improved governance structures. The Council has experienced frequent changes in administration in recent years, although cross-party political support exists for major schemes such as Building Schools for the Future and the Strategic Services Partnership. Staff capacity has been enhanced by securing IIP accreditation, transferring 650 staff to the strategic services partnership to help deal with peaks and troughs in workloads, and the delivery of learning development activities such as project management as part of the management academy training programme. The Council is also recruiting to a new senior post for economic development and regeneration to enhance capacity in this crucial area.
- 39** Financial capacity has improved. For example the integrated business planning process has been developed with performance now linked to financial and staff resources. Councillors have reviewed budgets and costs for individual services in order to prioritise them in line with the five Council priorities. This has included making difficult decisions such as closing care homes and increasing private provision. The draft budget for 2009/10 is now being consulted on and is due to be presented in February 2009. The Council's strategic approach to securing external funding ensured it secured £15.6 million in 2007/08 for the benefit of the city's residents.
- 40** There are no significant weaknesses in these arrangements, and so the Council is well-placed to deliver further service improvements.

Service inspections

- 41** The Audit Commission has not undertaken any service inspections during the year. However, an important aspect of the role of the Comprehensive Area Assessment Lead (CAAL) is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

The improvement since last year - our Direction of Travel report

- 42 We have drawn on these assessments where appropriate to supplement our own work and inform our judgements about the Council's arrangements. More detailed commentary where appropriate is incorporated in other parts of this letter.
- 43 During the last year the Council has received the following assessments from other inspectorates.

Table 2 Results of assessments/inspections 2008

| Other inspectors and regulators | Service | Performance |
|--|--|--|
| 2008 Annual performance assessment | Services for children and young people | Children's Services have been rated by Ofsted as adequate and meeting minimum requirements. The council's capacity to improve, including its management of services was rated as adequate. |
| 2008 Annual performance assessment | Social care services for adults | The assessment of social care services for adults by the Commission for Social Care Inspection (CSCI) showed that services have improved and are delivering 'good outcomes' with 'excellent capacity for improvement'. |

The audit of the accounts and value for money

Audit of the Accounts

- 44 Your appointed auditor has reported separately to the Standards and Governance Committee and the Audit Committee on the issues arising from the 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, on 30 September 2008: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 45 The audit cannot be concluded and an audit certificate issued until the appointed auditor has completed her consideration of matters that have been brought to her attention by local authority electors relating to heating charges in Council properties.
- 46 There are no matters arising from the audit which are significant enough to bring again to members' attention.

Use of Resources

- 47 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 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).
- 48 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3

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

Note: 1 = lowest, 4 = highest

CPA Use of Resources Assessment

- 49 The Council has made commendable progress in the last three years which is reflected in the improved assessment scores for 2007/08. The Council has maintained a continuing focus on the areas which have previously been identified for improvement, and the scores for financial management and internal control have improved during the year as a result.
- 50 There are still some significant problems with some systems of internal control, for example in relation to the social care income system. However, the Council has approved a revised charging policy for non-residential social care and is planning to implement a replacement income billing module during 2009. We concluded that these problems are not representative of the Council's overall standards of internal control, which are otherwise sound.

Financial reporting

- 51 The 2007/08 financial statements were produced within the statutory deadlines and we were able to issue an unqualified audit opinion.

Financial management

- 52 The integration of service and financial planning within the medium term service and financial plan has assisted the Council to strengthen its financial management and ensure that financial planning is driven by corporate policies and priorities. The already robust budget process has been built upon by the Council by using performance information to explain variations between actual and budgeted expenditure. The Council's property management database and asset register are both effective and fully embedded.

Financial standing

- 53 The Council has effective budgetary reporting arrangements and consistently maintains spending within budget. There are target levels for reserves, although these are frequently exceeded. A Treasury Management strategy is in place and this is compliant with CIPFA standards. However, there continues to be scope to improve performance on income collection from council tax and housing rents where collection rates have improved but fall short of the average delivered by other similar councils, especially for council tax where collection rates remain in the worst 25 per cent of councils.

Internal control

- 54 The Audit Committee has developed in its role during the year, by reviewing audit reports and ensuring that officers implement recommendations. The Council's processes for risk management have continued to improve with risk management training being provided to appropriate staff in February 2008. The Council is developing a partnership protocol which should enable it to put appropriate governance arrangements in place for all significant partnerships.
- 55 The Council did not have comprehensive plans for the recovery of key information systems in the event of a disaster at the 31 March 2008. It is important that it develops appropriate plans during 2008/09, and that it reviews and tests them regularly. In addition the planned 'Ethical Governance review' should be completed, which will help the Council to determine its strengths and weaknesses in respect of members' compliance with ethical standards, behaviours and relationships with officers.

Value for money

- 56 The Council continues to achieve good value for money (VFM). Costs are low overall compared to other councils and most of the Council's higher cost services are performing well and delivering good outcomes for local people. Improvements have been made during the year in some high-cost priority services such as council tax collection and educational attainment at GCSE and key stages 2 and 3, although performance remains below average in each of these areas compared to other councils.
- 57 The Council manages and improves VFM well and has made progress since last year. It is making better use of benchmarking to improve performance and it has started to deliver efficiencies, improve accessibility of services, and invest in new technology through the Strategic Services Partnership, which provides the Council with housing and council tax benefits, customer services, human resources and payroll, Information Technology, procurement, and property management services. The Council recognises that it has not yet fully evaluated the contribution that partnerships make to value for money, but has plans to improve this through implementing a partnership protocol in 2008/09.

