

# Annual Audit and Inspection Letter

Torrige District Council

Audit 2007/08

March 2009



---

# Contents

<b>Key messages</b>	<b>3</b>
<b>Purpose, responsibilities and scope</b>	<b>4</b>
<b>How is Torridge District Council performing?</b>	<b>5</b>
<b>The audit of the accounts and value for money</b>	<b>11</b>
<b>Looking ahead</b>	<b>14</b>
<b>Closing remarks</b>	<b>15</b>

---

## 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.
-

# Key messages

- 1 The Council has done very well in recent years and was scored as 'Good' in its corporate assessment in October 2008. In particular the inspectors reported:
  - strong leadership and a can do culture;
  - clear plans and ambitions based on a good understanding of people's needs;
  - greatly improved housing benefits performance; and
  - increased recycling and less waste going to landfill.
- 2 The improvement achieved has been from a low base and the Council can still do more to continue to improve outcomes for local people.
- 3 In recent years the Council has secured improvements in its arrangements for preparing the Statement of Accounts. However, the transfer of the Council's housing stock to Tarka housing in 2007/08, was, in terms of the accounting treatment highly complex and onerous, requiring additional accounting disclosures, in the Statement of Accounts. Unfortunately there were some significant issues that had to be resolved before the appointed auditor issued an unqualified opinion on the accounts.
- 4 An unqualified value for money (vfm) conclusion was issued by the appointed auditor. The Council demonstrated that, for 2007/08, its corporate arrangements met the standards set out in the Audit Commission's 12 criteria for vfm.
- 5 Overall the Council has been assessed as level two (meeting minimum requirements) for its 2007/08 Use of Resources assessment, which is the same as the previous year. Improvements were made in both the financial management and value for money themes. The new assessment for 2008/09 is likely to be more challenging.

---

## Action needed by the Council

- 6 The Council needs to:
  - build on the good processes in place to continue to improve outcomes for local people;
  - complete development of its carbon reduction strategy; and
  - ensure it is well placed to meet the challenges of the new use of resources assessment from spring 2009.

---

# Purpose, responsibilities and scope

- 7** 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.
- 8** We have addressed this letter to Councillors 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.
- 9** 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).
- 10** 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.
- 11** 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.
- 12** 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 Torridge District Council performing?

13 Torridge District Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2007, which was an improvement on the original. 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**



Source: Audit Commission

## The improvement since last year - our Direction of Travel report (incorporating findings from the 2008 corporate assessment)

14 The Council has improved significantly since the last corporate assessment in 2003 when it was assessed as 'poor'. In my corporate assessment of 2008 I re-categorised the Council as 'good'. Strong leadership has transformed the Council since the last corporate assessment and a productive 'can-do' culture has developed. This has provided firm foundations for it to improve. The Council has established a clear vision and ambitions that are well understood. It knows what matters most for local people and has used this to inform local priorities. The Council has good capacity to deliver its priorities and performance management is effective.

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

- 15** The Council's level of achievement and improvement against its own priorities is adequate but it is improving from a low base with performance remaining below average in some areas. Based on a basket of performance indicators used by the Audit Commission, the Council's rate of improvement was above average in the three years up to March 2008 but dropped to below average in 2007/8. However, not all of these indicators relate to the Council's own priorities for improving performance. The Council has focused its improvement efforts on four goals which have been the basis of its work since 2005.

### Aim to be an excellent Council

- 16** The Council has been successful in improving poorly performing services using 'lean reviews' which focus on meeting the needs of the customer and minimising waste. This approach has helped the Council achieve and maintain significant improvements in the performance of its benefits, planning and housing management services.
- 17** The Council has taken steps to improve communication and access to services. It now produces a quarterly newspaper 'Torridge First' which is delivered to most households and it provided an A-Z guide to services with Council Tax bills. Access to services for people living in remote rural areas is also improving through the establishment of village based information surgeries. The Council has now reached level two (out of five) of the Equality Standard for Local Government although it should be noted that better performing authorities have achieved level 3. It has, however, started to carry out equality impact assessments which will help to ensure that the needs of people at risk of disadvantage are routinely considered when services are designed and delivered.

