

BABERGH DISTRICT COUNCIL

FROM: Directors of Corporate Services and
Director of Finance

REPORT NUMBER **J20**

TO: **OVERVIEW & SCRUTINY
(STEWARDSHIP) COMMITTEE**

DATE OF MEETING: **19 May 2009**

ANNUAL AUDIT & INSPECTION LETTER 2007/08

1. PURPOSE OF REPORT

1.1 To provide additional information, explanation and context in connection with the Audit Commission's Annual Audit & Inspection Letter.

2. RECOMMENDATIONS

2.1 That the attached Audit & Inspection Letter be considered in conjunction with the additional information, explanations and context provided in this report.

3. FINANCIAL IMPLICATIONS

3.1 No direct financial implications.

4. RISK MANAGEMENT

4.1 This report is linked with all of the Council's Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
The Council fails to take action in relation to the key messages and actions indicated by the Audit Commission.	Low - Significant	Critical	Action is already been taken to address the issues in question. It is important that progress is effectively monitored and desired outcomes delivered.
Continuous improvement and a positive Direction of Travel are not maintained.	Low	Critical	Clear performance management arrangements in place, although additional focus on the key areas identified by the Audit Commission required.

5. KEY INFORMATION

5.1 The Audit Commission's Annual Audit & Inspection Letter summarises their findings in relation to the Council's performance and 'Direction of Travel' over the past year and the resultant action that it suggests is needed.

- 5.2 Geoff Bemrose from the Audit Commission will be present at the meeting to take Members through the letter.
- 5.3 There are a number of key messages for the Council. The following comments are made on these to assist Members in considering the position in certain areas:
- 5.4 Para 11 – recycling and composting performance was above average. Members will be aware that a decision was made to look at the trade waste vehicles as part of the overall procurement arrangements for the waste collection fleet.
- 5.5 Para 12 – some good examples of how the Council has contributed to community safety and health. The Council will continue, through its Community Safety Partnership arrangements, to seek and implement ways to further improve the community safety indicators. However, it has to be remembered that Babergh starts from a very low crime base, being one of the safest areas in the country.
- 5.6 Para 13 – Members will be aware of the Council’s strong affordable homes performance, but that the current economic climate is affecting this.
- 5.7 BPR exercises in both benefits and voids have led to an improvement in performance.
- 5.8 Babergh has the second lowest number of long-term vacant private properties in the country. The indicator used to measure performance in this area just records the number of private sector homes returned to occupation. The Commission has been made aware of our private sector initiatives such as the Private Sector Leasing Scheme.
- 5.9 Para 16 – in overall performance terms, Babergh has 34% of its indicators within the top quartile – just above average. Only 54% have improved compared to an average of 58%. However, Members will be aware that the Council has a key basket of indicators. Here, 16 out of 21 indicators (76%) improved.
- 5.10 Para 17 – the Equality Standard for Local Government has been replaced with a new National Equality Framework. At present the Council is consolidating its level 2 status with a view to make progress towards the “achieving” category (equivalent to level3) of the new framework in 2009/10.
- 5.11 Para 21 – Members will be aware that Medium Term Action Plans are now in place, together with a Delivery Plan for 2009/10.
- 5.12 Para 22 – NI 14 is the indicator that measures “avoidable contact” and the monitoring and management of this indicator forms part of the CAST action plan.
- 5.13 Insofar as the audit of accounts and value for money is concerned, Members have previously been advised of the outcomes. The Council has been judged as having adequate arrangements in place to achieve Value for Money.
- 5.14 On the Use of Resources Assessment, it is pleasing to report that the Council has maintained its level 3 score, which means that it is judged as ‘Performing Well’. This assessment recognises improvements in internal control arrangements (including risk management).

6. **APPENDICES**

Annual Audit and Inspection Letter.

7. **BACKGROUND PAPERS REFERRED TO**

None.

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Annual Audit and Inspection Letter

Babergh District Council

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

- 1 Babergh District Council is securing improvement across many of its priority areas although at a slower rate than the average for councils nationally. However, the proportion of performance indicators in the top 25 per cent is above the national average. Environmental performance is above average with good partnership working delivering improvements and efficiencies in this area. The Council contributes well to reductions in crime, improvements in health and support for the economy. However outcomes for the public in other areas, such as housing, are more variable. Actions have been taken to deal with areas of underperformance, for example in planning, but outcomes remain inconsistent. Value for money remains good. Access to services is improving. The Council's approach to equalities is improving but from a low base and further work is required to embed it across the organisation.
- 2 Strategic planning including workforce planning is good and there is an appropriate focus on re-prioritisation in the shorter term to manage the impact of local government review. Service planning is in transition and has lacked consistency over the year. Capacity to deliver services is adequate although senior management capacity is stretched. Partnership working is increasing the Council's capacity to deliver improvements for local people.

