

Annual Audit and Inspection Letter

March 2007



# Annual Audit and Inspection Letter

**Tonbridge and Malling Borough Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

### **Status of our reports**

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

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

Reports prepared by appointed auditors are:

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

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring of the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
  - The Council has sustained the high level of performance noted in its CPA, and reported in our subsequent Audit Letters. Services are delivered to a consistently high standard, and the principals of good performance management are firmly embedded and clearly understood by staff at all levels of the Council.
  - The Council continues to manage its resources well and deliver value for money.

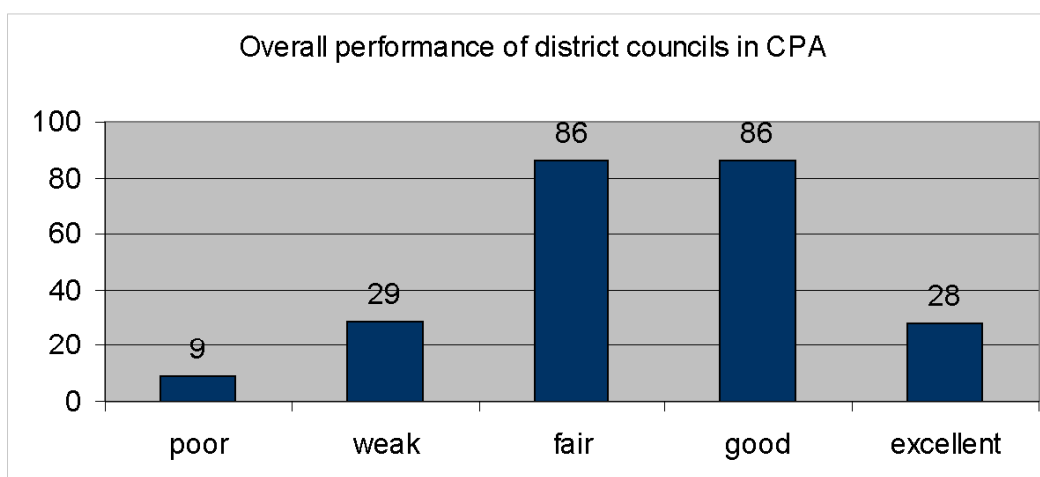
## Action needed by the Council

- Sustain improvement in performance of its recycling service and further develop the Council's overall engagement with minority and hard to reach groups.

## How is Tonbridge and Malling Borough Council performing?

- 4 Tonbridge and Malling Borough Council was assessed as 'Excellent' in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update them, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

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



Source: Audit Commission

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

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

- 5 In terms of performance against a range of performance indicators (PIs) assessed by the Audit Commission, the Council has made good progress over the past year. The proportion of performance indicators where the Council is performing in the best 25 per cent is well above the national average and the extent of improvement is also above the average of other districts.
- 6 The Council makes effective use of its residents panel to develop priorities. The panel was refreshed in 2005, and is currently 1,400 strong and chosen at random. It is well used for shaping policies and priorities for the Council.

