

Annual Audit and Inspection Letter

Date

DRAFT

# Annual Audit and Inspection Letter

**Tonbridge & Malling Borough Council**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author

Mark Hough / Graham Short

Filename

TMBC AAIL 2008 draft.doc

### **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 0844 798 7070.

© Audit Commission 2007

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

<b>Key messages</b>	<b>4</b>
Action needed by the Council	4
<b>Purpose, responsibilities and scope</b>	<b>5</b>
<b>How is Tonbridge and Malling Borough Council performing?</b>	<b>6</b>
The improvement since last year - our Direction of Travel report	6
Service inspections	16
<b>The audit of the accounts and value for money</b>	<b>17</b>
Use of Resources	17
The key issues arising from the audit	18
<b>Looking ahead</b>	<b>21</b>
<b>Closing remarks</b>	<b>22</b>
Availability of this letter	22

DRAFT

## Key messages

- 1 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 Corporate Performance Assessment (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 has continued to improve across a number of key areas and in 2006/07 achieved an overall Use of Resources score of 4 (well above minimum standards - performing strongly). This is the highest score available. To arrive at our overall score we review five areas in detail. The Council scored level 4 for Financial Reporting, Financial Management and Financial Standing and maintained level 3 for both Internal Control and Value for Money.
  - The Council had 42 per cent of its key indicators of performance among the best performing 25 per cent of English district councils. This is above average performance within the group of district councils assessed as "excellent" under the CPA framework, which includes the Council.
  - The Council continues to manage its resources well and deliver value for money.

## Action needed by the Council

- 2 Sustain improvement in performance of its recycling service and further develop the improvement in planning services. Continue to redress the adverse movement in performance over the speed of processing of new benefit claims and changes in circumstances.

## 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 2006/07 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](http://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, she 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 2006/07 audit and inspection work at the end of this letter.

## How is Tonbridge and Malling Borough Council performing?

- 9 Tonbridge and Malling Borough Council was assessed as excellent in the Comprehensive Performance Assessment carried out in 2004. CPA 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. We have not judged it necessary to update Tonbridge and Malling's score. The following chart is the latest position across all district councils.



Source: Audit Commission

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

- 10 The Council's priorities inform and guide its improvement planning. They have been updated for 2007/2008 to reflect emerging national and local issues. This direction of travel statement reports on progress against these priorities and they are:
- make a positive local contribution to tackling the causes and effects of climate change;
  - identify the opportunities and achieve the benefits for Tonbridge and Malling flowing from the Strong and Prosperous Communities White Paper 2006;
  - enhance the vitality of Tonbridge town centre;
  - add to the supply of affordable housing and reduce the incidence of homelessness;
  - give priority to involving and meeting the needs of young people;

- achieve a cleaner, smarter and better maintained street scene and open space environment;
- promote, encourage and provide opportunities for healthy living; and
- reduce:
  - anti-social behaviour
  - criminal damage
  - offences against the person
  - substance misuse
  - environmental crime.

### **Performance overview for 2006/07**

- 11** The Council had 42 per cent of its key indicators of performance among the best performing 25 per cent of English district councils. This is above average performance as all these district councils achieved an average of 33 per cent of their key indicators in the best 25 per cent.
- 12** The rate of improvement over a 3 year period is above average. The Council was ranked 178th out of 388 (all councils for which data is available) for the percentage of performance indicators that improved in the last 3 years. Fifty eight per cent of the indicators improved which is above the average range for all district councils of 54-56 per cent.
- 13** The rate of improvement since last year is above the average achieved by all district councils. The Council was ranked 64th out of 388 for the percentage of performance indicators that improved since last year. Sixty seven per cent of indicators improved compared to the average range for all district councils of 56.9-59.1 per cent.
- 14** Overall resident satisfaction with the Council for 2006/07 has marginally declined since the last national satisfaction survey was completed in 2003/04. However, this change is not statistically significant and the Council continues to rank among the best performing councils.