Action needed by the Council

- Ensure that planning performance and some aspects of housing performance are reviewed and improvements made.
- Continue to introduce service plans that specify and measure improvement.
- Ensure that actions identified in the Use of Resources assessment are addressed.

Purpose, responsibilities and scope

- 3 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.
- 4 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.
- 5 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).
- 6 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.
- 7 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.
- 8 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 Babergh District Council performing?

9 Babergh District Council was assessed as 'Good' 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



Percentage figures may not add up to 100 per cent due to rounding

Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there that the Council is improving outcomes?

- 10 The Council has identified five priorities for 2008 to 2018, as follows.
- a cleaner, greener Babergh;
 - a safer, healthier Babergh;
 - quality homes local people can afford;
 - a strong and sustainable Babergh economy; and
 - vibrant places, strong communities.

- 11** Environmental performance is good and improving, with 90 per cent of environmental indicators improving in the last year. This is well above the average for district councils. Recycling and composting improved to a combined total of 39.2 per cent which was above average for comparable councils although the target for trade waste recycling is not being achieved due to lack of capacity in the current waste collection fleet. The amount of waste collected continues to fall and the cost of waste collection compares with the best 25 per cent of councils. The Council is also improving the cleanliness of the district, exceeding its targets for reducing litter, graffiti and fly tipping. The Council is delivering environmental improvements through its housing stock for example with the introduction of solar heating. Overall the Council is effectively improving the local environment and managing waste.
- 12** Community safety and health is improving overall but some outcomes remain variable. Crime fell by 4.5 per cent in 2007/08. However, while violent crime fell by 14 per cent burglaries rose by 10 per cent. The Council played a pivotal role in establishing a domestic violence forum which is increasing awareness of the issue through a new website and a DVD. A youth project in Glemsford identified their needs and resulted in the development of a youth drop in centre and a reduction in anti social behaviour. The Council continues to support the housing scheme set up for vulnerable parents and is looking at a proposal to address teenage pregnancy in local schools. Health improvements are supported by the Council's leisure facilities for example through a successful GP referral schemes. In 2007/08 the Council was awarded £200,000 of lottery funding towards for the development of play initiatives. The Council is working effectively with partner agencies to improve the health of local people and reduce crime.
- 13** Housing performance is variable but demonstrates a general trend of improvement. Ninety affordable homes were completed in 2007/08 and the Council's target of 700 new affordable units in the delivery pipeline by 2009 has been exceeded. The Council is on track to exceed the decent homes standard by 2010. Performance in housing benefits is strong. The average time to re-let council properties improved during 2007/08 from 47 days to 38 days. This was high compared to similar councils, but unaudited data indicates that this has now fallen further to 22 days. In 2007/08, performance with respect to urgent housing repairs was below average, with 96 per cent completed on time, although the Council's own unaudited data this year suggests that there is now some improvement. Homeless people are generally not placed in bed and breakfast accommodation and although time spent in hostel accommodation is high, closure of the Council's main hostel for refurbishment has meant limited use has been made of such accommodation during the year. In 2007/08 Babergh was one of the worst performing councils for the return of vacant private sector homes to occupation although comparatively it has a very low number of long term vacant properties. Housing services are gradually improving but in some areas improvements are recent and outcomes variable.

How is Babergh District Council performing?

- 14 The Council is effectively supporting the economic development of Suffolk. Through the Haven Gateway Partnership it is investigating the development of a transport hub for containers to be sited in Babergh. The annual 'state of the district' debate resulted in initiatives to deal with the economic downturn. These include increased funding for the Citizens Advice Bureau to provide outreach facilities and a commitment to pay invoices more quickly. The Council has invested further in business starter units and maintained its commitment to develop a disused sugar beet factory for industrial and employment purposes rather than housing. These actions strengthen the local economy and employment prospects in Babergh.
- 15 The Council is taking effective action to develop strong communities. There is good engagement with local communities including those which are traditionally hard to hear. The annual youth conference was well attended and this year focused on the theme of uniting cultures. Poster campaigns, for example in internet cafes, are being used effectively to target migrant groups. As a result of feedback help lines have been changed so that they are charged at local rates. The Council has demonstrated community leadership through its support for the rural economy including the retention of post offices and telephone kiosks and the development of local leisure facilities. The Council is committed to the development of a community facility for Hadleigh but following an options appraisal and unsuccessful attempts to identify sources of significant external funding, the Council has concluded that it could not afford to rebuild Hadleigh swimming pool and will continue to invest in existing swimming facilities. Distribution of community grants has become more effective with the development of a single set of criteria for allocation. These have clear links to the strategic plan and a focus on groups which are most in need. The Council has invested additional money to help alleviate fuel poverty and increased its budget for adaptations to help people with disabilities by £100,000. These actions strengthen local communities and help improve the quality of life for local people.
- 16 The Council's services are improving generally but outcomes are variable. Babergh District Council has 54 per cent of its performance indicators improved since last year which is below the average range for all district councils at 58 per cent. This continues a three year trend in which overall improvement has been below average when compared to all authorities. Despite this Babergh District Council has 34 per cent of its indicators in the top 25 per cent. This is slightly above 33 per cent national average for district councils.