## 6 Annual Audit and Inspection Letter | How is Tonbridge and Malling Borough Council performing?

- 7 Progress against most priorities has been good. For example, for the six month period of April to September 2006, Tonbridge and Malling CDRP area had the second highest reduction in all crime in the county, of 5.3 per cent. It had the lowest number of burglaries across the County in 2006 and rates of criminal damage have reduced by 2 per cent, contrary to the upward national and county trend.
- 8 In terms of recycling performance, the Council failed to meet its target. The Council has a national target of 30 per cent and a local target of 26.3 per cent. Its actual performance was slightly below this at 24.9 per cent, although this is above the national average. Progress, to meet future targets is promising. The second quarterly information of un-audited data show that the Council's recycling rate is currently at 35 per cent, exceeding its target. This has been due to the introduction of plastic recycling at a number of sites and the extension of the green waste service which can now be rolled out across the borough due to the commitment from Kent County Council to invest in improved composting facilities.
- 9 The Council is taking an active part in improving the health of its residents and has developed a number of projects to assist it to meet its targets. Following the recent re-organisation of Primary Care Trusts in west Kent, the ability of health partners to commit investment in joint projects has been limited. In spite of this, however, the Council has continued funding a number of projects such as the GP referral scheme whilst seeking alternative resources, such as lottery funding.
- 10 Resident satisfaction is generally positive in all service areas. Waste collection and recycling facilities, however, has seen a significant drop; satisfaction with waste collection deteriorated from 92 per cent in 2003/04 to 74 per cent in 2006/07 (un-weighted score) and from 77 per cent to 66 per cent (un-weighted) with satisfaction with local recycling facilities. The Council understands and is aware of the issues behind this drop and has taken steps to address key issues.
- 11 The Council has enabled the provision of 214 affordable homes in 05/06 against a target of 210 and extended low cost home ownership to a further 37 households in that year. In the first half of 2006/07, 48 additional affordable homes were completed. To assist, the Council has sought to use the Council's own land assets to provide opportunities for new developments. Significant progress has been made in maintaining the research base (housing needs assessment and stock condition survey) that has informed the latest affordable housing policy in the LDF Core Strategy and the next update of the Housing Strategy 2008-2011.
- 12 Partnership working is strength of this Council and there are a number of examples where it has taken a lead. The East Peckham Dam initiative, for example, was developed by the Chief Executive who was instrumental in developing and co-coordinating the project with other agencies.
- 13 The Council has engaged effectively with young people and those with disabilities. It has a Disability Equality Scheme already in place and is working towards the development of a Gender Equality Scheme. It has begin to work with the traveller community and a survey has recently been completed which will provide the Council with a fuller understanding of the needs of this group.

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

- 14 The Council has taken an active lead within the wider community. It has been instrumental in the development of the new Community Strategy which has been developed based on consultation with local people and local partners, and sets out the key ambitions and priorities for the next three years.
- 15 The Council's Corporate Performance Plan (CPP) is robust and clearly sets out in detail the improvement actions for the coming year which seek to take forward both the key and other priorities of the Council. The CPP also documents the Council's formal plans and strategies that have been updated and rolled forward.
- 16 There are a number of other plans or strategies that have been updated in the last year which are SMART and aligned with the corporate plan. The Crime and Disorder Reduction Strategy has been updated for the period 2005-2008 and includes annual action plans which guide the implementation of this work.
- 17 The Council has a clear and co-ordinated performance management framework with a golden thread that traces the main links from national and county priorities and strategies all the way to the objectives sets out in individual staff work plans. Areas previously identified by the Council as in need of improvement have been tackled effectively. For example, development control performance has been improved through management activity, process changes and the introduction of new telephony within the service.
- 18 Performance management is well embedded within the Council. Weekly management meetings are held, and performance is assessed monthly and quarterly depending on the performance indicator. Although there is no formal risk assessment of how often indicators need to be monitored, this is currently based on management experience and there is nothing to indicate that the system is not effective.
- 19 The capacity to deliver plans and targets is not a problem for the Council. The corporate management team has been reduced without any negative impact and the Council is considering succession policies to plan for the future.
- 20 There is a good and close working relationship between members and officers and no apparent weaknesses for securing continuous improvement.

### **Service inspections**

- 21 No service inspections were carried out in 2006.

8 Annual Audit and Inspection Letter | Financial management and value for money

## Financial management and value for money

### ISA 260: Report to those charged with governance

- 22 Your Appointed Auditor has reported separately to both the General Purposes and Audit committees in September 2006 on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
  - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.

### Data Quality

- 23 The review of the Council's arrangements for monitoring the quality of its published performance information, and reporting of results to members, was undertaken as part of the 2006/07 work on data quality. Our key findings were that:
- the Council's management arrangements for data quality were assessed as 'good', and its data quality systems and processes are robust and are being applied consistently across the authority;
  - the Council has effective arrangements for the governance, monitoring and review of data quality;
  - the data quality policy should be revised to incorporate the specific requirements of partnership working; and
  - the Council should prepare a business continuity plan covering all service directorates.