- 15 Performance on processing planning applications does not naturally fall within any of the priority areas and is reported in this overview. All three of the key planning performance indicators that relate to the time taken to decide on applications are improving. Comparative performance with other councils, though, ranks them below average for major and 'other' applications and among the worst performing for minor applications. The level of successful planning appeals is increasing and continues to rank the Council below average. This data must be taken in context and balanced against the current applicant satisfaction data which continues to rank the Council's planning service among the best performers. In addition the Council has achieved substantial improvement in service quality as measured by the quality of planning service checklist. The Council is keenly aware of the challenges and is committed to improving the service in a sustainable way. One example is the work being undertaken with other Kent councils to improve the validation process. It is hoped that this will lead to improved quality of applications and more robust filtering at an earlier stage.
- 16 The Council has achieved level 3 of the Equalities Standard for Local Government<sup>1</sup> which is the same as 2005/06. Level 3 has been achieved by 20 per cent of councils with only 4 per cent having achieved level 4 and 5, with 5 being the highest rating.

### **Make a positive local contribution to tackling the causes and effects of climate change**

- 17 This is a new priority for 2007/08 that adds further weight to the Council's existing commitment to the climate change agenda. The Council signed up to the Nottingham Declaration in 2006, which was a voluntary pledge to address the issues of climate change. In October 2007 it invited local people and other stakeholders such as businesses and partners to comment on its draft climate change strategy. The draft strategy identifies how, through community leadership, the Council can help encourage others to adopt more sustainable lifestyles and practices throughout the borough. The strategy also focuses on what the Council itself can do to demonstrate good environmental practice such as reducing energy usage throughout its offices and leisure facilities. The Council is currently evaluating the recommendations of the Carbon Trust energy conservation audits for Larkfield Leisure Centre and Tonbridge Swimming Pool. It plans to bring forward a report for consideration within the capital plan.
- 18 The Council promoted the National Energy Saving Week in October 2007 through local initiatives. Council housing staff took part in community road shows to give advice and information on the best options for saving energy and to outline the costs for energy saving measures. Residents who participated received a personalised pack giving advice on saving energy, together with information on local grant and discount schemes that could assist funding.

---

<sup>1</sup> The Equality Standard provides a way of working in councils that makes the mainstreaming of equality into service delivery and employment an issue for all aspects of a council's work. By working through the Standard councils can identify disadvantage associated with race, gender, disability, religion or belief, sexual orientation and age which are the six equality strands.



- 19 The Council continues to make progress in improving recycling opportunities and performance. At the end of October the Council completed the final phase of its green waste service roll out across the borough. This added another 14,000 homes to the scheme bringing the total to approximately 44,000. The impact on recycling and composting rates has been significant with the Council recording its highest ever rates of 44 per cent (unaudited) post this implementation. During the final phase of expansion, the Council also received a large number of requests for green boxes to recycle paper and cans. This high level of demand on recycling services meant that some residents had to wait longer than expected for the delivery of their green boxes and bins. Some recycling bank facilities were also unable to cope with volumes despite an increase in the frequency of emptying rates. The Council has taken action to deal with this demand at the busiest recycling banks and at peak periods such as weekends.
- 20 National performance indicators for recycling relate to 2006/07 and do not yet reflect current performance as described above. They do, however, provide audited and validated comparisons with other councils for that period. The recycling and composting rate for 2006/07 was 34.1 per cent. This ranked the Council above average compared to councils in its waste group and this was an improvement from below average in 2005/06. The amount of household waste collected per head remains similar to previous years but continues to rank the Council among the worst performing councils. The level of 463 Kg per household exceeds the lower threshold set by DEFRA<sup>1</sup> to reflect expectations of performance.
- 21 Resident satisfaction with waste collection and recycling has deteriorated. National trends indicate that satisfaction can decline during the introduction of new waste and recycling services and particularly when alternating waste collections are introduced as part of the changes. The 2006/07 survey was not only conducted during such changes in the borough but also at a time of negative national media coverage of alternating waste collections. The 2006/07 survey data confirms that satisfaction with waste collection declined sharply since the last survey in 2003/04 and the Council has moved from among the best performing councils to worst performing. Satisfaction with recycling has also declined and the Council is now ranked among the worst performers compared to above average in 2003/04. As already indicated above, these satisfaction ratings do not accurately reflect current performance and satisfaction with recycling can be influenced by views on the waste service.

