



Accountants &
business advisers

Wealden District Council

Annual Audit Letter 2008/09

Report to Members

November 2009

Contents

1	Executive summary	1
2	Introduction.....	3
3	Key findings.....	4

Appendix

Reports issued in relation to the 2008/09 audit

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

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party

1 Executive summary

- 1.1 This Annual Audit Letter (Letter) summarises the key issues arising from the work we have carried out during the year. We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in the Appendix to this report. We have no additional recommendations for the Council at this time.

Key findings

- 1.2 A summary of key conclusions is included in the table below:

Area	Conclusion
Accounts	We issued an unqualified opinion on the financial statements.
Value for money conclusion	We issued an unqualified value for money conclusion.
Use of resources assessment	<p>Our scored judgements for the use of resources assessment were:</p> <ul style="list-style-type: none"> • '3 out of 4' for managing finances: performing well/ • '3 out of 4' for governing the business: performing well • '2 out of 4' for managing resources: performing adequately <p>Our overall assessment is the Council performs well in its use of resources (a score of '3 out of 4').</p>
Risk based work	<p>We highlighted areas where the external contractor appointed to administer the Concessionary Bus Fares scheme and East Sussex Councils should develop their partnership working further.</p> <p>The Council's progress towards affordable housing targets was highlighted in an Audit Commission inspection report published in July 2009. Inspectors concluded Wealden provided a 'Fair' strategic housing service which had 'Promising' prospects for improvement. The Council has taken action to implement the recommendations made by Inspectors and is investing additional resources to increase the supply of affordable housing</p> <p>The Council has reviewed the recycling service, with additional investment being made and service delivery options considered to improve performance.</p>
Emerging issues	<p>As at the end of September 2009, the Council is reporting a small surplus of income over expenditure. The planned reduction in reserves of £627,000 when the 2009/10 budget was set is not expected to be necessary and has strengthened the Council's financial position.</p> <p>Action has been taken to strengthen Treasury Management arrangements in the light of the collapse of the Icelandic banks</p>

- 1.3 The Council should continue to focus on:
- delivering the Transformation Programme and thereby:
 - secure further improvement in arrangements for commissioning and procuring goods and services
 - successfully implement the new Financial Management System to enable the more systematic use of data and information
 - improving performance further towards the Government's enhanced equalities standard.

Acknowledgement

- 1.4 Our aim is to deliver a high standard of audit which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

2 Introduction

About the Council

- 2.1 In terms of population, Wealden is the seventeenth largest District Council in the country and is the largest of the five District Councils within the county of East Sussex. It covers an area of 323 square miles. Half of the population of 143,000 live in the district's five main towns (Crowborough, Hailsham, Heathfield, Polegate and Uckfield), with the remainder resident across 42 parishes. The Council spends about £70 million annually on services such as refuse collection and street cleaning; planning and economic development; environmental health and benefit payments. About £11 million of the total budget is spent on maintaining the Council's stock of 3,000 dwellings. Some £6 million is invested in capital projects every year.
- 2.2 The Council has a good track record of securing value for money and was one of the first District Councils in the country to secure the Government's Chartermark accreditation for all of the services it provides.

The purpose of this Letter

- 2.3 The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website at www.wealden.gov.uk.

Responsibilities of the auditors and the Council

- 2.4 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 2.5 As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

The scope of our work

- 2.6 Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
- the Council's financial statements
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3 Key findings

Accounts

- 3.1 We issued an unqualified opinion on the Council's financial statements on 30 September 2009. Our opinion confirms the financial statements present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 3.2 We did not identify any significant issues from our review of the Council's accounting and internal control systems. The Council successfully dealt with the changes published in Cipfa's 2008 Statement of Recommended Practice (the SORP). A small number of amendments were made to the accounts though none of these affected the financial position reported as at 31 March 2009.

Use of resources

- 3.3 The Code requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. This is known as the value for money conclusion and draws on the results of specific risk based audit work as well as the results of our use of resources assessment.

Specific risk based work

- 3.4 We reviewed the progress of East Sussex Councils in implementing the Government's enhanced Concessionary Bus Fares scheme. We reported the outcome of our work to the East Sussex Finance Officers Association in September 2009. We highlighted areas where the external contractor appointed to administer the scheme and East Sussex Councils should develop their partnership working further.
- 3.5 We also maintained a watching brief over the Council's progress towards affordable housing targets and considered the outcome of the Audit Commission's inspection published in July 2009. Inspectors concluded Wealden provided a 'Fair' service which had 'Promising' prospects for improvement. The Council has taken action to implement the recommendations made by Inspectors and is investing additional resources to increase the supply of affordable housing.
- 3.6 We also reviewed the Council's approach towards improving the recycling service as part of our 2009 use of resources assessment, highlighting the additional investment made and service delivery options considered to improve performance.