## Use of Resources

- 24 The findings of the auditor are an important component of the CPA framework. 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).
- 25 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as shown in Table 1 below.

**Table 1 Use of Resources scores**

Element	Assessment
Financial reporting	4 out of 4
Financial management	3 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: An assessment of 1 indicates inadequate performance; 2 is adequate performance; 3 is performing well - consistently above minimum requirements and 4 is performing strongly).*

- 26 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

## 10 Annual Audit and Inspection Letter | Financial management and value for money

### Financial Reporting

- 27 The working papers provided by officers to support the 2005/06 financial statements were of an exceptionally high standard, and have been identified as an area of 'notable practice' for inclusion on the Audit Commission's website. The Council has improved its external accountability with the publishing of summary accounts and the consultation with stakeholders via the 'Here and Now' newspaper publication. The Council is aware of local users needs and publishes all relevant information on its website. It is also made clear to the public how they are able to obtain these documents in a variety of formats. The only significant improvement area identified is the lack of specific consultation on the need for an annual report.

### Financial Management

- 28 The Council has sustained its previous good performance in respect of financial management. The budgetary control process is sound, and appropriate remedial action is taken at an early stage to investigate and address any significant overspends. Clear investment and disposal decisions are made in respect of the Council's asset base, with option appraisals and full life costing undertaken for all major capital projects.
- 29 The arrangements in place for the financial management of the Medium Term Financial Strategy, budgets and capital programme are clearly evidenced and embedded throughout all levels of the Authority. The Council has maintained its pro-active management of the asset base, with improvements made in the use of local performance measures to monitor the Council's assets against the corporate objectives.

### Financial Standing

- 30 The Council's financial standing is sound. Good arrangements are in place for ensuring that the Council's financial health is sustained and improvements have been made to the monitoring of key financial indicators and targets. Whilst the Council has a rationale for maintaining balances and reserves at particular levels, this was set some years ago and the process for periodically reviewing the policy could be more clearly evidenced.

### Internal Control

- 31 The Council continues to manage its business risks effectively. Sound systems of internal control are in place, and the Council has robust scrutiny arrangements. The Council's audit committee is now fully established, and a programme of training for committee members is being progressed. Our review found that high levels of propriety are being maintained, and there is a good level of fraud awareness. The Council's standing orders and financial regulations should be updated to reflect the increasing use of partnership working to achieve service objectives, and the potential challenges such arrangements pose in terms of corporate governance.

## Value for Money

- 32 The Council currently achieves good value for money. Service costs and council tax are low compared with other councils whilst performance is generally high. Costs reflect policy decisions and the Council can demonstrate that it spends most of its resources on key priorities. The Council closely monitors and reviews value for money, and sets and achieves challenging targets to improve efficiency. Value for money is embedded into corporate and service systems and processes. The Council's procurement strategy is publicised, and the Council effectively uses joint procurement to achieve savings. The Council has a successful track record in securing external funding and using it to deliver improvements for local people.
- 33 The Council has a clear understanding of the costs and quality of its services, and can demonstrate that higher than average service costs are in most cases clearly linked to corporate policy decisions to support specific corporate objectives. The Council has a very sound performance management system, which has been in place for a number of years and is clearly embedded at all levels of the organisation.
- 34 Councillors and managers routinely use information on costs to challenge and improve value for money. The Council has adopted a number of pro-active approaches that are succeeding in delivering VFM, and can demonstrate that it is taking an active role in sharing its experiences with other authorities.

## Conclusion

- 35 This letter has been discussed and agreed with the Leader, Chief Executive and Director of Finance on 30 March 2007. A copy of the letter will be presented at the Audit Committee on 25 June 2007.
- 36 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 37 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.

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