**Identify the opportunities and achieve the benefits for Tonbridge and Malling flowing from the Strong and Prosperous Communities White Paper 2006**

- 22 This is a new priority for 2007/08 and the Council continues to work with appropriate partnerships to develop it. The Council has not been able to progress its own action plan as work continues at a national level to develop the proposals set out in the White paper.

---

<sup>1</sup> Department for Environment, Food and Rural Affairs

## Enhance the vitality of Tonbridge town centre

- 23 The Council is facilitating the delivery of this priority through its community leadership role and its planning function, supported by the development of its land assets with partners. The Council's Area Action Plan, part of the Local Development Framework<sup>I</sup>, has stimulated market interest in Tonbridge town centre and caused some potential developers to re-evaluate positively, their attitude to future investment.
- 24 In December 2007 the Council adopted a planning brief, a follow on from the Area Action Plan, for the Botany area of the town centre. The site covers approximately 5.3 hectares and offers opportunities to develop a mix of new town centre attractions including a variety of shops, restaurants, public spaces, community and leisure facilities, housing and car parking. The brief will provide guidance to the Council when it considers the planning merits of any future schemes submitted to develop the area. It also sets out the important issues that developers will need to address when preparing planning applications. The Council, as freeholder of this site, has formed a partnership with a major retailer and property developer and intends to enter into a formal development agreement and bring a detailed scheme forward during the coming year.
- 25 The Council has worked in partnership<sup>II</sup> to successfully move forward the programme of environmental improvements to the Town Lock area of Medway Wharf Road. The Council has designed the improvement scheme. Funding has been secured and the Council will manage the implementation of the project next year. The improvements form part of longer term redevelopment plans for the area.

DRAFT

---

<sup>I</sup> The core strategy of the Local Development Framework (LDF) has been found to be sound by the planning inspector and has now been adopted by the Council. It was the first core strategy to be adopted in Kent and the third in the South East region.

<sup>II</sup> The Environment Agency is the principal partner.

## **Add to the supply of affordable housing and reduce the incidence of homelessness**

- 26** The Council influences the supply of affordable housing in a number of ways. This includes securing sites and dwellings through the planning system, direct provision by housing association partners and working with partners to identify land and funding opportunities. The adoption of the core strategy of the Local Development Framework has introduced more challenging lower thresholds to trigger the requirement for affordable housing in new developments. There is now a policy requirement of 40 per cent affordable dwellings to be provided on such sites. This follows an extensive housing and affordability survey to provide a robust evidence base. The Council is also advancing a new supplementary planning document on affordable housing to provide greater clarity and certainty. Formal adoption of this document is expected later this year. The Council enabled the provision of 95 affordable homes in 06/07 against a target of 100 and extended low cost home ownership to a further 55 households. A further 205 homes will be required to meet the Council's 2005 to 2008 target by March 2008 and the Council believes it is on track to achieve this. In terms of future provision, the Council has secured a significant supply through the planning system on four key strategic sites in the north of the borough.
- 27** The national performance indicator for affordable housing completions or acquisitions per thousand dwellings continues to rank the Council among the best performing councils. This is a robust indicator that takes account of the relative size of the authority and it paints a consistent trend of good performance over a number of years. The number of privately owned vacant dwellings returned to occupation or demolished during the year as a direct result of action by the Council is improving but the Council remains below average in comparison to other councils. This indicator is not as robust as it does not reflect Council size or take account of good past performance that may have reduced the opportunity for improvement.
- 28** The Council has been proactive during the year in providing support and guidance that may help reduce the incidence of homelessness. The Council hosted the West Kent Landlords forum<sup>i</sup> in October which included an explanation of the likely impact of the introduction of the Local Housing Allowance<sup>ii</sup>. This scheme will be administered by local councils and landlord buy-in is essential to maintain a viable rental market for those on housing benefit. A similar forum in January 2008 provided the opportunity to explain to landlords what assistance, such as grants, is available to help them enhance their properties.

---

<sup>i</sup> Neighbouring councils and national landlord associations are partners in this forum.

<sup>ii</sup> The Local Housing Allowance will be introduced from 1 April 2008 and will pay housing benefit direct to new claimants.

