

# Annual Audit and Inspection Letter

Exeter City Council

Audit 2007/08

March 2009



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# Contents

<b>Key messages</b>	<b>3</b>
<b>Purpose, responsibilities and scope</b>	<b>4</b>
<b>How is Exeter City Council performing?</b>	<b>5</b>
<b>The audit of the accounts and value for money</b>	<b>10</b>
<b>Looking ahead</b>	<b>14</b>
<b>Closing remarks</b>	<b>15</b>

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## Status of our reports

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

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

- 1 The Council has delivered improvements in a number of its priority service areas including waste, culture and leisure and homelessness. The Council is reducing its carbon footprint and has raised the profile of climate change. It has supported residents with home improvements and has improved access to its services. The planning service did well to bring work on the important Princesshay development to a successful conclusion.
- 2 Performance in housing benefits and some elements of the planning service continued to deteriorate in 2007/08 and a number of performance indicators for these services are in the third and fourth quartiles.
- 3 The Council has performed well in delivering affordable housing in recent years but there was a slowdown in 2007/08 during difficult housing market conditions.
- 4 The Council has retained its overall score of 3 (out of 4) for use of resources. There will be a revised assessment from spring 2009 which is likely to be more challenging.
- 5 The Auditor issued an unqualified audit opinion on the Council's financial statements and a positive conclusion on its arrangements to secure value for money.

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### Action needed by the Council

- 6 The Council should:
  - monitor robustly continuing achievement of service improvements and address the performance issues in planning and housing benefits;
  - continue to consider innovative solutions to provide affordable housing; and
  - ensure that it is well positioned to meet the challenge of the revised Use of Resources assessment from Spring 2009.

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# 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 I 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. I and the Auditor 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. I will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 10 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including my Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 12 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Exeter City Council performing?

- 13 Exeter City Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2003. The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

## The improvement since last year - our Direction of Travel report

### What evidence is there of the Council improving outcomes?

- 14 The Council is making progress in most priority areas, but not as strongly as other councils and there are exceptions. Overall 42 per cent of a basket of performance indicators (PIs) used by the Audit Commission improved over the year, which is below the average for all district councils (59 per cent). Thirty three per cent are in best quartile performance, which is the average of district councils. However, there are some priority services where performance has declined, for example, housing benefits and planning.
- 15 Performance in the waste service is good and has improved since last year. The Council has succeeded in reducing the amount of waste it collects and is one of the best performers nationally. Recycling continues to improve and during the year the Council achieved a recycling rate of 36 percent. Satisfaction with waste collection and recycling is good. Recycling facilities have improved over the last year through investment, for example, in new equipment at the Materials Recycling Facility (MRF).

- 16 The Council is working well to reduce its own carbon footprint and levels of carbon emissions generally and is raising the profile of climate change in Exeter. Particular achievements include financial assistance for households on low incomes to install loft and cavity wall insulation, Smart-Meters for schools and a Heat Loss Survey of Exeter. Notably the Council's refuse collection vehicles have been powered by bio-diesel sourced from local chip fat; an alternative supplier is currently being sought to continue this initiative. It has also recruited 30 environmental champions from amongst staff, to help drive improvements and raise awareness.
- 17 The culture and leisure service is performing well. It has 83 per cent of PIs above best quartile compared to a district average of 37 per cent and satisfaction with this service is amongst the best nationally. The Council provides good facilities for local people and supports them to live healthier lifestyles. It is at the forefront of providing a comprehensive cycle network and provides free facilities across the city, for example tennis courts, football pitches, BMX tracks and paddling pools. Over the last year there has been an emphasis on delivering recreational areas for teenagers such as skate parks and ball courts. It has also improved play areas in the City, for example, by installing floodlights. It is enhancing and improving play areas in the City, for example, King's Heath. The Council is maintaining a level of service with regards to Museums despite the Museum being shut for major refurbishment. The Council is delivering outreach work for the Museum service which has been well received by the community, for example ' Living here' project.
- 18 The Council has historically delivered its housing programme well. Housing completions have exceeded targets for a number of years. In 2006/07, it completed 890 dwellings, 206 of which were affordable and nine were purpose built for people with disabilities. It has also used its own land to deliver affordable homes, for example, during the year it developed one and two bedroom apartments for the over 55's. It uses S106 monies effectively to help it deliver local improvements and affordable housing. However, due to current economic conditions the number of developers starting new build schemes has dramatically reduced, and only 57 affordable units were delivered in 2007/08. Officers are working with developers, local housing associations and the housing corporation to explore options for providing new properties including infill sites schemes on Council owned land.
- 19 The Council works hard to deliver home improvements for residents, for example through removal of asbestos, re-roofing and adaptations for the elderly, disabled and tenants with health issues. Over the last 12 months 490 properties had improvement works carried out.

