

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Worcester City Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

Performance Issues

- 1 Since its 2004 Comprehensive Performance Assessment the Council has steadily improved, a trend which has continued in the last year. The Council's performance in many services now compares well with other areas. Public satisfaction has been maintained and represents best quartile performance. All waste collection and recycling activities have improved as has the cleanliness of open spaces and streets. However, inconsistent progress is hindering improvement in some priority activities including the need to ensure that the diverse communities of the City enjoy equal access to services.
- 2 The Council continues to make progress on its ambitious programme to enhance the City centre however there is an urgent need to reduce the cost of its services as financial constraints in the next few years will severely challenge future developments. Arrangements to strengthen leadership, direction and performance management should assist in addressing this but financial capacity is the most important challenge the Council has yet to fully resolve.
- 3 Our inspection found that the Council provides fair strategic housing services and has promising prospects for improvement.

Other accounts and governance issues

- 4 We gave an unqualified audit opinion by 30 September as required. The accounts presented for audit were materially misstated and were amended following the audit. The working papers provided, though again an improvement, were still inadequate.
- 5 The overall financial position of the Council was adequate at the 31 March 2007, with the accounts showing a £107k under spend and £5.4 million of balances. The Council has had a good historical track record of keeping expenditure within budget. However, there is a serious concern about 2007/08 and beyond as savings of £1.4 million must be made in 2008/09 and expenditure needs to reduce by over £3 million in the next five years.
- 6 The Council's Pension Scheme liability (the amount liabilities exceeded assets) at the 31 March 2007 was £16.6 million. Though lower than 2006, the level of this deficit is a cause for concern as the Council, like most others, is not currently in a position to meet its future pension liabilities for its workforce. The Council has been addressing this liability.
- 7 The Council is now committed to a shared services arrangement for Revenues and Benefits with two other local District Councils. The expected savings from the Shared Services arrangement will form a key part of the Council's wider efficiency agenda, and the realisation of these benefits represents a significant risk for the Council.

Action needed by the Council

8 Members need to take the following actions:

- ensure that Officers prepare financial statements which are free of material misstatement and which are supported by comprehensive working papers;
- deliver short and medium term financial plans that match the delivery of services to available funds;
- ensure that agreed service planning targets support clearly defined priorities that the targets are challenging but achievable and that processes are in place to hold managers to account for achieving those targets;
- continue to monitor that the new Shared Services arrangement delivers the planned efficiencies and improves service performance;
- robustly compare and challenge costs and performance across all services;
- ensure a strong, consistent and corporate approach to diversity and equality and ensure that level two of the equality standard is reached in 2008;
- improve assurance and evidence for reported efficiency gains
- continue to pay attention to capacity and make sure that improvements are sustained in key areas such as procurement, business processes and sickness absence; and
- ensure the recommendations in the strategic housing inspection report are implemented.

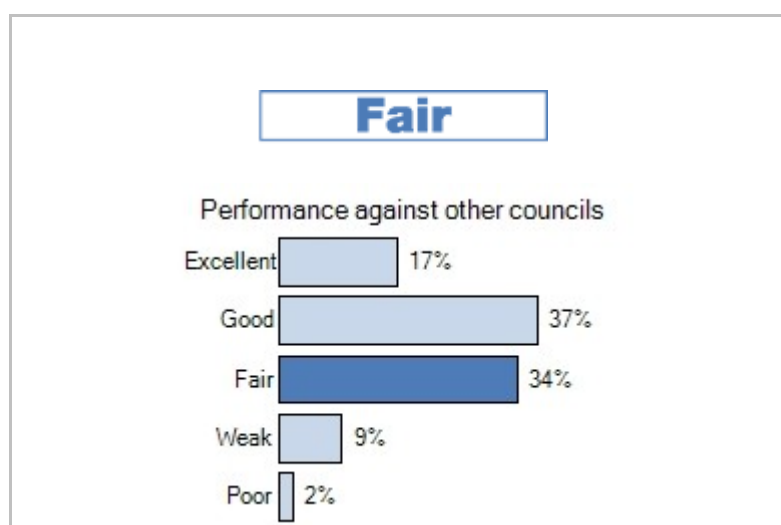
Purpose, responsibilities and scope

- 9 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 10 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 11 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.
- 12 As your appointed auditor I am 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, I review and report 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.
- 13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our 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.
- 14 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Worcester Council performing?

