

Annual Audit and Inspection Letter

London Borough of Hillingdon

Audit 2007/08

March 2009



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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

- Hillingdon Council is improving well and continues to deliver improvements in priority areas, such as educational attainment, children's social care, value for money, housing and benefits services.
- Areas for improvement that the Council has recognised and has plans to improve include street cleanliness and safeguarding within adult social care.
- A review of Health Inequalities showed that there is good leadership in place at the Council and Primary Care Trust which is beginning to develop more robust arrangements to tackle health inequalities.
- The Community Safety Inspection scored the service provided by the London Borough of Hillingdon as 'fair' with 'promising prospects for improvement'. It reported that improvements could be made in partnership resourcing and the evaluation of projects. Since that time investment in community safety has been made and the Council and partner agencies are committed, resulting in positive results in crime levels and community perceptions.
- The Council received an unqualified opinion on its 2007/08 financial statements and an unqualified conclusion on its arrangements for securing value for money during 2007/08.
- The Council has improved its score on Use of Resources. Its ethical governance arrangements are now good. Data quality arrangements are robust and performing well.

Action needed by the Council

- 1 The Council needs to ensure that it delivers its plans to improve street cleanliness and safeguarding within adult social care.
- 2 Arrangements need to be put in place to coordinate partnership resources in order to ensure a strategic approach to community safety; and a systematic approach needs to be taken to the evaluation of these projects and initiatives in order to measure impact and demonstrate value for money.
- 3 An overall strategy needs to be put in place for tackling the causes of health inequalities and the partnership needs to ensure that health need assessments are used consistently to inform strategies, commissioning intentions and business cases.

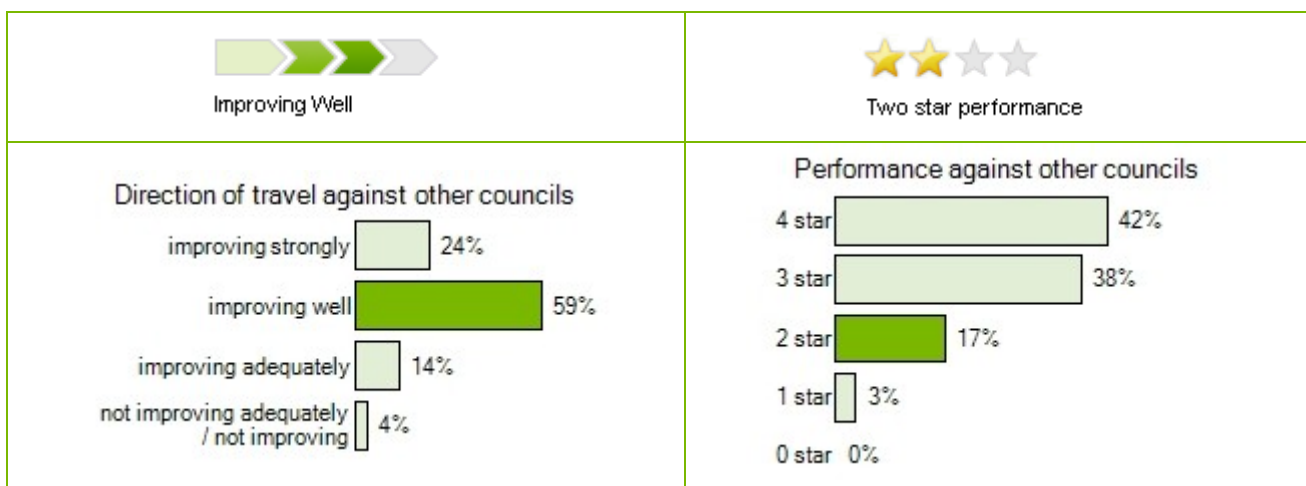
Purpose, responsibilities and scope

- 4 This letter 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.
- 5 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.
- 6 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.
- 7 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, he 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.
- 8 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.
- 9 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Hillingdon Council performing?

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

Figure 1 Overall performance of councils in CPA



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

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	2 star
Current performance	
Children and young people*	3
Social care (adults)*	2
Use of resources*	3
Housing	4
Environment	3
Culture	2
Benefits	4

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

The improvement since last year - our Direction of Travel report

11 Hillingdon Council is improving well. Two-thirds of performance indicators have improved in 2007/08 which is above the London average. The Council continues to deliver improvements in priority areas, such as educational attainment and children’s social care. It is effective at securing value for money. Housing and benefits services are high performing. However, areas for improvement that the Council has recognised and has plans to improve include street cleanliness and safeguarding within adult social care. An award winning contact centre has improved access to services; two major leisure centres are under construction and 12 children’s centres have been opened. The innovative ‘streets ahead’ programme involves approximately 4,300 local residents, as volunteer street champions, to successfully address local environmental issues. Overall, resident satisfaction has improved significantly. The results of the staff survey demonstrate strong leadership and a well motivated workforce. As a result of a comprehensive review the Council has been able to improve the efficiency and quality of front-line services and is well placed to secure continuous service improvement.

