

# Annual Audit and Inspection Letter

Watford Borough Council

Audit 2007-2008

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 Watford Borough Council performing?</b>	<b>5</b>
<b>The audit of the accounts and value for money</b>	<b>11</b>
<b>Looking ahead</b>	<b>13</b>
<b>Closing remarks</b>	<b>14</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 external auditors have issued an unqualified opinion on the accounts for the year ended 31 March 2008 and concluded that there are adequate arrangements in place for ensuring value for money.
- 2 The Council has achieved a score of 2 (performing adequately) in the annual Use of Resources assessment and in data quality standards.
- 3 Watford Borough Council is improving rapidly, building on the outcome of its Comprehensive Performance Assessment (CPA) inspection in 2007. It has achieved improved outcomes against both its own, and local people's, priorities. It has improved its value for money, although the Council still remains relatively high cost.
- 4 The Audit Commission undertook an inspection of Cultural Services in 2008. This review assessed that Watford Borough Council provides 'fair' cultural services that have 'excellent' prospects for improvement.

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## Action needed by the Council

- 5 The Council needs to:
  - continue to improve its value for money;
  - address the recommendations we made in our Culture Inspection.

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# Purpose, responsibilities and scope

- 6 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.
- 7 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.
- 8 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](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 9 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.
- 10 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.
- 11 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

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# How is Watford Borough Council performing?

12 Watford Borough Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2007. These assessments have been completed in all district councils. The following chart is the latest position across all district councils.

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



Source: Audit Commission

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

### Summary

13 Watford Borough Council is improving rapidly, building on the outcome of its Comprehensive Performance Assessment (CPA) inspection in 2007. There is substantial evidence that the Council has achieved improved outcomes against its short-term priorities, as well as addressing local people's priorities. It has continued to improve access to its services, and to engage with vulnerable groups. Value for Money is improving substantially, although the Council still remains relatively high cost. It attained a high level of improvement in Best Value Performance Indicator (BVPI) performance in 2007/08, but its overall level of performance remains below average for district councils.

## How is Watford Borough Council performing?

- 14 The Council's long term objectives and short term priorities are clear and up to date, having recently been revisited, and its objectives are aligned with the Local Strategic Partnership (LSP), 'One Watford'. The Council has a rigorous approach to planning and implementing its improvement programme and has generally been successful in implementing the improvements it has planned. It has invested in its corporate capacity to deliver future improvements, but financial pressures are likely to prove challenging, as they are for Councils generally.

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

- 15 The Council is improving services which are priorities, and which are important to the public. The Council has used various methods to identify what is important to local people. This includes undertaking a budget survey to identify which of the Council's objectives were their highest priorities. Improvement has been delivered in each of these areas:
- An Efficient, Effective Value for Money Council;
  - A Safer Town; and
  - A High Quality Environment.
- 16 The Council is improving its value for money rapidly, but is still relatively high cost. Watford does still spend more than similar Councils but some of this expenditure reflects the broad range of challenges in the area. However, costs remain comparatively high in relation to performance indicators. For 2008/09 the Council's auditors assessed its Use of Resources as adequate. Watford has continued to reduce the cost of waste, saving a further £5 per household (seven per cent) in 2007/08. It set a below inflation rise in council tax for the seventh year running, and is one of the lowest in the county. Nevertheless it has the highest expenditure per head of the sixteen authorities in its nearest neighbours group (as defined by CIPFA) at £291 per head compared to a median of £165 per head. Consequently, residents have benefited from smaller tax rises than at many other authorities, but are still paying more overall for their services.
- 17 The Council continues to create a safe community. It is working effectively with the Crime and Disorder Reduction Partnership (CDRP). There has been a substantial reduction in crime figures, which is down overall by 18 per cent since 2006/07 as a result of successful initiatives. For example it has worked with Watford Football Club, to provide diversionary activities for young people in potential crime and anti-social behaviour hotspots (Holywell and Riverside). Young people signing up for the 'Positive Futures' initiative agree to desist from criminal and anti-social behaviour in return for free football coaching and mentoring from the club. The successful approach of the 'Sunflower Project', which it part funds, to tackling domestic violence and hate crimes, is being rolled out across the county as best practice. The lower levels of crime are a significant benefit to local residents.