- 15 Worcester City Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the council improving outcomes?

- 16 In 2004, the City Council was rated as 'Fair' in its Comprehensive Performance Assessment. Since then the Council has steadily improved, a trend which has continued in the last year. The Council's performance in many services now compares well with other areas. Of the national indicators sampled this year, 40 per cent showed best quartile performance (improved from 34 percent last year) which is better than the average of 33 percent achieved in district councils across the country. Approximately 64 per cent of indicators improved over the year, more than the average (57 to 59 per cent) achieved by other district councils. However, improvements are still not consistent. Almost 23 per cent of indicators deteriorated and 27 per cent remain below average including 9 per cent that are in the worst quartile. Inevitably, this impacts upon progress when improvement is measured against the Council's priorities. A Cleaner Greener City

- 17 Performance has improved in all waste collection and recycling categories. A number of local initiatives have successfully lifted comparative performance in recycling from the worst to the third quartile. As the Council does not compost green waste this improvement (20 to 26 per cent approximately) represents significant progress. The Council has now obtained detailed information on the make up of the non-recyclable waste its collects and will be considering options for improvements. The quantity of waste collected has reduced for the third successive year though the introduction of wheeled bins and alternative collection arrangements has had a slightly detrimental impact on public satisfaction. Open spaces and streets are now cleaner, progress which has been recognised in higher public satisfaction levels.

A Safer Stronger City

- 18 Reducing crime levels have contributed to making Worcester safer. Crime levels in all major types are comparatively low and in most categories continue to reduce. Fear of crime and public perceptions relating to antisocial behaviour are comparatively low but, in contrast to the performance achieved, are worsening. The Council's strategic management of housing is having mixed results in strengthening the communities of the city. The Audit Commission's inspection in 2007 concluded that the service was 'fair' with 'promising prospects for improvement'. Efforts to reduce homelessness and improve private sector standards are having an impact but the findings identified weaknesses in a number of areas including the delivery of affordable homes (81 in 2006/07), returning empty homes to use and the use of temporary accommodation and bed and breakfast.

Urban Renaissance

- 19 The Council is doing well in this area but performance has declined. Planning application turnaround times deteriorated in 2006/07 coupled with a significant increase in the number of appeals allowed. However, performance generally continues to exceed national targets, still compares very well with other councils and the changes have had no significant impact on user satisfaction levels. Museum visits are recovering with the reopening of the Commandery after refurbishment and satisfaction levels with all aspects of sport, leisure, culture and parks remain unchanged; representing best quartile or better than average performance.

Customer Care and Citizen Engagement

- 20** Satisfaction levels are good. The ratings for overall satisfaction with the Council and user satisfaction with the handling of complaints have been maintained and, in the light of deteriorating performance in many other councils, both have improved their comparative position and now represent best quartile performance. Services associated with the payment of benefits have generally improved in 2006/07. The time taken to process an initial claim over the whole year, though improved on 2005/06, still remained in the lowest quartile compared to other councils but the Council's own figures show a significant increase in performance later in that year. From July 2007, the revenues and benefits service began to operate in partnership with adjoining councils; a merger undertaken in the interests of improving performance at reduced costs. The Council's own 2007/08 figures show that improved performance was apparent before the merger and that this has been sustained.
- 21** The Council has not made sufficient progress on ensuring that the diverse communities of the City enjoy equal access to its services, a weakness identified in 2004. The recent Audit Commission's inspection of the strategic regulation of housing identified several weaknesses in this area and the Council has still not secured level two of the equality standard for local authorities (70 per cent of councils operate at higher standards). A dedicated officer has been appointed and a number of positive actions are now being progressed but significant improvement, including the adoption of a co-ordinated overarching strategy, is needed.