- 17** The corporate approach to equalities has improved but from a comparatively low base. The Council has a clear vision for future improvements. It has self assessed as achieving level two of the current equalities standard in local government and was developing plans to achieve level 3. It is now planning to move to the 'achieving' level of the new equalities standard which comes into effect in 2010. It has adopted a new equalities policy and a new single equality scheme and action plan. A programme of equality impact assessments for all council services is underway but it is not fully embedded and impact on service delivery is inconsistent. The Council is not capturing information on equalities and using it to inform service planning and delivery. It was a key partner, through its 'Be Active' scheme in organising a successful disability sport showcase day. All Council buildings are compliant with the requirements of the Disability Discrimination Act. The Council is beginning to prioritise the way in which it meets the needs of minority groups but this is not yet fully embedded and impact is variable.
- 18** The Council is improving access to services for local people. The customer services programme (CAST) continues to deliver improvements with 84.4 per cent of calls being resolved at first point of contact and 90 per cent satisfaction with the telephone service. Dedicated phone numbers and on line forms have made it easier for community safety and antisocial behaviour issues to be reported. A new texting service provides reminders to the public to pay bills but uptake has been limited. The range of activities available online is expanding, for example to include account information for householders and more information for those whose first language is not English. The Council is supporting arrangements to extend the free travel scheme to cover 24 hours and has a scheme of vouchers for disabled travel. Local people are increasingly able to access the information and services that they need.
- 19** The Council's approach to delivering value for money is good. Overall expenditure is low when compared to similar councils and performance improvement is adequate. The Council has not experienced significant unintended high spending during 2007/08. Areas of comparatively high spend such as transport and culture align with the council's priorities. In 2007/08 the council tax increase was kept below the rate of inflation and £473,000 was saved in efficiencies for example £90,000 of cashable savings through increased use of automated electronic services. Efficiencies are being delivered through joint working and partnerships for example £140,000 through the joint waste and recycling contract with mid Suffolk. The capital programme experienced some slippage in 2007/08 The original budget was £5.733 million this was revised to £5.236 million and the actual spend was £4.368 million. Procurement is improving with a new strategic approach developed in 2008. The annual service financial planning process assesses the costs of proposed service improvements but makes limited use of benchmarking costs and performance. The performance monitoring reports introduced for 2008/09 provide an integrated picture of financial and performance management information.

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

- 20** There are ambitious plans in place for the future of Babergh district. The Council's new strategic plan provides a clear high level vision and priorities. The plan is based on the outcomes of extensive research, and inclusive consultation. It identifies 28 key outcomes which underpin the five overarching priorities. These have been communicated effectively to the public, councillors and staff. There are strong links between the strategic plan, the sustainable communities strategy and local area agreement targets. Strategic and financial planning is integrated effectively. The medium term financial strategy links to the strategic plan and ensures that resources are directed towards priority areas although it is high level and lacks detail. This approach is helping to ensure that the main priorities identified by local people are met.
- 21** The Council's approach to operational planning is in transition and not yet embedded. Service plans for 2007/08 have been extended to cover the first half of 2008/09, but are not consistently specific, measurable, achievable, realistic and timed (SMART) or outcome focused. Medium term plans are being developed to support the delivery of the strategic plan. These are designed to deliver a consistent approach for the future, detailing key actions, milestones, targets and resources, while reducing the overall number of plans currently driving service delivery, but they are not yet in place. However some service heads are also developing additional service plans to give a clearer focus on service delivery. The current service planning to support the strategic plan is not fully robust.
- 22** The Council is not on track to deliver targets in all key areas, although it has taken action to address areas of underperformance. The time taken to deal with all types of planning applications is improving but only major applications are meeting the Council's target; however, the latest (unaudited) data indicates that performance is meeting all of the government's and the Council's own targets. The percentage of customer enquiries dealt with at first point of contact is below target in some key areas for example housing. The Council has learnt from best practice in dealing with customer complaints and it is piloting a programme where members of staff identify low level complaints which may escalate if not dealt with effectively but the impact of this approach has not yet been evaluated. Performance is improving but not at the rate planned by the Council.
- 23** The Council is taking positive action to maintain its capacity. Councillor capacity is being extended through both internal and external training events eg on political leadership and performance management. The Council is prioritising leadership development. Staff capacity is being extended through multi skilling. Senior management capacity is stretched by holding two key posts vacant as a result of LGR considerations and during the year capacity issues in the benefits service have detracted from its rate of improvement. The Council loses fewer working days to sickness than the average for similar councils. Despite the Council's efforts, capacity is stretched in some areas.