## How is Exeter City Council performing?

- 20** The Council works well in partnership to deliver better community outcomes with particular success in community safety. In partnership the Council has supported prolific offenders during the year to help them integrate into their community, for example through the PORCH Project (Prolific Offenders Resettlement through co-ordinated Housing). In particular the Council works well with the Community Safety Partnership and during the year the amount of alcohol related crime and violence in the City has reduced. It has also established with partners the Exeter Business against Crime initiative to control theft from city centre businesses. During the year two camera vans were also purchased to help improve community safety in the City. However, some successful diversionary projects for young people which were available in some of the most deprived wards, such as the inclusive holiday play scheme, no longer have funding and will cease next year.
- 21** The Council has improved some elements of its housing service, for example in dealing with homelessness. However, the length of stay in B&B accommodation is amongst the worst performers nationally although this is in part due to the Council's policies with respect to the intentionally homeless.
- 22** Performance in housing benefits has deteriorated over the last three years. Performance on a range of indicators in this service has declined, for example the average time to process changes in circumstances, and cases correctly processed meet DWP standards but are below district council averages. The average time to process new housing benefits claims has also declined and performance is in the third quartile. The Council has worked hard to improve the service recently, for example, the inclusion of the service within the Customer Service Centre and investment in staff training. The Council recognises that it needs to do more particularly as the workload is increasing in the current economic climate and the users of the service are the most in need.
- 23** The planning service did well to bring work on the important Princesshay development to a successful conclusion. The development has won awards and plays a significant part in the City's economy. Performance in planning has deteriorated across the majority of PIs. The percentage of 'other,' 'major' and 'minor' applications determined in time deteriorated and these are amongst the worst performers nationally or in the third quartile. Satisfaction of applicants with the planning applications service is in the worst quartile but the quality of service checklist scores well and performance regarding planning appeals allowed has improved in the last year and is good.
- 24** The Council provides good access to services and information through its website. The website is a popular method of access and in 2007 it was ranked top most used district council website in the country. The Council continues to improve its website, for example it now has the browse aloud tool which enables audio web pages making information more accessible for people with a visual impairment or reading difficulty.
- 25** Access to services has improved over the last year with improvements to the Customer Service Centre. There is now a 'one stop shop' dealing with the vast majority of enquiries from customers. The new Centre has the capacity to answer queries from customers on housing benefits, planning, housing, car parks and residents' parking, and environmental health. This now means that at least 80 per cent of all initial enquiries will be dealt with by the Centre staff without the need to call on others.

## How is Exeter City Council performing?

- 26 The Council works well in partnership to deliver improvements in access to services. It has successfully led a Devon wide bid for Government money to provide an enhanced housing options service to people seeking housing across the county.
- 27 The Council is supporting people during the recession. It is currently funding a mortgage advisor to help people, free of charge, who are in arrears or who are finding it difficult to pay their mortgage.
- 28 The Council engages well with the community. It has a range of consultation methods, for example, it regularly consults citizens through Wavelength, a citizen's panel made of 1,000 people from all sectors of the community. It also runs Community Forums five times a year to give people the opportunity to talk to them and other agencies about issues that concern them. Notably it has created an elected Tenants and Leaseholders Committee to give residents from across the city a greater say in the management of their homes. The My Neighbourhood project is a good example of citizen participation in decision making and has been well received.
- 29 The Council has a good equality and diversity policy in place, The Comprehensive Equality Plan 2007-2010. The City Council is committed, both as an employer and as a deliverer of services, to ensuring that no recipient of services provided by the Council receives less favourable treatment on any grounds. It has, however, only achieved level 2 of the equality standards for local government whereas a third of councils are now at level 3.
- 30 Overall, the Council continues to provide value for money when compared to its nearest neighbours. Council tax rates remain relatively low as are the costs of delivering services. Higher comparative costs in some areas, such as culture, homelessness and community housing, reflect the Council's commitment to these services. Satisfaction levels across services are relatively high. It continues to exceed its Gershon savings targets and there are clear responsibilities for the efficiency agenda with heads of service challenging service efficiency through service improvement portfolios.

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

- 31 There are good plans in place that are aligned with corporate strategies. For example the links between the Council's Corporate Plan and the Exeter Vision are clear. Plans are robust and based on local need. There are also good plans in place for further city regeneration, for example planning proposals for a mixed use re-development of Exeter Bus Station.
- 32 Future investments are planned to create new science-based businesses, so maintaining economic growth, job availability, improving the quality of local employment and resultant impact on economic, social and environmental well-being. For example The South West of England Regional Development Agency (RDA) will invest up to £19 million to enable the purchase of a site to provide the infrastructure to open up the Science Park by 2010. The Science Park will play a key role in creating new jobs. It will also strengthen the economy of the area by building on the scientific base provided by the University of Exeter and the Met Office.

