

Annual Audit Letter

Borough of Poole

Audit 2010/11



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Traffic light explanation
Red  Amber  Green 

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Value for money

I issued an unqualified value for money conclusion for 2010/11. This means that I am satisfied that there are proper arrangements in place for securing economy, efficiency and effectiveness in your use of resources.

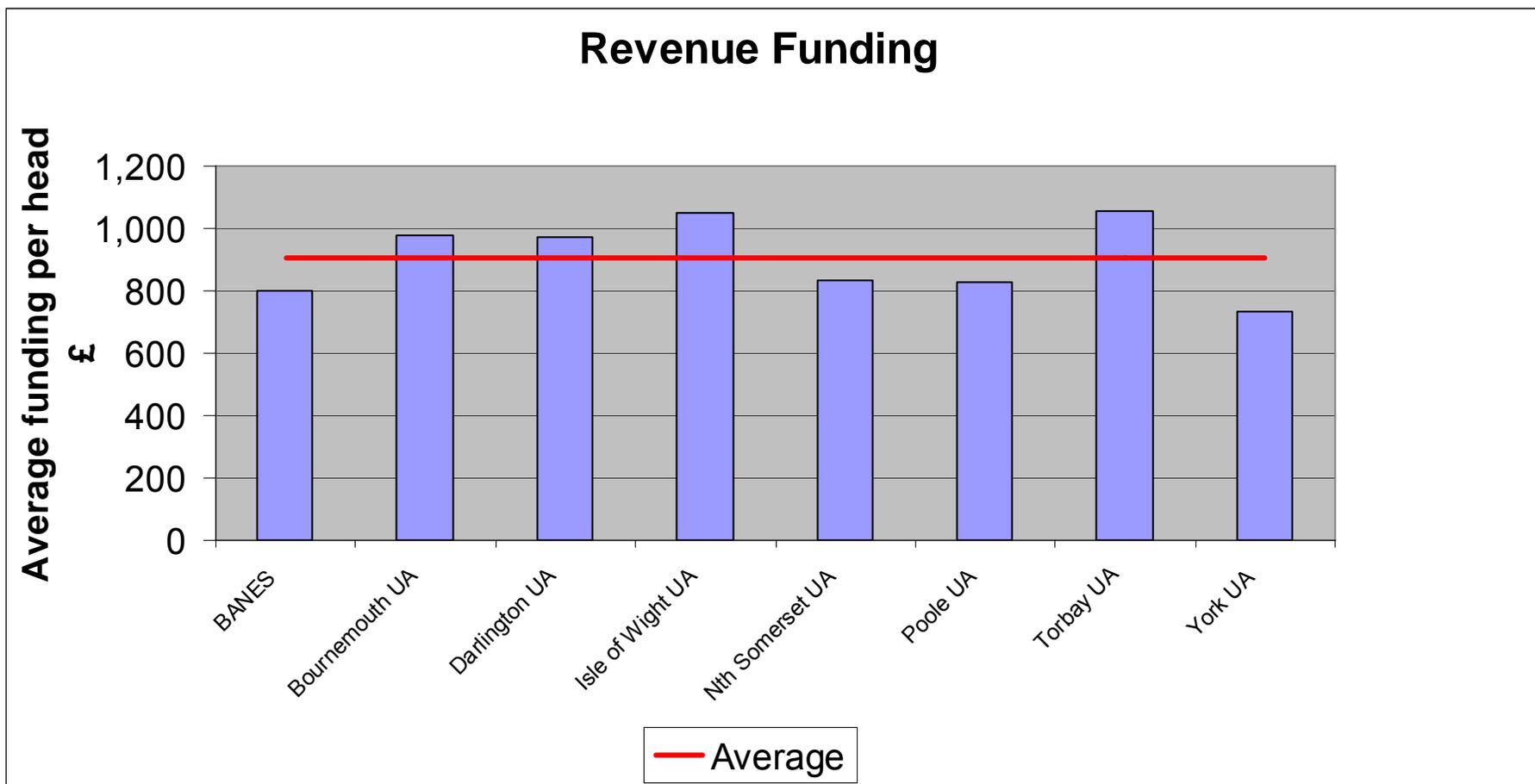
Audit opinion and financial statements

An unqualified opinion on the financial statements was given on 15 September 2011. This means that in my opinion they are free from material error or omission and comply with the relevant accounting standards.