- 29 Benefits take up has also been promoted by the Council. An awareness campaign was launched in October to help ensure that those entitled to housing or council tax benefit are receiving this important financial support. The Kent Benefits Partnership<sup>1</sup> worked with the Council to run a series of advice surgeries and presentations to help residents find out whether they were eligible for benefit and explain the procedures for claiming.
- 30 The accuracy of processing benefit claims has improved over both one and three year periods to 2006/07. However, speed of processing has significantly deteriorated during 2006/07. Both the average time to process new claims and the time to process changes of circumstances have increased and the Council's ranking moved from best performing to below average for both indicators. There were a number of factors that impacted on the ability of the Benefits Service to maintain its historic good performance. Most notably the Service lost some experienced staff and recruitment proved challenging. The training of new staff diverted existing resources from frontline duty which further impacted on service delivery. In response, the Council invested additional resources to reduce the backlog through, for example, external processing of applications. Monthly reporting to the senior management team was instigated to ensure appropriate focus on turning around the performance of the Service. Latest unaudited performance data indicates that the Service is moving in the right direction with service levels almost achieving the standards of the previous year. The Service also has significant service enhancements in the pipeline, such as new benefits software<sup>ii</sup>, to support future improvement.
- 31 Performance indicators related to homelessness are mixed. The average length of stay in hostel accommodation was reported as zero for 2006/07 and places the Council among the best performing councils nationally. The average length of stay in bed and breakfast accommodation is improving but the Council remains among the worst performers, albeit that the average numbers in bed and breakfast at any one time is relatively low at approximately six households. These indicators can also be affected by just a few cases and the lack of emergency accommodation has made the placement of emergency homeless households, especially young people, problematic. The Council recognises the need to improve its performance in this area and has taken the decision to bring back in house, homelessness and housing register services currently provided under contract.

### **Give priority to involving and meeting the needs of young people**

- 32 Delivery of this priority is supported mainly by discretionary services and link to the delivery of other priorities such as healthy living and crime reduction.

---

<sup>i</sup> The Kent Benefits Partnership was set up in 2003 by all the councils in Kent and Medway to help raise awareness of how to claim housing and council tax benefit.

<sup>ii</sup> e-Benefits software due to go live later in 2008. This will speed up the application process, provide the opportunity for online application and allow remote input of data - for example, home visiting.

- 33 The Council has secured external funding to support this priority during the past year. New youth and play equipment will be provided with nearly £223,000 awarded by the Big Lottery Fund. The Council submitted a bid on behalf of the borough's Play Partnership, which is made up of representatives from several organisations including Kent County Council, parish councils and the Pre-School Alliance<sup>1</sup>. Projects that will benefit from this funding will provide facilities such as toddlers' play equipment, youth shelters at a number of sites across the borough and enhanced sports facilities. Implementation will take place over the next two years. Prior to submission of the bid the Council had to prepare a play strategy to identify gaps in provision. This not only allowed the bid to progress but also provides guidance to inform future decisions in this priority area. The Council has also secured developer contributions and sold surplus land assets to help provide improved services under this priority.
- 34 One of the key partnership arrangements with young people is the youth forum. The Council continues to support and encourage this group to help ensure a better understanding of the needs of young people and the issues that concern them. It is also a key instrument in engaging young people in the decision making process that affects services they use such as public transport. Maintaining continuity of the group and ensuring membership that reflects the local community remains challenging. This issue is common to other councils and appropriate focus is being applied.
- 35 Health and fitness issues for young people have been promoted by the Council through a programme of sessions for 11 to 15 year olds. The programme is supported with funding from the West Kent Primary Care Trust (PCT) and has been developed in liaison with young people from local schools. The programme was launched at the Council's leisure centres in late 2007 with the aim of encouraging young people to take regular exercise.

### **Achieve a cleaner, smarter and better maintained street scene and open space environment**

- 36 The Council has continued to develop partnerships and the way it delivers improvements under this priority. It has played a leading role with the Highways Agency to reduce littering levels on motorways both within the borough and county-wide. The Council has introduced new litter bins that encourage and facilitate recycling. This is achieved by the bins having separate parts for rubbish and recyclables and with an ashtray on top.