## How is Watford Borough Council performing?

- 18** The Council continues to effectively achieve a high quality environment. Evidence of a cleaner environment is supported by the findings of the ENCAMS survey. The Council has introduced seven day street cleaning and more litter bins. Two new leisure centres opened in 2008, achieving its objective of providing modern, good quality facilities for swimming and leisure on time and on budget, which have also achieved significant operational contract saving. During the year the Audit Commission undertook an inspection of cultural services and assessed that Watford Borough Council provides 'fair' cultural services that have 'excellent' prospects for improvement. The Council has also reduced waste generated, for example piloting trade waste schemes for glass and cardboard. A higher quality environment is a benefit to local residents.
- 19** The Council is making an effective contribution to the work of local partnerships, and it has aligned its objectives with those of the Local Strategic Partnership (LSP). It has led the review of the Sustainable Community Strategy for One Watford, which has now revised its ambitions. These are currently undergoing public consultation, with residents and with young people via on-line consultation. From October 2008, the Council is now also helping to resource the LSP to deliver its programme, by providing a person to help deliver the action plan. The Council has contributed towards the achievements of other major partnerships, including, community safety, prevention of homelessness and the District Children's Trust. There is some evidence of improved outcomes here, for example cross sector working on anti-social behaviour has resulting in a reduction in incidents and complaints. The LSP has established a Health Partnership which brings together key partners in this area and in 2008 awarded community grants to tackle highlighted health problems, such as the relatively low life expectancy for women.
- 20** The Council has continued to improve access to its services. The 'Community Gateway Model' involves more than 1,500 tenants and leaseholders in actively deciding their own future. This project was a community project finalist in Local Government Chronicle & Health Service Journal - Sustainable Communities Awards 2008. The new housing trust board has a tenant chair, and tenants are actively engaged in major decisions that impact on how the trust's £66m improvement programme is spent. The Council has been successful in engaging with the public over some of its transformational projects, for example there was no objection to plans for the health campus and the website was improved, following feedback from local people, to improve its accessibility and make it more user-friendly. It has introduced the 'Govmetric' system to enable customers to give immediate feedback on the service they receive. As a result the public are benefiting from a greater choice of how they access services.
- 21** The Council is focusing on improving access for vulnerable groups, although evidence of improved outcomes for these groups is not yet apparent. Consultation exercises have included focus groups for Muslim communities and an open day for people with disabilities. An action plan has been drawn up to improve disabled access following the 2008 disability forum. The Council has recently achieved level 3 of the Local Government Equalities Standard, which compares favourably to other authorities. At present the Council cannot be confident that all members of vulnerable groups have equality of access to services.

- 22 Watford Borough Council attained a high level of improvement in BVPI performance in 2007/08, which is in line with a trend of steady improvement over the last three years, but its overall level of performance is still relatively low. It improved 67 per cent of BVPIs since the previous year. This is considerably above the average range for all district authorities of 57 to 59 per cent. However, only 23 per cent BVPIs are in the best 25 per cent which is below average for all district authorities (33 per cent). Within Hertfordshire its performance is typical, with 54 per cent of indicators above the median, compared to an average of 55 per cent.

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

- 23 The Council has a clear set of long-term objectives and short-term priorities. Once the LSP ambitions have been finalised following consultation, the Council intends to adopt the same updated objectives from 1 April 2009 for its new Corporate Plan. This is in addition to its own value for money objective. The Council also has brought its short-term priorities up to date. As the key actions against several of the previous priorities have now been addressed, these have been replaced with new ones. Clear prioritisation is helping to ensure that planned service improvements are delivered.
- 24 The Council has improved its action planning process and it is now effective. It has now got some action plans for improvement, which are outcome focused with SMART (specific, measurable, agreed, realistic and time-bound) targets, for example within its homelessness and carbon reduction strategies and has a clear plan to bring other action plans up to this standard. The Council has a good track record of implementing change and it generally achieved its planned actions against its nine priorities for 2006-08. For example, it gained planning permission for the Watford Health Campus and delivered its two new leisure centres. Effective action planning is helping to ensure that improved outcomes are delivered for local people.
- 25 The Council has developed detailed and ambitious plans to improve services and achieve value for money. It has drawn up a value for money strategy and action plan and has set itself efficiency savings of at least 3.5 per cent per annum though it has achieved significantly more than this to date. The Council has an ambitious shared services programme to increase resilience, improve quality, introduce common IT systems and reduce central support costs, in partnership with Three Rivers District Council. The programme, which covers human resource management, information and communications technology, finance and revenues/ housing benefits, is planned to go live from 1 April 2009. Plans for this are generally progressing well, including the drawing up of service level agreements with customers in both councils. Clear plans increase the likelihood of improvement being delivered.