## How is Exeter City Council performing?

- 33** The Council is experiencing difficulty in delivering its plans due to the current recession. Negotiations are continuing in relation to the £5 million deposit with two Icelandic banks but it is still unclear how much of the money is likely to be returned to the Council. The Council's financial position is coming under further pressure because income is reducing in areas such as car parking and planning and some expenditure has increased. In particular, the Council's compulsory contribution to free bus travel for the elderly is £1.3m more than has been centrally provided. Consequently the Council is having to manage significant cost reductions to deliver its budgets and is undertaking a fundamental review of its capital programme although reductions in capital work could also impact on the local economy.
- 34** Performance is monitored closely and there are good arrangements in place. The software used is robust and a responsible officer is assigned to each performance indicator who ensures the integrity of the data and provides any feedback on performance. Heads of service verify figures and there are regular meetings of directors to discuss and challenge performance. There are good relationships between officers and portfolio holders where performance is discussed in depth, a good example being housing. Good challenge is provided by portfolio holders too.
- 35** The Council aims to ensure it has the right capacity to deliver its services through investing in staff well being. Sickness absence continues to be closely monitored and managed and the Council continues to provide its workplace health programme 'Be Active 4 Life'. The Council has also demonstrated its commitment to the mental health of its employees by becoming the 250th employer to sign the Mindful Employer Charter. The Charter commits employers to making positive changes in the way they recruit, support and work with people with mental health issues.
- 36** The Council plans to improve the capacity of its workforce through investment in training and development. A comprehensive package of training and development is provided for all staff. Also a new Institute of Leadership Management (ILM) registered Management Development Programme has been approved for introduction in 2009.
- 37** Uncertainty regarding future local government structures in Devon provides a risk for councils involved that they will be diverted from their focus on service improvement. The Council needs to ensure that, whilst it participates fully and appropriately in the debate and possible preparations, it is not distracted from the need to continue delivering improved outcomes for its local people.

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# The audit of the accounts and value for money

- 38** Your appointed auditor has reported separately to the Council's special accounts committee on the issues arising from his 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 29 September 2008; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 39** The Council prepared good quality financial statements, in line with the statutory requirements. A small number of significant audit adjustments were identified, relating to the recognition of commercial rent income and the presentation of the Housing Revenue Account balances within the consolidated statements. The Council took action, during the course of the audit, to address these issues and improve arrangements for future years.
- 40** The overall quality of the Council's working papers to support the 2007/08 accounts was good and requests for additional supporting documentation, as well as audit queries, were responded to promptly. The auditor will continue to work with the finance team to improve further the underlying information to support the accounts as part of the audit processes.

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## Use of Resources

- 41** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 42** For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

<b>Element</b>	<b>Assessment</b>
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
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 = lowest, 4 = highest

### The key issues arising from the audit

- 43** The overall quality of supporting working papers was good. A small number of significant adjustments were required in respect of commercial rent income and Housing Revenue Account balances. The Council met its requirement for external accountability through inclusion of key financial information in the Corporate Plan. However, local arrangements would be enhanced by formalising the arrangements for the consultation of local stakeholders on whether current reporting arrangements meet their requirements.
- 44** The Council has good financial management arrangements. The medium-term financial plan is linked to the corporate business plan, capital programme and overarching community strategy. Key corporate objectives are linked to service plans and budgets and a comprehensive and balanced revenue budget was set for the year. There are robust arrangements in place for managing performance against budgets, and monitoring reports include financial and non-financial data. Progress in achieving planned savings and efficiency gains is regularly reported.
- 45** Arrangements for the management of assets improved during the year. The Council has an asset management plan in place and there are sound arrangements for identifying and managing property maintenance. Whole life costing and option appraisal work has been undertaken selectively and there is an opportunity for the Council to use these techniques for all major investment and disposal decisions.
- 46** The Council continues to maintain a sound financial standing. Treasury management arrangements remain robust, and the Council regularly monitors its performance on collection rates in areas such as council tax, housing rents and car park income. However, like many other councils, the Council had a number of investments in Icelandic banks that have now ceased trading. The Council has maintained levels of reserves which are above its own target although there are plans in place to utilise these reserves to meet specific future financial pressures. Nonetheless, there is an opportunity for the Council to determine more formally the level of its reserves as a range, based on a clear assessment of local risks and developments, rather than as a fixed percentage.