---

<sup>1</sup> The Pre-School Alliance is a registered charity providing early years care, education and support for parents and children.

- 37 Enforcement remains a significant tool for improvement and this has been further strengthened through improved working with local communities, such as the 'Bash the Trash'<sup>1</sup> campaign. This campaign has delivered environmental improvements, through litter collection and cleaning, to a number of areas including the Royal British Legion Village. The Council provides local groups and schools with litter picking equipment and arranges for collection of the rubbish following the event. In addition, the Council has linked the support of clean ups with educating school children about the impact of litter on the environment as part of their curriculum. The Council has committed £36,000 a year to deal with reported graffiti and this delivers not only on this priority area but also under the priority related to environmental crime.
- 38 The Council is promoting sponsorship to improve the local environment. It has already piloted business sponsorship of some roundabouts and is currently inviting interest to extend the scheme. The Council is working in partnership with Kent County Council on the sponsorship programme, which is designed to raise money to help enhance the landscaping and maintenance of the roundabouts. It also helps fund other improvements to the local street scene such as tree planting. Bids will be evaluated by the Council and winning businesses will be given the right to advertise their company name and logo on signs on their selected roundabout. The Council will prepare a landscape design for each roundabout, arrange for the work to be carried out, install the signs and manage and maintain the roundabout.
- 39 National performance indicators related to the environment provide a mixed picture. While the latest resident satisfaction with cleanliness of public space is improving, comparative performance with other councils has dropped since 2003/04. Indicators for litter, fly-posting and graffiti have all deteriorated since last year as has comparative performance. These indicators are affected by very small changes in data and do not reflect the high level of commitment that the Council has given to this priority and also the high standards actually achieved.

### **Promote, encourage and provide opportunities for healthy living**

- 40 The Council focuses its resources to deliver this priority in those areas with identified health inequalities. For example, it has promoted and supported initiatives that address health issues and improve services for young people in East Malling, Snodland and Trench ward in Tonbridge. It also continues to provide advice and support to local businesses on the national smoking legislation in public places.

---

<sup>1</sup> 'Bash the Trash' is part of the ongoing Cleaner Borough Campaign - a programme of educational and community-based initiatives aimed at making people aware of the environmental problems associated with litter, fly-tipping and graffiti.

- 41 The Council has successfully bid for funding to support this priority during the year and has been awarded nearly £300,000. West Kent PCT has agreed funding of £94,000 for three projects in the borough as part of the government's Choosing Health programme, which covers the five key health issues of obesity, smoking, drugs and alcohol, sexual health and mental health. Projects that will benefit include an alcohol awareness campaign led by the crime and disorder reduction partnership (CDRP). This campaign, launched in late 2007, promotes the message 'think safe, drink safe, be safe' through a series of events designed to raise awareness of the dangers of alcohol abuse and encourage people to drink sensibly. Delivery of this project will also support the crime reduction priority.
- 42 The Council also made a successful bid to the Chances for Change Lottery Funding programme and was awarded £200,000 for community health projects, which will be spent over the next three years. Around £50,000 of this will be added to the West Kent PCT funding to help support the community health initiatives in East Malling, Snodland and Trench ward. The remaining £150,000 will be used to extend the Lifestyles Referral Scheme<sup>i</sup> currently operating at Larkfield Leisure Centre and the Angel Centre in Tonbridge, and develop opportunities for outreach work.

### **Crime reduction**

- 43 As already described, delivery of other Council priorities directly impact on crime reduction. Crime reduction is effectively mainstreamed across the organisation partly as a result of the best value review of crime and disorder carried out by the Council between 2005 and 2007. A key instrument for improvement is the crime and disorder reduction strategy prepared by the CDRP. The partnership includes statutory partners such as the Police, Kent County Council, and PCT's. The strategy is based on a review of patterns and trends of crime and disorder in the borough followed by extensive consultation with a wide range of stakeholders about proposed priorities for improvement and how these could be achieved. The Council has an active role in the CDRP and responsibilities include leading the preparation of successive strategies and action plans and co-ordinating the CDRP's actions in tackling anti-social behaviour and its causes.
- 44 The Council actively pursues benefit fraud and has publicised successful prosecutions during the last year. This not only deters benefit fraud, which is a crime, but also helps ensure that tax payers money is available to those who are entitled and are among the most vulnerable in the community.
- 45 Crime is low in the borough and national performance indicators for the CDRP compare favourably to other CDRP's within the family group<sup>ii</sup>. Although these indicators relate to the work of the CDRP as a whole and not just the Council, the Council has continued to play a key role within this partnership.