## How is Watford Borough Council performing?

- 26** Performance management arrangements are good, but management of costs is weak. The Council has put a revised framework in place to assess ongoing achievements against the new national indicators, as well as an updated set of local PIs. It has retained some of the outgoing BVPIs as local indicators, where they measure priorities or areas for continued improvement. This provides an opportunity to track ongoing improvements in performance and to benchmark with other councils which have retained these indicators. It still does not have a comprehensive understanding of the costs of some of its activities. The Council is making some use of benchmarking to identify higher cost services, but has not standardised its benchmarking approach throughout its services. A comprehensive analysis of activity costs, benchmarked with other authorities, would help the Council identify where it had the most scope for cost improvement.
- 27** The Council's management of its partnerships contains some weaknesses, but is improving. A review by internal audit in September 2008 identified a need for clear corporate direction and guidance on partnership working. Whilst it found examples of good practice in some partnerships, it also reported some weaknesses in corporate controls. The Council is now beginning to address these issues. Overall responsibility for partnerships has been assigned to a newly created partnership section and the Council is developing a 'Partnership Framework' to provide practical guidance for officers. Other issues that need to be addressed are ensuring formal partnership agreements are in place where appropriate, improving performance management and implementing risk management arrangements for partnerships. A lack of appropriate arrangements in place increases the level of risk to the Council.
- 28** The Council has the capacity to deliver its programme in term of human resources, but it recognises that financial constraints are likely to prove challenging. It has taken a number of actions to strengthen capacity to deliver its objectives. It has redesigned its organisational structure and management arrangements to provide more corporate capacity. This is to enable it to improve its management of partnerships, project management and commissioning. The shared services programme with Three Rivers District Council is also designed to improve capacity and resilience, in addition to efficiency. It has continued to tackle sickness absence through a revised policy, training and new stress awareness procedures. It is investing in developing both councillors and officers and has achieved the IDeA Members' Development Charter in 2008. The Council recognises that financial capacity will be a challenge in the immediate future, as revenues fall and demands on services increase. It has pledged to keep council tax increases down, so will have to deliver further cost savings. To date it has shown the ability to deliver these. Adequate resources are vital to ensure that the Council can deliver its improvement programme.

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### Service inspections

- 29** We undertook an inspection of Cultural Services in 2008. This review assessed that Watford Borough Council provides 'fair' cultural services that have 'excellent' prospects for improvement.

## How is Watford Borough Council performing?

- 30** Cultural services are important for Watford and the Council is clear about what it wants to achieve in terms of improving health and quality of life and supporting young people. Cultural services are well informed by the needs of local people through widespread consultation. As a result of this focus the level of cultural provision in Watford is much greater than in most district councils and the Council works well to promote access to cultural facilities. The Council takes a positive approach to diversity which is starting to have an impact on how cultural services are delivered. Satisfaction and usage levels of key aspects of the services are above the national average.
- 31** The Council successfully minimised the impact of closing two leisure centres to enable them to build replacements through short term investment at the Bill Everett Community Centre which itself closed in May 2008. The first new facility, Watford Leisure Centre - Woodside opened on time in June 2008.
- 32** However the Council has been less effective in setting clear targets and measuring the impact of its activities. As a result it cannot always be sure whether its investment in cultural services is making a difference for local people in priority areas such as health and improving quality of life.
- 33** Some aspects of value for money are developing well within Watford's cultural services. Although their comparatively high costs are not always complemented by high levels of satisfaction the Council is delivering significant efficiency savings. The Council is investing in developing more modern high quality cultural services and expects to benefit from a much lower revenue spend in future.

# The audit of the accounts and value for money

- 34** Grant Thornton as your appointed auditors have reported separately to the Audit Committee on 18 September 2008 on the issues arising from the 2007/08 audit and have issued:
- an audit report, providing an opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
  - a report on the Best Value Performance Plan (BVPP) confirming that it had been audited.

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## Use of Resources

- 35** 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).

36 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	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>2 out of 4</b>

Note: 1 – lowest, 4 = highest

### The key issues arising from the audit

#### Use of Resources

- There were no areas where the Council scored below minimum requirements this year.
- The scoring within Financial Reporting has increased from a level 1 marking in the prior year to a level 2 marking this year. The reason for the increase was as a result of a smoother year end accounts audit process this year in comparison from the prior year auditors' assessment.
- The Council has continued to embed the arrangements it has in place from the prior year, whilst awaiting guidance for the new use of resources approach which will form part of the Audit Commission's Comprehensive Area Assessment. This is to be introduced from 2008/09 onwards.

#### Grant Claims

- The Council provided 5 grant claims for audit certification and these were all certified by the deadline date, with one claim being amended and one claim being amended and qualified. There are a further two claims outstanding relating to Housing Subsidy but these cannot be prepared by the Council until the prior year claims have been certified by the Audit Commission.

## Looking ahead

- 37** 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.
- 38** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 39** 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.

# Closing remarks

- 40 This letter has been discussed and agreed with [name to be inserted when agreed]. A copy of the letter will be presented at the Audit Committee in June 2009. Copies need to be provided to all Council members.
- 41 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 2007
Culture Inspection	July 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	September 2008
Use of Resources	March 2009
Data Quality	March 2009
Annual audit and inspection letter	March 2009

- 42 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

- 43 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.

**Gary Hammersley**  
**Comprehensive Area Assessment Lead**

March 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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