Performance, Innovation and Efficiency

- 22** Inconsistent performance is hindering progress in this area. Revenue collection, both council tax and non-domestic rates, has improved and though the number of invoices paid in 30 days shows a slight deterioration, the performance achieved still represents best quartile when compared to other councils. Other indicators relating to the make up of the workforce show slight improvements but those relating to employees with disabilities remain below average. Efforts to manage sickness levels are not proving wholly effective; the rates experienced remain below average and reduction targets are at risk.
- 23** The Council effectively engages with a number of partners and contributes to wider community outcomes in a number of ways. It supports the neighbourhood based Partners and Communities Together scheme which, through regular local meetings, ensures that communities engage in the identification of problems affecting their localities and in the development of effective solutions.
- 24** During the summer of 2007, the Council made its contribution to the multi-agency emergency storm flooding response, managing emergency rest centres and later distributing government relief funds and undertaking remediation works. A variety of grants are available to offset the costs of these activities but even taking these into account around £105,000 will fall upon the Council.

- 25 Together with many other partners, the Council is involved in an ambitious programme to enhance the City, and in particular the City centre, to ensure it represents a 'First Rank Cathedral City for the benefit of residents, workers and visitors'. A number of significant planning approvals have been granted this year including those supporting the creation of a city based university campus and a new jointly operated university and public library. Designs for further riverside enhancements are being developed alongside proposals to increase the availability of sustainable transport opportunities through the Sustrans cycling and walking programme. A destination management organisation has been established which opens access to additional grant funding to support promotion of Worcester as a visitor attraction.
- 26 The value for money delivered by the Council continues to improve but inconsistent performance is limiting progress (see above). Overall spending has marginally increased but when total costs per head of population are considered alongside councils serving similar areas, Worcester City's comparative position has improved; it now spends less than the average in its group. Council tax levels, as in the previous year, remain below average. While the council failed to meet its annual cashable efficiency savings target for the 2006/07 year, its cumulative three year target, to be delivered by 2007/08, is still achievable.

How much progress has it made in implementing improvement plans to sustain future improvement?

- 27 Information to support the co-ordination of the corporate programme is limited. Improvement planning now rests largely with service heads and is monitored in several forums including the Key Performance Group meetings, scrutiny committees and the Performance Management Programme Board. Progress on individual projects is clearly being made, for example strengthening the Local Strategic Partnership and increasing partnership involvement in the development of the City. However, in other areas, for example the approach to equality and diversity, progress has been slow to develop and warranted earlier and greater attention. Discrete project management needs corporate co-ordination. This year, the Council has not produced a structured summary identifying the progress achieved across all its numerous projects to assist this process. New performance management arrangements are being introduced and are designed to address this need.
- 28 Performance management arrangements need to be strengthened. During the summer and autumn of 2007, the Council commissioned a review of its performance management arrangements. The planning structure used by the Council was found to be satisfactory but the review exposed a number of weaknesses, including the failure to consistently identify and manage improvement targets and the misalignment of plans. The Council will be applying the lessons learned from this exercise, and its participation in a pilot scheme arranged by the Regional Improvement Agency, to support progress in 2008.

- 29 The Council is strengthening its organisational and political leadership. During the last 12 months the Council has appointed 3 new heads of service and restructured its corporate management team (CMT). Consultants have been working with the CMT and the cabinet to further develop leadership and prioritisation and ensure the effectiveness of working arrangements and practice.
- 30 However financial constraints in the next few years will severely challenge future developments. The Council requires approximately £15 million (excluding capital costs) to operate and support its plans for 2008/09. Income from government grants, council tax and other forms of funding will not be sufficient to support this level of spending. Cuts and savings approaching £1.4 million (after the use of balances) are required in 2008/09 and estimates indicate the need to reduce the total cost of the Council's services and plans by at least £3 million over the next five years.
- 31 The Council plans to reduce costs by delivering services jointly with neighbouring councils (for example the operation of revenues and benefits) and lessening departmental expenditure while increasing efficiency. However these actions are unlikely to meet the shortfall and it is therefore consulting with the public about options which may impact upon service delivery. Difficult and challenging decisions are under consideration but strong political and organisational leadership will be required if a balanced budget is to be delivered in future years.