Use of resources assessment

- 3.7 We are required to assess how well local authorities manage and use their financial resources by providing scored judgements on the Council's arrangements in three specific areas. Our assessment forms part of the Audit Commission's new Comprehensive Area Assessment (CAA) for 2008/09 and is not comparable with 2007/08 or earlier years' scores.

- 3.8 Our overall assessment is Wealden ‘performs well’ in the use of resources. The highest available score is 4 (‘excellent performance’) and the lowest available score is 1 (‘inadequate performance’). Our scores for each key line of enquiry are shown below and our main conclusions are shown the paragraphs which follow.

Theme	2008/09
Managing Finances	
• Planning for financial health	3
• Understanding costs and achieving efficiencies	2
• Financial reporting	3
Theme score	3
Governing the business	
• Commissioning and procurement	2
• Use of information	3
• Good governance	3
• Risk management and internal control	3
Theme score	3
Managing resources	
• Natural resources	not scored in 2008/09
• Strategic asset management	not scored in 2008/09
• Workforce	2
Theme score	2

Managing finances

- 3.9 The Council ‘performs well’ in managing its finances, providing a stable financial platform while planning for a reduced resource base over the medium term. It has established effective, integrated arrangements to manage its finances. The annual budget is comprehensive, underpins achievement of corporate plan priorities and the medium term financial strategy, and is reviewed throughout the year. The Council responded quickly to worsening national economic conditions in 2008/09 and is assisting local communities to access the support they need through national initiatives such as the mortgage assistance scheme; county-wide initiatives such as the Future Jobs Fund and through its work with Town and Parish Councils to help local businesses through the ‘buy-local’ campaign. Through encouraging residents to apply for benefit they are entitled to, the Council secured additional annualised benefit of £1 million in 2008/09 for those residents. In 2009/10, the Council expects such entitlement to increase to about £1.4 million
- 3.10 Integrated financial planning is a strength. The Council manages its financial partnerships with other local authorities; the voluntary sector and private sector partners well and there is effective leadership on financial matters. Financial reporting remains effective with internal and statutory deadlines being met for publishing the annual accounts.
- 3.11 The Council achieved its expenditure plans over the last three years and met its target level of efficiencies amounting to £644,000 in 2008/09. The Council understands the financial risks it is facing in the short and medium term and manages these effectively. A detailed programme of efficiency reviews is prepared as part of the budget setting process and savings targets set for the next two years.
- 3.12 Where it is available, service managers use unit cost information, benchmarking and trend analysis in the planning and delivery of services. Recognising the approach to understanding costs could be more systematic, the Council has invested in additional functionality for the

new Financial Management System (FMS) which is due to be implemented in April 2010. The additional investment is designed to improve further the data available to support the Transformation Programme.

Governing the business

- 3.13 The Council performs well in governing the business. It operates an effective governance framework underpinned by embedded risk management arrangements. It uses data effectively to manage performance. Key Council strategies, such as the Wealden Towns Masterplans; the economic vision for the Hailsham/Eastbourne Triangle and the Local Development Framework are underpinned by comprehensive analysis of need. The award of the Government's Charter Mark to all Council departments enables the Council to engage with service users, partners and staff and deliver its objective for improving the quality of life for local people.
- 3.14 The Council looks to undertake joint procurement of services where possible and has established some jointly funded posts. Extending the scope of joint procurement currently undertaken is an acknowledged area for development. The Council uses the 'Comensura' e-procurement system to purchase some services and is reducing its transaction costs. The Transformation Programme should assist in securing further improvement in commissioning services and the further development of e-procurement.
- 3.15 The Council monitors achievement of joint objectives with partners through effective performance management arrangements. The value for money offered by partnerships is considered through the annual service and financial planning process and performance management arrangements are effective. The Council has developed its performance management approach to encompass the targets it is responsible for within the East Sussex Local Area Agreement.