Strategic Services Partnership (SSP)

- 58 Our review of the implementation of the SSP has confirmed that good progress has been made in improving the performance of the services delivered through the partnership with Capita. Performance indicators for the services have all been met or exceeded. Key reported successes noticeable to customers include refurbishment and improved services from the 'Gateway' one-stop-shop in the Civic Centre, and faster performance on payment and processing of council tax and benefits. The Council and its partner have also had some success in improving procurement practices by, for example, introducing e-tendering and managers for particular categories of suppliers.
- 59 Some progress has been made towards managing the risks associated with the partnership. For example there are robust contract and performance management processes in place and IT disaster recovery plans are being implemented. Plans to improve those services that remained in house through the 'service transformation process' have not progressed as quickly as had been initially envisaged, although no specific timetable was set. The partners have therefore reviewed the reasons for this and made improvements to the process, such as widening the scope of business cases for change, making earlier and better use of benchmarking data, and seeking greater ownership of the process by staff and directors.
- 60 The willingness of the Council and Capita to work together to mitigate unforeseen risks is a strength that has helped to resolve difficulties in transferred services, including a lack of customer focus within Property Services and disagreements over the distinction between projects and day to day work within IT services under the contract.
- 61 An action plan has been agreed with officers to address each of the issues that were identified during the review.

Housing Management

- 62 We have carried out an overview of the Council's performance in relation to Housing Management, focussing on three key areas including the re-letting of homes owned by the Council; meeting the requirements for regular gas servicing; and the effectiveness of the arrangements in place to collect current and outstanding rent from tenants. The overview was based upon the key lines of enquiry that would be used in a full inspection.
- 63 We found that there were more weaknesses than strengths in relation to the void repairs process and gas safety, while strengths and weaknesses were in balance in respect of income collection. The review confirmed that the strategic framework in relation to the re-letting of empty Council properties, 'Choice Based Lettings' and the criteria for assessing financial inclusion should be strengthened, viewing arrangements need to be improved and the void standard should be updated and provided to customers prior to letting. Despite improvements in performance only 97.7 per cent of properties had an annual gas service in 2007/08, which falls short of the legal requirement that all properties should have a service every 12 months and have a valid annual gas safety certificate. Performance in current rent arrears has improved but remains below the average of other councils, while former council tenant arrears are poor.

- 64 We have made a number of recommendations for improvements in respect of each of these areas and they have been built into the services' improvement plans. These plans were presented at the Tenants Conference in September 2008 and are being implemented.

Data Quality

- 65 We carried out our annual assessment of the arrangements that the Council has for ensuring the quality of performance information. We concluded that the Council has maintained good data quality arrangements in most areas but there are some weaknesses in its performance reporting to external bodies that need to be addressed for example in relation to housing performance data.
- 66 We tested six performance indicators to ensure that they had been correctly calculated and reported. Of these three were found to be fairly stated and one required amendment. Our testing of the two mandatory housing benefits indicators (BV 78(a) and (b)) revealed significant error rates which, although they had a minimal impact on the two PIs, led to a level of uncertainty that meant that we were unable to conclude that these two indicators were fairly stated. An action plan has been prepared with officers to address the issues raised within this review.

Advice and Assistance work

- 67 We have agreed written proposals and undertaken advice and assistance work in relation to the 'Highways Futures Project' which is a partnership with the private sector to deliver highways services within Southampton and the partnership protocol that has been developed to support the Council's strategic approach to partnership working. In particular we have:
- provided external challenge to the development of the approach to the Official Journal of the European Union (OJEU) procurement process, having reviewed the Council's business case and associated assessments of financial, legal and operational risks; and
 - commented on the content of the partnership protocol to the City Solicitor and provided a governance of partnerships workshop, that facilitated the further development of the protocol and the Council's plans to implement it.

Looking ahead

- 68 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.
- 69 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.
- 70 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 aspect of each area's Local Area Agreement.

Closing remarks

- 71** This letter has been discussed and agreed with the Chief Executive, Director of Resources, the Council's Solicitor and the Head of Corporate Policy and Performance. A copy of the letter will be presented at full Council on 18 March 2009. Copies need to be provided to all Council members.
- 72** 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 4 Reports issued

| Report | Date of issue |
|---------------------------------------|----------------|
| 2007/08 | |
| Audit and inspection plan | March 2007 |
| Corporate Assessment * | October 2007 |
| BVPP Auditor's Report * | December 2007 |
| Use of Resources * | January 2008 |
| Health Inequalities * | January 2008 |
| Data Quality * | March 2008 |
| Interim audit memorandum | June 2008 |
| Opinion Audit Plan | August 2008 |
| Internal Audit Assessment | September 2008 |
| Annual Governance Report | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Strategic Services Partnership Review | November 2008 |
| Final accounts memorandum | December 2008 |
| Annual audit and inspection letter | March 2009 |

Closing remarks

| Report | Date of issue |
|---------------------|---------------|
| 2008/09 | |
| Housing Management | August 2008 |
| Data Quality | December 2008 |
| Use of resources | December 2008 |
| Direction of Travel | March 2009 |

Note: * Reported within the 2006/07 Annual Audit and Inspection Letter

73 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

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

Linda Krywald
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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