How is Babergh District Council performing?

- 24 Partnership working is good and improving. The Council is leading a sub regional partnership which is developing a choice based letting scheme. It has worked effectively with parish councils to identify village sites for the development of affordable homes. A partnership with a housing association is refurbishing hostel accommodation for vulnerable people. Neighbourhood schemes involve multidisciplinary teams that include the police, town councils, and education in targeting estates where there are high levels of deprivation. Partnership working is enhancing the capacity of the Council to deliver service improvements.
- 25 The Council has taken positive and effective action to improve its performance management. A basket of performance indicators has been developed to link to the Council's priorities and those specified in the local area agreement. They are subject to rigorous scrutiny through Overview and Scrutiny. The Council has comprehensive guidance and criteria for target setting. Councillor engagement in target setting through the Overview and Scrutiny Committees is now strong and is leading to more challenging but realistic targets being established in the medium term plans. User focused service standards are now collated and in place for all services and reviewed on a quarterly basis. Performance reporting has been improved through the development of an annual report which highlights performance achievements and areas for improvement.
- 26 The Council is making sound preparations for the outcomes of local government review. There is a strong corporate focus on 'leaving a legacy which Babergh can be proud of'. The Council has revised its short term priorities and undertaken a strategic review of programmes and projects to ensure that the Council's priorities have a good prospect of being completed by 2010 prior to the impact of any changes arising from the review. For example the capital procurement of the Hadleigh Community Facility is in progress but housing stock options appraisal delayed in part because it would not have been possible to identify the future landlord to inform a decision by tenants. A training programme to improve managers' ability to manage change effectively is in place. Members of staff are being given opportunities to extend their skills and competencies to cope with a period of significant change. The Council is taking positive action to mitigate the impact of potential changes on services and staff.

The audit of the accounts and value for money

27 The Council will already have received and considered the auditor's report to Those Charged With Governance (TCWG), ie the Annual Governance Report, but this is likely to have been received by an Audit Committee or equivalent. This AAIL may summarise some of the messages in the Governance Report but is unlikely to need to include the same level of detail, and is likely to be received by Cabinet or equivalent. This letter will also include any new issues arising through the audit since the Annual Governance Report that have already been reported.

"For appointed auditors at those audited bodies where the Commission has inspection responsibilities, there is no requirement to issue an AAL. Auditors at these bodies are required to provide information to the Comprehensive Area Assessment Lead (CAAL) on the key issues arising from their audit work, to enable the CAAL to prepare and send to the audited body the Commission's annual CAAL letter."

- 28 Your appointed auditor has reported separately to the Overview and Scrutiny (Stewardship) acting as TCWG and full Council on the issues arising from their 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 13 November 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 29 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).
- 30 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

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

Note: 1 = lowest, 4 = highest

- 31 The Council has maintained its overall level 3 score for Use of Resources but there have been movements within the themes.
- Internal control has improved from level 2 to level 3 in the year as a result of addressing recommendations included within the previous report. However, fraud risk assessment processes require updating to ensure that all information sources are used in the assessment.
 - Financial reporting score has deteriorated from level 3 to level 2 due to two material errors being identified during the course of the audit and other matters reported in our report to those charged with governance. The Council has prepared and agreed a management action plan to ensure that current arrangements are enhanced.

The audit of the accounts and value for money

- Financial management theme score has also decreased, largely due to a timing issue between the Use of Resources assessment period and the Council's Equality Impact Assessment reviews. This was a new requirement in the year and undertaken post 31 March by the Council.

Looking ahead

- 32** 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.
- 33** 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.
- 34** 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

- 35 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Overview and Scrutiny committee on 19 May 2009. Copies need to be provided to all Council members.
- 36 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
Annual Governance Report	October 2008
Opinion on financial statements	November 2008
Value for money conclusion	November 2008
Final accounts memorandum	September 2008
Annual audit and inspection letter	March 2009

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- 37 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

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

Edwina Child
Area Assessment Lead (for Suffolk)

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.

Copies of this report

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