Managing resources (the workforce)

- 3.16 The Council performs adequately in managing the workforce. It has a strategic approach to workforce development and has delivered the strategy agreed in July 2006. It has achieved the Government's Charter Mark for all Council services and retained the Investors in People accreditation for the sixth time in 2009. Staff have access to the training and development they need to develop their careers, including diplomas awarded by the Sussex Training Consortium and national vocational qualifications awarded by the Institute of Customer Services.
- 3.17 The Council achieved level 2 of the equalities standard and is looking to improve performance further towards the Government's enhanced standard. It has published equality and diversity policies and these inform the service and financial planning process. Some 1.7 per cent of staff employed by the Council are from minority ethnic communities and this is just ahead of the target level of 1.6 per cent, demonstrating how the Council works towards a workforce representative of local communities. Staff have good access to training to meet their development needs and are encouraged to take up further education opportunities where there is a business need. Average sickness absence in 2008/09 was 9.06 days and better than the target of 10 days but around the median level compared to other Councils. The delivery of the Transformation Programme provides an opportunity to more closely align workforce and service development plans.

- 3.18 The Council should continue to focus on:
- delivering the Transformation Programme and thereby:
 - secure further improvement in arrangements for commissioning and procuring goods and services
 - implement the new Financial Management System to enable the more systematic use of data and information
 - improving performance further towards the Government's enhanced equalities standard..
- 3.19 The results of our use of resources assessment have been shared with the Audit Commission as part of the integrated approach to developing the Comprehensive Area Assessment (CAA). The results of CAA will be reported separately by the Audit Commission.

Value for money conclusion

- 3.20 Taking into account our work on use of resources, we have concluded that adequate arrangements are in place to secure value for money and have provided an unqualified value for money conclusion for the year ended 31 March 2009.

Grants

- 3.21 The Council receives significant amounts each year from the Government through direct grant for expenditure incurred on housing and council tax benefit (£30 million) and the housing major repairs allowance (£2 million). The Council is also required to submit an annual return stating the amount of non-domestic rate collected on behalf of the Government (£25 million in 2008/09). External auditors must certify such claims and returns have been prepared in accordance with the terms and conditions set by individual Government departments. In 2008/09, the Council's arrangements for preparing grant claims and other returns to the Government remained effective. Only minor amendments were required to individual claims and we confirmed expenditure was incurred for the purpose intended by the Government's grant paying departments. We will report the outcome of our audit of claims and returns to the Regulatory and Audit Committee in February 2010.

Emerging issues

Financial outlook

- 3.22 As at the end of September 2009, the Council is reporting a small surplus of income over expenditure. The planned reduction in reserves of £627,000 when the 2009/10 budget was set is not expected to be necessary and has strengthened the Council's financial position. The position arises because the Council has decided to keep certain back office posts vacant as the Transformation Programme is delivered; because reduced demand for certain services such as planning and building control means other posts remain vacant and because expenditure on concessionary fares has been less than anticipated. Low levels of inflation and savings secured following the successful restructure of ICT services have assisted in maintaining expenditure below planned levels.
- 3.23 The financial outlook for the public sector remains challenging and the Council is planning for a reduced resource base in 2010 and 2011. The Council has reviewed its priorities for the next three years and a clear strategic direction has been set to secure annual efficiencies of at least £1.3 million and up to £2.5 million as the Transformation Programme is delivered. The Council plans to produce and agree a core strategy (Wealden's local development framework) with the Government in 2010 to deliver its priority for increasing affordable and low cost market housing. Meeting the needs of the most vulnerable communities across the district; increasing recycling and reducing the amount of waste produced and reducing the

Council's carbon footprint remain Council priorities. Consultation on a new Council Plan is underway and the plan is expected to be published in 2010.

Treasury management

- 3.24 Following the collapse of the Icelandic banks in October 2008 the Audit Commission conducted a study to examine treasury management arrangements in local authorities. The resulting report *Risk and Return* was published in March 2009 and in this report the Audit Commission committed to asking auditors to follow up the lessons from the report as part of their use of resources work.
- 3.25 We concluded from this work that the Council's treasury management arrangements are satisfactory and Wealden has taken action to strengthen its arrangements in light of the collapse of the Icelandic banks. In particular, the Regulatory and Audit Committee receives regular reports from the Chief Finance Officer about the Council's investments, and assurance the associated risk and expected returns follow the Council's policies.

Appendix: Reports issued in relation to the 2008/09 audit

Report	Date Issued
Annual audit plan	April 2008
Use of resources assessment	September 2009
Annual governance report	September 2009