Strategic housing inspection

- 32 We carried out an inspection of strategic housing in April 2007. The Council does not own its own housing stock, which was transferred to Worcester Community Homes in March 2004, following a stock transfer ballot of residents. Our inspection therefore focused on the Council's role in enabling new housing and how housing services assist in making the best use of existing housing. In addition, we assessed its approach to access and customer care, diversity and value for money.
- 33 We found that overall, the Council's strategic housing service was fair. Access to services is easy and there is good information about them. The Council has a good understanding of the housing market and needs, which has informed the types of new housing provided. It has improved the scheme threshold at which developers need to provide affordable housing and enforces planning policy effectively. It has a strong approach to homelessness prevention, with a number of initiatives which have helped people to sustain their existing homes. It is working well with landlords to provide quality private sector accommodation and take-up of improvement and disabled facilities grants is strong.

- 34 However, arrangements relating to service standards and customer feedback are under-developed. Diversity is not embedded in the organisation and it cannot demonstrate equitable service delivery. The Council's suite of strategies and associated procedures are not consistently effective. Planning guidance and selection and monitoring of RSL partners is only partially effective. There are weak areas of performance in all service areas, but particularly so in relation to the use of bed and breakfast accommodation and returning empty homes to use. The Council cannot demonstrate that services offer value for money.
- 35 The service's prospects for improvement are promising. The Council has delivered a number of improvements that customers would recognise. Improved leadership is emerging, with a clearer focus on developing a strong strategic framework to address areas of weakness. The Council is aware of areas which need improvement and its plans respond to these at strategic and individual staff member level. It has made some positive changes to address capacity to deliver improvements and has dedicated and enthusiastic staff. However, there are some areas where the approach is not consistently strong and outcomes and performance are mixed when compared to others. The Council currently lacks a focus on outcomes and performance management arrangements have weaknesses. Capacity to drive improvements is not maximised in all areas.

Performance information

- 36 The Audit Commission approach to the audit of statutory performance information changed last year, with a 'lighter touch' being applied. This meant that we reviewed your overall management arrangements to develop the quality of data and only tested a limited number of performance indicators. There were five themes for us to consider as part of our work on Data Quality; Governance and Leadership, Policies, Systems and Processes, People and Skills and Data Use.
- 37 We again assessed the Council as meeting the minimum standard overall.
- 38 The strongest area was Governance & Leadership where we found clear objectives for data quality with clear responsibilities for staff. Monitoring and review takes place through a number of committees involving Members and Officers.
- 39 The weakest area was People and Skills where we found that data quality responsibilities were not clearly communicated to staff and arrangements were inadequate to ensure staff had the necessary skills. The Council recognise the need for improvement, but at the time of the work (Summer 2007) had not implemented this. For example, the need for Systems Administrators for each system and the identification of all data entry staff in order to enable training had not been addressed.

The audit of the accounts and value for money

- 40** As your appointed auditor I have reported separately to the audit committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 28 September 2007: and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

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 we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	1 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest and 4 = highest)

43 The key issues are set out below.

Financial reporting - audit of 2006/07 accounts

44 We reported our findings on the financial statements to the Audit Committee In September. To address the recommendations made the Council have prepared an action plan. We have continued to assess the Council as not meeting minimum standards. The audit of the financial statements, although an improvement on the previous year, was very difficult. The accounts contained three material misstatements and two significant errors. Working papers provided at the start of the audit were inadequate. This was alleviated by the responsiveness of officers to audit questions. The five errors noted in my previous report to the Audit Committee were as follows.

- Completion of the new Statement of Total Recognised Gains and Losses (which shows the 'net worth' of the Council) necessitated a number of significant adjustments to other statements. These were inclusion of £426k capital expenditure financed through special reserves into Net Cost of Services on the Income and Expenditure (I&E) account and inclusion of £1,068k into the I&E account below net cost of services in respect of receipts under the right to buy of former council houses.
- There were also a number of changes to the fixed asset disclosure note. This arose as one asset had been included in the fixed asset register twice.
- The revaluations figures also decreased by £970k, and disposals decreased by £848k. These adjustments related to the introduction of newly discovered shared ownership properties.
- The only unadjusted misstatement was in relation to the racecourse site. This has been re-introduced into the accounts at a value of £200k. The Council was unable at the time to justify why the Council has changed its policy in regard to this asset, having previously considered it should be excluded in accordance with relevant accounting standards.