---

<sup>i</sup> The Lifestyles Referral Scheme is designed to help people who are referred to the leisure centres by their General Practitioner or other medical professional for a wellness appraisal and exercise prescription. The programme helps people to take responsibility for their own health by exercising regularly and leading a healthy lifestyle with the support of the health and fitness experts at the centres.

<sup>ii</sup> Home Office nearest neighbour group

## Plans for improvement

- 46 The Council has robust and proven processes in place to develop priorities and to manage performance. Priorities are updated annually to reflect changing circumstances where there is warranted. There is a commitment to long term planning to ensure a balance is struck between maintaining focus on ongoing priorities and addressing shorter term issues.

## Service inspections

- 47 We have not carried out any inspections of the Council's services due to it's CPA rating of excellent.

DRAFT



## The audit of the accounts and value for money

- 48 Your appointed auditor has reported separately to both the General Purposes and Audit Committees on the issues arising from our 2006/07 audit and has issued:
- an audit report on 28 September 2007, providing an unqualified opinion on your accounts and 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.

### Use of Resources

- 49 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).
- 50 In 2006/07 we assessed the Council's arrangements for use of resources in these five areas using a scale of 1-4 (1 = lowest, 4 = highest). Our conclusions are recorded below.

**Table 1**

Element	Assessment
Financial reporting	4
Financial management	4
Financial standing	4
Internal control	3
Value for money	3
<b>Overall assessment of the Audit Commission</b>	<b>4</b>

## The key issues arising from the audit

### Regularity Work

- 51 Our overall assessment of the Council's material information systems was that although in general adequate controls were in place in respect of most inherent risks there were a number of improvement areas that officers should address. Senior officers' responded promptly to the recommendations and have established an Action Plan to address the improvement areas identified. Progress in implementing the recommendations will be monitored during our 2007/08 audit.
- 52 Following a number of minor amendments made to the accounts during the course of the audit, an unqualified opinion on the Council's accounts for the year ended 31 March 2007 was issued on 28 September 2007.

### Grant Claims

- 53 The Council's gross expenditure for Housing and Council Tax Benefit for 2006/07 totalled £24.4 million. This level of expenditure represents around 50 per cent of gross expenditure of the Council as a whole. The Housing and Council Tax Benefit claim was presented to audit at the end of May 2007. Following a meeting with officers in November 2007 amendments to the claim were agreed that reduced the balance owed by the DWP from £356,218 to £346,116. The audited claim submitted to the DWP was also qualified as a result of identifying 807 cases where single person discount appears not to have been awarded. The full review of these cases will be completed during the 2008/09 financial year and consequently the impact on subsidy will be reflected in the 2008/09 year claim to the DWP.

### Use of Resources

- 54 The Council has continued to improve in most key areas and has achieved an overall Use of Resources score of 4 in 2007. This is the highest score available, indicating strong performance and a commitment to continuous improvement. The Council scored a level 4 in each of the individual areas of Financial Reporting, Financial Management and Financial Standing and maintained a level 3 in the areas of Internal Control and Value for Money. The following paragraphs summarise the key findings.

### Financial Reporting

- 55 As reported in our Annual Governance Report dated September 2007 we identified a continued improvement in processes for producing the financial statements for 2006/07 which resulted in the accounts presented for approval being free from material error. In addition, the number of typographical and disclosure errors made in the 2006/07 financial statements was reduced.

- 56 All committee meetings continue to have their agendas, minutes and reports published on the Council's website. The Council published its 2006/07 accounts in full compliance with the requirements of the Accounts and Audit Regulations 2003. Whilst the production of an annual report is no longer a statutory requirement, the Council publishes two documents which when linked would meet the requirements of an annual report. These are the Council's Corporate Performance Plan (Spotlight) and the Summary of Accounts.