Service inspections

Community Safety Inspection – Reported in August 2008

- 12 We have carried out a Community Safety inspection since the last letter. The inspection reviewed the way the Council and partners were meeting the needs of the local community and delivering against local and Government targets. In assessing performance against crime, Inspectors compared Hillingdon with other London boroughs and with its 'Most Similar Family' group - crime and disorder reduction partnerships across England, as used by the Home Office, using performance data up to the end of March 2008.
- 13 The Inspection scored the community safety service provided by the London Borough of Hillingdon as 'fair' with 'promising prospects for improvement'. The Council is working closely with partner agencies and local residents to tackle crime and the fear of crime and to address issues such as domestic violence. However, whilst there have been significant reductions in some crimes such as criminal damage and vehicle crime, targets for reducing violent crime, burglary and the fear of crime had not been met and some aspects of joint working could be improved.
- 14 The service has promising prospects for improvement because the Council has increased its investment in community safety, Members, Officers and partner agencies are positive and committed, overall crime levels are falling and community perceptions are improving
- 15 Areas requiring further attention include:
 - the strategic approach to alcohol issues is underdeveloped, and no alcohol strategy is in place;
 - arrangements for coordinating and tasking partnership resources are not yet sufficiently comprehensive or cohesive; and
 - there is not a systematic approach to the evaluation of projects and initiatives in community safety to measure impact and demonstrate value for money.

Health and Inequalities Performance – Reported in January 2009

- 16 A Health and Inequalities Review was carried out in two stages. The results of the stage 1 review were reported in the Letter for 2006/07. Stage 2 took the form of workshops and interviews with relevant staff. The review showed that the Council and Primary Care Trust are beginning to develop robust arrangements to tackle health inequalities. The report showed strengths in:
 - leadership to direct the health inequalities agenda;
 - partnership arrangements; and
 - development of a health needs analysis framework.

17 Areas for improvement include:

- the need for the partnership to ensure that health needs assessments are used consistently to inform strategies, commissioning intentions and business cases;
- an overall strategy is put in place for tackling the major causes of health inequalities;
- a Performance Management approach is put in place that builds on monitoring of specific targets and supports an overall strategy; and
- there is an increased awareness of, and support for, tackling health inequalities embedded across all departments of the PCT and Council.

Other inspections

18 An important aspect of the role of the CAAL is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

CSCI Adult Social Care Performance Judgements for 2007/08

19 CSCI's Annual Performance Assessment of Social Care Services for Adults in Hillingdon judged the delivery of outcomes as 'adequate' and the Council's capacity to improve services further as 'promising'. Areas for improvement are contained in the report that can be found on the CSCI website.

Ofsted Annual Performance Assessment of Services for Children and Young People in the London Borough of Hillingdon 2008

20 The overall 2008 CPA Children and Young People Service score for Hillingdon as a 3. The Council's capacity to improve its services for children and young people and its management of these services is excellent. Areas for improvement are contained in the report that can be found on the Ofsted website.

The audit of the accounts and value for money

21 Your appointed auditor reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008.

Use of Resources

22 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).

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

Table 2 Use of resources assessment

Element	Assessment 2008	Assessment 2007
Financial reporting	2	1
Financial management	3	3
Financial standing	3	3
Internal control	3	2
Value for money	3	3
Overall assessment of the Audit Commission	3	2

Note: 1 = lowest, 4 = highest

- 24 The overall score of 3 demonstrates that the Council has arrangements which are consistently above the minimum requirements and it is performing well. The Council has improved in two themes, financial reporting and internal control, which has contributed to the improvement in the overall score. However, there is scope for further improvement, in particular on financial reporting and the Council has received a report highlighting these areas.

Financial standing

- 25 As part of the ongoing audit and inspection of the Council, we review the position on financial standing as at the date of the letter. The most recent consideration of the Medium Term Financial Forecast (MTFF) by the Council was on 26 February 2009.
- 26 The MTFF includes the draft General Fund revenue budget for 2009/10 with indicative projections for the following three years and the draft capital programme for 2009/10 and beyond. The MTFF sets out the main priorities for the Council: zero increase in Council tax for the next two years, provision for new priority growth of £2.6 million and retaining balances and reserves at around £12 million over the medium term. It also highlights the main issues to be considered:
- the impact of the 'credit crunch' and the downturn in economy; a strategy to take account of this is in place and is being kept under review; and
 - savings of £7.4 million have been identified for 2009/10.
- 27 The most recent monthly budget monitoring was reported to Cabinet on 19 March 2009 and relates to Month 10 (January 2009). On revenue the forecast outturn is an underspend of £692k (including exceptional items) against a budget of £187.797 million. On capital the forecast is for an under-spend of £2.6 million against a revised budget of £78.447 million. Balances for 31 March 2009 are forecast at some £15.9 million. The position on funding for asylum seeker costs in 2008/09 continues to be uncertain; the Council therefore continues to discuss the funding regime with the government. Capital receipts are forecast at £2.1 million.
- 28 Through these reports, the Council has clearly demonstrated its awareness of the need to continue to exercise vigilance and strong financial management to maintain its financial position and to meet its overall financial objectives, especially in the short term because of the current economic position.