45 We have provided detailed feedback to finance officers on these issues and the reasons why improvements were not at the level expected by all parties. We still regard your accounts and supporting working papers as a significant risk and it is important that this area is given a much higher priority than in previous years. The Council must ensure that adequate resources are put in place for the production and audit of the financial statements. The Council accept that all finance staff need to take more individual responsibility for the production of good quality working papers and reconciliations and this needs to be backed up by a robust quality review of the accounts and supporting papers. The Council needs to comprehensively review the structures and processes within the finance department to help bring this about. There were also some examples of inadequate communication internally and externally. For example, not alerting us to newly identified fixed assets during planning meetings, and a lack of communication between different sections within finance and revenues and benefits.

- 46 The Council has produced a good timely Annual Report, utilising good practice examples from other bodies.

Financial management

- 47 The Council continues to perform well in this area. In particular, the Council continues to meet its budget and to maintain reserves at the desired level. Finance documents are now easier to find on the website, and backlog maintenance has been addressed through the Capital Investment and Asset Management (CIAM) group.
- 48 Whilst there is a section in the capital bid forms on whole life costing, we found that this was rarely completed, and even then with non-financial information only. There is a danger that this could result in sub-optimal decision making.

Financial standing

- 49 We assessed the Council's financial standing as meeting minimum requirements. Some improvements have been made since our previous assessment.
- 50 The Council needs to further improve debt recovery actions in order to attain the next level. Performance Indicators for debt collection on Council Tax and NNDR for 2006/07 indicate third quartile performance. Current performance indicates that improvements in collection rates are being made, and the Council is also beginning to monitor more robustly the cost effectiveness of recovery and non-recovery of debt.
- 51 As at 31 March 2007, the Council had reserves of £5.4 million. The under-spending against budget in 2006/07 amounted to £107k. The Council has a good track record of keeping resources within budget.
- 52 Looking ahead the Council has identified that it needs to make very significant cuts and efficiencies in 2008/09 and beyond to keep within available funds, expenditure needs to reduce in total by £3 million in the next five years. Outline plans have been drawn up to deliver savings of £1.4 million in 2008/09 and approved by Members but there will be risks to successfully implementing these. Plans for the additional savings necessary after 2008/09 are at an earlier stage and will be very challenging to deliver.
- 53 The Council's Pension Scheme liability (the amount liabilities exceeded assets) at the 31 March 2007 was £16.6 million. Though lower than 2006, the level of this deficit is a cause for concern as the Council is, like most other councils, not currently in a position to meet its future pension liabilities for its workforce. The Council has been addressing this liability.

Systems of internal control

- 54 The Council's systems of internal control meet the minimum requirements for the Use of Resources assessment.
- 55 Risk Management arrangements are good, but systems of internal control and probity and propriety arrangements need further improvement.
- 56 The Risk Register is updated and reported to members appropriately, staff and member training have been provided and partnership risk is now considered more fully. Reporting of the Statement of Internal Control (SIC) to members has improved, and contains examples of good practice. However, we agreed with Officers that the content would be reviewed in future to make it more succinct. For 2007/08 the SIC will be replaced with a Governance Statement. The Council still needs to develop the assurance framework more broadly.
- 57 Improvements to the governance arrangements made after 31 March cannot be considered in our 2007/08 assessment, but need to be embedded in order to facilitate improvement in this area.
- 58 The Council has a good internal audit service. The effectiveness of this has been further improved in 2007/08 by disclosing the degree of assurance provided by each review and formally reporting back to each audit committee on the completion of previous internal audit recommendations as we recommended last year.

Value for money

- 59 We considered both the Council's achievement of value for money and the arrangements to manage and improve value for money. Overall we concluded that both adequate achievement and adequate arrangements are demonstrated. Both areas have improved since last year. The Council is continuing to make progress on delivering value for money.
- 60 Comparative costs show a positive trend. Though overall spending has marginally increased, when total costs per head of population are considered alongside councils serving similar areas, Worcester City's comparative position has improved; it now spends less than the average in its group. Council tax levels, as in the previous year, remain below average.
- 61 Expenditure comparisons by service area remain largely unchanged from last year and continue to reflect the Council's priorities.
- 62 Overall, performance has improved but progress has not been consistent. Comparative performance trends show above average numbers of indicators in the top quartile and above average improvement rates, however the achievement is not consistent. Culture is strong but other areas of activity still carry too many indicators showing unfavourable 3rd and 4th quartile performances.