### **Financial Management**

- 57 The Council has a six year Medium Term Financial Strategy (MTFS) which takes into account the aspirations and objectives of the Council and local improvement and national priorities. Overspends are proactively managed by the Council and action plans put in place and monitored on a regular basis. The arrangements in place for managing performance against budgets are well established throughout all levels of the Council and are successful at maintaining the Council's financial position. The Council uses its Customer Forum to ensure that the financial system reports are in a useful format to the users and that they can be understood.
- 58 The corporate capital strategy for 2007/08 has been approved by members and is linked to the corporate objectives and medium term financial strategy. There is an up to date Asset Management Plan (AMP) for 2007 that details existing asset management arrangements and outcomes. The plan is updated annually which includes a review of planned actions to improve assets use corporately.

### **Financial Standing**

- 59 The Council set a balanced budget for 2007/08 which took into account cost pressures, including the LSBU deficit and the impact on council tax. The Council consistently maintains its spending within its overall budget and without significant unexpected over / under-spends. Improvements have been made from the previous year, and a threshold of £5k has been set for variance investigations, the results of which are reported to the Finance and Property Advisory Board (F&PB). Income collection is monitored by members on a regular basis via the Council Tax / NNDR performance targets in the Spotlight pages on the website and formal reports to F&PB.

### **Internal Control**

- 60 The Council has made significant improvements during the year to the arrangements in place for risk management and has embedded these arrangements within its corporate business processes. A risk management strategy is in place and is reviewed annually. There is an adequate Internal Audit function which has open access to both senior management and members. An Audit Committee is in place and undertakes a review of the annual Statement of Internal Control, supported by a review of the effectiveness of both the system of internal control and the Internal Audit function.

- 61 The anti-fraud policy has been clearly communicated to all staff at the Council and is included within the induction process for new starters which involves the starter signing to say they understand the culture of the Council. Staff have used the confidential reporting code during the year to report any suspicions of fraudulent behaviour. Details of these are investigated and held on file by the Chief Internal Auditor.

### **Value for Money**

- 62 In most areas, the Council demonstrates good value for money having regard to local circumstances and performance. Overall expenditure on services is below the national average. The Council has nine PI's within the upper quartile, one within the second quartile, four in the third quartile and eight within the bottom quartile. This places the Council above the average for 'excellent authorities' as per the AC re-categorisation tool. However, 36 per cent of the PI's fall within the bottom quartile and therefore cannot be considered a best value service.
- 63 The Council has an effective budget monitoring process in place and regularly reviews performance of its services. Corporate Management Team and Cabinet receive quarterly performance monitoring reports. The annual performance is reported in the Corporate Performance Plan (CPP). The information is used to monitor and review value for money, with the priorities report showing the progress to date and what actions are needed to ensure each priority is reached. The Council has an effective Residents Panel which it consults to establish residents' priorities for improvement. These priorities and what the Council is doing to achieve them are set out in the CPP. The Council also takes residents' feedback into account in setting out its key and service priorities each year and ensures that it continues to target its resources at these via application of its budget prioritisation model. The Council has met and exceeded the national efficiency targets although this in itself is not notable as many authorities have achieved the same level of progress.

### **Data Quality**

- 64 We review the Council's arrangements for monitoring and reporting on the quality of its published performance information.
- 65 In 2006/07 our review concluded that the Council had robust management arrangements in place for ensuring data quality. Procedures are up to date and there are appropriate systems in place to ensure the quality and timeliness of data. The Council is also currently developing a data quality policy.

## Looking ahead

- 66 The public service inspectorates are currently developing 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.
- 67 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 68 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 Local Area Agreements.

DRAFT

## Closing remarks

- 69 This letter has been discussed and agreed with the Chief Executive and Director of Finance. A copy of the letter will be presented at the Audit Committee on 1 April 2008. Copies will also need to be provided to all Council members.
- 70 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	May 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Regularity Report	January 2008
Use of Resources Assessment	January 2008
Annual audit and inspection letter	March 2008

- 71 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

- 72 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.

**Paul Chambers**

**Relationship Manager**

March 2008