- 47 The Council continues to maintain effective risk management arrangements. Arrangements for identifying and managing risk are sound. A corporate risk register is in place and there is member and officer involvement in the assessment and management of risk.
- 48 There are sound systems of internal control in place. The Council has an assurance framework and local arrangements have been assessed through the Annual Governance Statement. Internal audit is effective and key control documents such as standing orders are reviewed annually. The basic role of an audit committee is undertaken by the Scrutiny Resources Committee. Arrangements for ensuring probity and propriety are sound.
- 49 The Council maintains codes of conduct for members and staff and monitors compliance with those codes. It has participated in, and made effective use of, the National Fraud Initiative data matching process for 2007/08. Policies are in place for counter-fraud/corruption and 'whistle-blowing' and the Council is proactive in raising standards of ethical behaviour. The Council would benefit further from considering the use of the Ethical Governance diagnostic toolkit.
- 50 The Council continues to have sound arrangements for achieving and improving value for money. Council tax rates remain very low when compared to similar councils, and any areas of higher cost (for example, community housing) generally reflect local commitment to those services. Other areas of higher cost and/or lower performance are being addressed. The Council has sound arrangements for monitoring and reporting on costs and performance and service improvements are sought through best value reviews. Responsibilities for the efficiency agenda are clear, and heads of service regularly challenging service efficiency. The Council continues to respond to local needs through a range of well-established mechanisms, including a citizens panel.

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### Data Quality

- 51 The Council has adequate arrangements in place to ensure the quality of the data it uses for corporate decision-making. The detailed review of two housing benefit performance indicators identified that these were both fairly stated. However, there are a number of areas where the Council could improve its data quality management arrangements, including development of embedded risk processes for data quality within departments and the formalising of job descriptions for staff with specific responsibility for data quality.

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### Review of arrangements for meeting climate change and waste management requirements

- 52 The auditor concluded that the Council has in place an appropriate strategy and targets for waste management, which recognise the changing legislation and consequent changing demands on the Council and its partners, in respect of recycling and waste reduction. The objective and targets are revisited annually, with appropriate member involvement. The Council has considered risk, particularly in respect of the Materials Reclamation Facility.

## The audit of the accounts and value for money

- 53 He was also satisfied that the Council has made good progress in establishing sound arrangements for addressing the issue of climate change. Clear strategies and monitoring arrangements are in place and the Council has recognised its role as a community leader.
- 54 The Council could enhance local arrangements further by ensuring that all the strategic and operational risks associated with meeting waste/recycling and climate change targets are identified and included within corporate risk registers, and that arrangements are then established to mitigate these risks.

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## Dealing with the public

- 55 Following the Boundary Commission's consultation on a proposed new unitary authority in Devon, the Council launched a publicity campaign to oppose the proposals and promote a unitary Exeter option. This campaign included direct mailings to local residents, poster campaigns, a dedicated web site and a range of other media and publications. As a result of the Council's actions, the Auditor received a number of letters of complaint and concern from local electors within Exeter over the legitimacy of the approach and the expenditure being incurred. To address these concerns, we have assessed how the Council has complied with the Code of Publicity, which provides guidance on how local authorities should use publicity. To ensure that his response was appropriate and proportionate, he also liaised with the appointed auditors of other local authorities within Devon.
- 56 Overall the Auditor concluded that the Council had broadly complied with the Code on Publicity, although some of the information could be criticised as lacking appropriate balance and did not present an impartial, informative view. Indeed, some of the approaches to publicise the issue, such as the use of bill posters, precluded the ability to do this and instead focused on a headline message to promote debate, although reference was made to where alternative information could be obtained. The Auditor took the view that it was not in the public interest to pursue this matter further but did reinforce to the Council the need to ensure that all of its communications complied fully with the Code on Publicity.

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# Looking ahead

- 57** 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.
- 58** CAA will result in reduced levels of inspection and better co-ordination 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.
- 59** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

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# Closing remarks

- 60 This letter has been discussed and agreed with the Chief Executive and Director, Corporate Services. A copy of the letter will be presented at the Resources Scrutiny Committee on 25 March 2009. Copies need to be provided to all Council members.
- 61 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.

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**Table 2     Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2007
Interim audit memorandum	April 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Arrangements for meeting Government requirements on waste management and climate change	December 2008
Use of Resources and Data Quality Report	January 2009
Annual audit and inspection letter	March 2009

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- 62 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.

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## Availability of this letter

- 63 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Martin Green**  
**Comprehensive Area Assessment Lead**

March 2009

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# The Audit Commission

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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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## Copies of this report

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