Current and future challenges

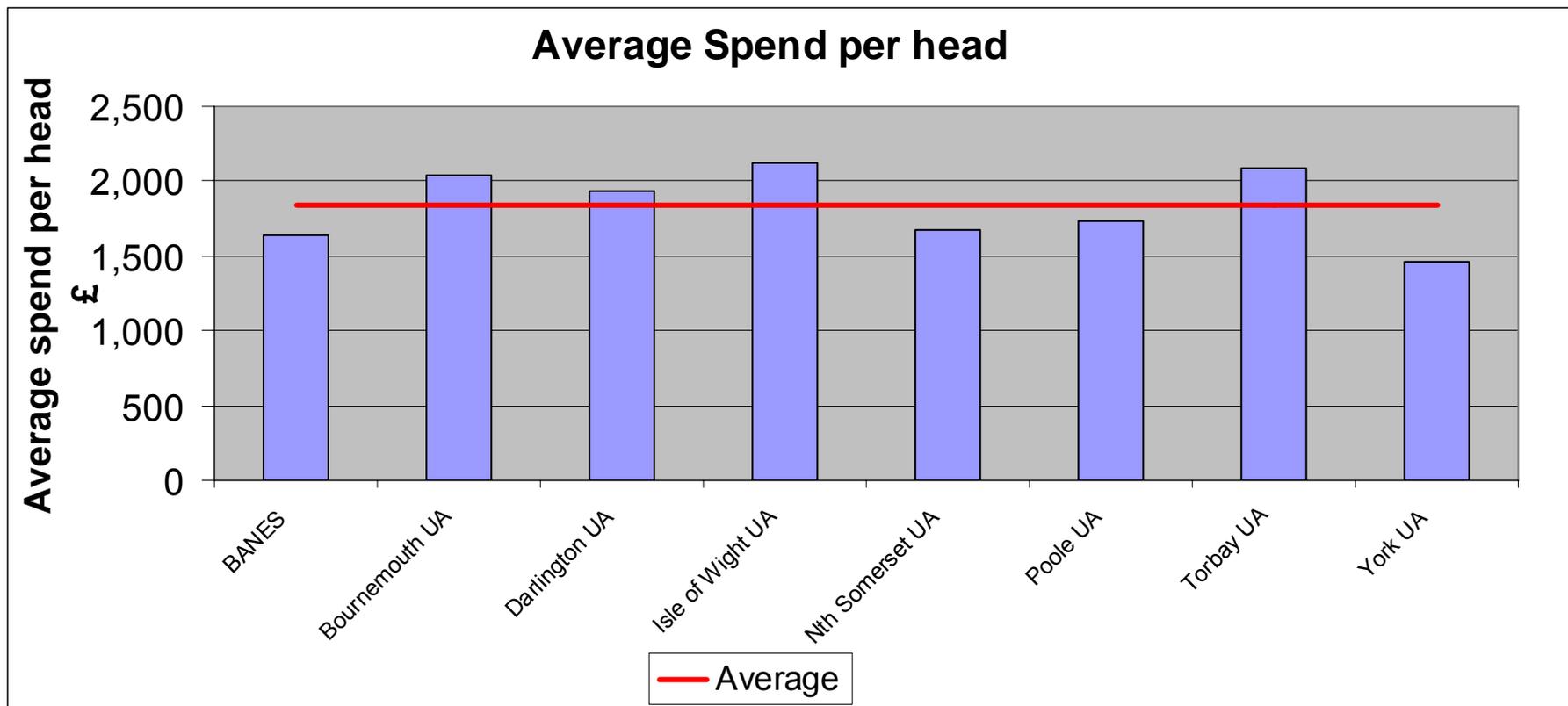
- 1 2010/11 has been a challenging year for local government. The change in government brought the June 2010 emergency budget and October comprehensive spending review with councils having to revise their budgets to make significant in-year cuts. The Borough of Poole had to make cuts to its budget in-year of £4.36 million; over and above savings of £10 million already programmed into the budget. This was exacerbated by an increased demand for some services, reduced income from fees and charges and a high level of price inflation.
- 2 Figure 1 overleaf shows that the Council has low level revenue funding per head of population when compared with both the national average and that of its own selected peer group. Below average central government support means that the Council has to raise more revenue from local taxpayers and provides an additional challenge when having to make significant cost savings and efficiencies. However, as shown in figure 2 the Council historically spends less per head of population than the national average and that of its peer group.