The audit of the accounts and value for money

The key issues arising from the audit

- 29 We have issued two reports setting out in more detail the results of the accounts audit and of the grants audit. The main issues arising and action being taken are set out in following paragraphs.
- 30 The Council achieved the statutory deadline of 30 June 2008 for approval of the Statement of Accounts for 2007/08. There were significant improvements in closedown processes and the production of working papers. There was also a better process in place for responding auditors' queries. These improvements facilitated the completion of the audit by the deadline of 30 September 2008. There is scope for further improvement, such as greater quality review before submission of the draft accounts for audit, more annotation of working papers, fuller understanding of evidence required to support some balances in the accounts, and alignment of the production of the Whole Government Accounts return with the main accounts process. The Council has agreed the recommendations in the detailed report and is already discussing the action needed with the auditors (Deloitte) for 2008/09.
- 31 We have completed the audit of all relevant grant claims submitted by the Council to government departments. There has been an improvement in the accuracy of claims and timeliness in submission in 2007/08. There has also been an improvement in working papers in support of claims, with one or two instances of exemplary working papers; this performance is not consistent, however, across the Council. In 2006/07 the Council agreed to create and embed a central grants co-ordinator; this has not happened. The Council is of the view that a variation of this role can be carried out by an officer within Corporate Finance and we are satisfied with this approach. The Council has agreed all recommendations in the detailed report and is taking action on those.

Other use of resources work

- 32 We have also reviewed the following.
- Data quality arrangements (carried out as part of the 2008/09 audit on behalf of Deloitte).
 - Ethical governance - review of progress.

Data quality arrangements

- 33 The Council's data quality arrangements are robust and are performing well. There is scope for further improvement, such as dissemination of good practice, formalisation of corporate training on data quality, and a risk assessed approach to data verification. The full results of our audit were reported to officers in January 2009.

Ethical governance - review of progress

- 34 We carried out a review of progress against our recommendations made in our report issued in 2004/05. The following paragraphs set out a summary of our findings which were reported to the Audit Committee in June 2008.

- 35 The Council has improved its ethical governance arrangements since our last audit and they are now good. There has been a step change in the understanding by many members about the ethical agenda. Much of the improvement is as a result of the changes to the top management of the Council and the excellent working relations between the Leader of the Council and the Chief Executive and to the work of the Chairman of the Standards Committee. The Standards Committee now has a more influential position in the Council. The Chairman of the Standards Committee is highly regarded by those who work with him.
- 36 The Monitoring Officer is a valued senior officer. However, he still does not have the time to give to the Standards Committee that is needed. The Council has now agreed to provide more consistent and strategic support to the committee. Progress has been made on helping people to feel that the Council is open and transparent but again there is still more to do. The Council has made progress developing its arrangements to manage registers of gifts and hospitality for members and for officers. Internal audit has given a satisfactory assurance that the Council's controls in this area are effective.
- 37 The Council's leadership is in a good position to address this important issue. It will need to take action if it wants to enhance further the reputation of the administration both within and outside the Council.

Looking ahead

- 38** 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.
- 39** 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.
- 40** 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

- 41 This letter has been discussed and agreed with the Leader and the Chief Executive. A copy of the letter will be presented at the Audit Committee on 5 May 2009. Copies need to be provided to all Council members.
- 42 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 3 Reports issued

Report	Date of issue
Audit and inspection plan	April 2007
Ethical governance - review of progress	June 2008
Community safety inspection	August 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	November 2008
Data quality arrangements	January 2009
Grants report	January 2009
Health inequalities	January 2008
Use of resources assessment	January 2009
Direction of travel	February 2009
CPA scorecard	March 2009
Annual audit and inspection letter	March 2009

- 43 Your appointed auditor reported the fees for the opinion and use of resources audit in September 2008. There has been no change to those fees since that date. The fees charged in relation to inspection and grants are £69,240 and £89,600 respectively; the fee for grants continues to reduce as a result of a fall in the number of claims requiring certification.
- 44 The Council has taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation during the audit.

Closing remarks

Availability of this letter

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

Annette Furley, Comprehensive Area Assessment Lead (CAAL)

March 2009

The Audit Commission

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

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

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

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