Other work

Continuing performance improvement

- 63** As a result of findings from previous inspection and use of resources work we carried out a review of the Council's arrangements to sustain continuous improvement in performance. We already knew that no service area was consistently failing. In isolated areas performance remains a matter of concern but these occur in different sections of the Council with no apparent common theme. Increasing demands and financial constraints will require resource adjustments in favour of genuine priorities and reductions in less important areas of activity.
- 64** The Council publishes its performance management framework on its intranet. If applied rigorously, the framework being used by the Council could produce effective performance management. However, the inconsistent application of the basic principles of targeted and challenging improvement managed in a supportive environment is likely to be inhibiting success. For example:
- target alignment across the documentary framework needs to be significantly strengthened. For example, the linkages between the community strategy, the corporate plan and service plans relating to crime and the fear of crime reduction are neither secure nor complete;
 - indicators are not consistently used to measure progress against declared objectives. For example, there is no mechanism for measuring the Council's objective to 'enhance the wellbeing and quality of life of Worcester visitors';
 - targets are not consistently challenging. For example, the target for vehicle crime reduction accepts higher crime rates than those experienced in 2005/06 and 2006/07; and
 - ownership for the delivery of targets and objectives is not consistently identified, for example it is not clear who has responsibility for improving customer satisfaction.
- 65** Though the situation varies, service plans are often seen as a bureaucratic overhead with limited relevance to day to day work. The current service plan template has been in use for some time and is regarded as inflexible and not always most efficient. Some service areas, for example the museums service (which relies heavily on lottery and heritage funding) would benefit from increased flexibility to allow documented business plans more closely to reflect grant application requirements.
- 66** Since the departure of the former deputy to the Chief Executive, the Council has no consistent mechanism for reviewing service plans. The quality of service plans varies and the inconsistent application of basic performance management principles is likely to be hindering improvement.

- 67 The performance management and budget scrutiny committee and the KPG meetings are fairly consistently seen as having limited impact and adding little value to performance management. The effectiveness of KPGs is dependent upon service leads 'confessing' to failing performance.
- 68 Two scrutiny committees are understood to have remit to consider value for money. The Policy Development and Value for Money Scrutiny Committee have an explicit remit, while the performance management and budget scrutiny committee have an implied remit (in that they address two components, performance and costs, which, when jointly considered, become the basis for considering value for money).
- 69 Service level agreements have been established for some back office functions. They include targets designed to support customer service standards (for example turnaround times for correspondence) which could impact upon satisfaction levels. Performance against these agreements is not being consistently monitored or managed.
- 70 Success is too often measured by the completion of an action rather than in the improvement in service it is intended to achieve. There is a commonly held misconception that managing a project is managing performance. A completed project represents little more than money spent and effort invested unless it results in improved performance. For example, the operational services plan contains an action to 'undertake review of options for trade waste (recycling, night collections etc.) in accordance with National Waste Strategy' by March 2008. Successfully completing the action as stated represents no commitment to improvement.
- 71 The Council is facing a period of financial constraint. Focusing on priorities and extracting maximum value for money will be increasingly important. A cultural change to a situation where strategic, corporate and service plans are relevant, drive performance in key priority activities and managers are held to account for delivering the targets therein could have a significant impact.
- 72 Officers have produced an action plan to respond to the recommendations in our detailed report and progress on this needs to be closely monitored.

Looking ahead

- 73** The public service inspectorates are currently developing 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.
- 74** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 75** 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 Local Area Agreements.

Closing remarks

- 76 This letter has been discussed and agreed with the Chief Executive and Head of Financial Services. A copy of the letter will be presented at the Audit Committee on 21 March 2008. Copies need to be provided to all Council members.
- 77 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Strategic Housing Inspection Report	May 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Continuous Performance improvement	October 2007
Use of Resources	December 2007
Annual audit and inspection letter	February 2008

- 78 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

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

Elizabeth Cave
District Auditor and Relationship Manager
March 2008