Figure 1:



Source: Department of Communities and Local Government

Figure 2:



Source: Audit Commission Value for Money profiles

3 Despite this below average funding and spending, the Council has a good track record of service delivery. The Audit Commission Value for Money profiles identify that the Council is performing well in a number of areas including:

- timely social care assessments of vulnerable children;
- Poole's schools have above average achievement of A to C grades at GSCE.
- higher than average percentage of waste recycled;
- higher than average percentage of residents who think local public services are working to make the area cleaner and greener; and
- above average percentage of residents thinking that that the Council gives good value for money.

4 External inspections from Ofsted and Care Quality Commission during 2010/11 also show that the Council performs well including an outstanding result for the quality of the Council's fostering and adoption service.

5 The Council has responded to the significant challenges it has faced this year and has been able to balance its books and set a balanced budget for 2011/12. However, this will result in the Council's general reserves being reduced to the minimum prudent level. In 2011/12 the Council will suffer cuts in government funding of £5 million with further cuts of £2.8 million in 2013/14, there are also likely to be further as yet unannounced reductions in the specific grants the Council receives. The Council will have to make considerable savings and efficiencies over the next three years. The achievement of these are vital if the Council is to maintain its future financial stability.

6 The Localism Bill and other changes in the way government sees the delivery of local council services present challenges for the Borough of Poole. The ability of schools to gain academy status and the potential creation of free schools will reduce the level of funding that councils receive to fund the schools that remain under local authority control. The reduction in capital funding available to improve and expand existing schools presents challenges for the Council particularly given the planned changes to age of transfer and the increasing numbers of children anticipated in the coming years as a result of demographic changes.

7 Poole in common with other south coast authorities has a percentage of elderly residents considerably above the national average; increasing life expectancy will result in an increased demand for services to support them which will need to be managed together with changes to NHS funding. Proposed changes to business rates retention, council house funding and the administration of housing and council tax benefits will also need to be managed by the Council in the coming years.

8 In response to the pressures to reduce costs and improve efficiency the Council has, over the last two years made considerable progress in analysing and understanding its costs including the use of benchmarking and identifying areas of good practice and innovation. The results of this work have been used to inform the Council's Efficiency Review Programme and are incorporated into the Medium Term Financial Plan. The Council has also, as opportunities have arisen, taken advantage of these to explore different ways of delivering services. This includes some partnership working with other agencies including the NHS and voluntary sectors.

9 The Council recognises the facing up to future challenges facing local government will require revolutionary transformation of public sector services over the longer term. The Council therefore needs to build upon its good progress to date undertaking a more systematic approach to reviewing its services and to consider alternative business models. Such consideration needs to include the impact on costs, service performance and customers. Options for service delivery could include the future use of Social Enterprise models (that the Council is already exploring), collaborative working (with other councils, government bodies, the private and voluntary sectors) and outsourcing services. This will require officers and members to think radically and to provide strong leadership in determining the Council's future direction.

Recommendation

R1 The Council should systematically review its services and determine the most effective business model for delivery. Such consideration should include the impact on costs, service performance and its customers.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Overall conclusion from the audit

I issued an unqualified opinion on the Council's financial statements on 15 September 2011.

The Council has managed the adoption of International Financial Standards and the resource pressures this presented well. A number of minor amendments were made to the financial statements as a result of my audit. No material changes were required.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements, although some areas for strengthening arrangements have been reported in my Annual Governance Report.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Satisfactory systems and processes are in place. The Council has managed the impact of the funding reductions and increasing demand for services and has produced balanced budgets for 2010/11 and 2011/12.</p> <p>Further work is required to ensure that further cuts in funding and increasing need for its services are delivered over the life of the Medium Term Financial Plan.</p>

Criterion

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key messages

The Council has demonstrated proper arrangements for securing economy, efficiency and effectiveness.

The Council has continued to build on the work started in previous years, to understand and challenge its costs which has supported efforts to set balanced budgets for 2010/11 and 2011/12.

This has been achieved without a major redesign of service delivery at this stage, although the Council has started to consider its options for the future.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Chief Financial Officer. I will present this letter at the Audit Committee on 15 September 2011.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Annual Governance Report	15 September 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Simon Garlick
District Auditor
September 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Scale fee	£207,450	£207,450	–
Total	£207,450	£207,450	–

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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