### Improve the quality of life for all

- 18** The Council has taken effective action to improve the health and safety of the community. In one of its most deprived areas, Bideford East, it has set up a multi agency facility working closely with the Police. This provides a one-stop shop advice service and activities for young people. Since it was set up there has been a 57 per cent reduction in anti-social behaviour recorded in the area. The provision of CCTV and weekend taxi marshalling in Bideford town centre has been effective in reducing alcohol-related incidents. Facilities have been provided for young people including a multi-use games area in Torrington and a skate park in Bideford after consultation with the Police. A 'traffic light scheme' to inform the public of the cleanliness and hygiene status of local eateries has had a positive impact on food hygiene standards within the district. A new community grants scheme launched in May 2008 provides local voluntary and community groups with access to additional funding to improve the quality of life of local residents.

## How is Torridge District Council performing?

**19** The Council's progress in addressing local housing issues is satisfactory although more affordable housing is needed. It is maintaining a good supply of housing land and has exceeded the target in the Devon Structure Plan (380 dwellings per annum compared to the target of 340). The successful transfer of the Council's housing stock has helped to secure nearly £14 million funding to ensure that social housing meets the decent homes standard. Affordable housing supply falls well short of local need, but delivery (as a proportion of the existing dwelling stock) compares satisfactorily with other councils and numbers are set to increase. The Council delivered 165 affordable homes over the four years to March 2008 and aims to deliver a further 200 affordable homes by 2010. The Council has also brought 27 empty homes back into use over the last two years, thus helping to reduce pressure on the housing stock.

### **Promote sustainable economic growth**

**20** The Council is laying the foundations for its regeneration and economic development programmes, and there are some early outcomes from this. It has ensured that there is a good supply of serviced land for employment purposes at Caddsdon and Cleave Wood on the outskirts of Bideford. A new fish dock to support the local fishing industry in Appledore was completed in October 2008. At Westward Ho! it has secured significant new residential development as part of the regeneration of this seafront community. It has established a partnership - the Bideford Regeneration Initiative (BRI) – to develop a comprehensive strategy for the regeneration of the town. The strategy also addresses community development issues at East-the-Water – one of the most deprived areas in the district. Partners report that, after a slow start, the BRI has achieved a new momentum as the principal schemes have become more clearly defined and funding opportunities identified. Other regeneration initiatives are being pursued through town and parish plans which the Council is supporting.

**21** The Council is taking steps to support residents and businesses affected by the recession. It has worked in partnership with Job Centre Plus to give benefits advice to people being made redundant as a result of the closure of local businesses and has agreed a number of actions to support local businesses including speedier payment of invoices and more flexible arrangements for payment of business rates. It has also worked in partnership with 13 other local organisations to give information and advice to residents and businesses affected by the recession. The newly formed public-private sector partnership, North Devon Plus, is also changing its focus to support struggling businesses as well as new start-up businesses. At the same time, the partnership continues to pursue its longer term plans to strengthen the local economy.

### Safeguard the environment

- 22** The Council is effective in managing waste and keeping the district clean and attractive. Waste recycling rates are above average and increasing and the amount of household waste collected and going to landfill is reducing. Satisfaction with waste collection is high yet costs are low for such a sparsely populated area. The Council has helped the County Council to provide a modern civic amenity site by making land available at Caddstown. Recorded levels of litter are below average and reducing. A blue flag award has been maintained for the beach at Westward Ho! in recognition of its water quality and management. The Council is currently considering, in the light of recent citizen consultation, its next set of objectives for the environment and how these can meet the diverse needs of its communities.
- 23** The Council is effective in promoting sustainability and is working on its own performance in this area. It has promoted sustainable building solutions through its own developments. The Caddstown Phase 2 business development has received a number of sustainability awards in recognition of its energy saving design, use of sustainable materials and ecological protection measures within the site. This is an exemplar development that is used to promote sustainable building solutions elsewhere in the district such as the new fish dock. The Council has also promoted a sustainable energy plant using agricultural waste as part of the employment development at Holsworthy and is exploring the feasibility of a large scale offshore renewal energy project. The Council is at the early stages of developing a strategy to reduce its own carbon footprint and needs to bring this to a conclusion. Work is now underway to measure the Council's current carbon footprint and it has set a target to achieve a five percent reduction in travel costs next year. Other initiatives to reduce energy usage are being pursued.

### Value for money

- 24** The Council, overall, is a low cost authority, and council tax has been kept consistently low. In the last three years the monitoring and review of value for money has become more robust. A framework has been established to monitor service performance and to challenge and control spending. Performance and cost information is brought together through the Council's business planning process and reviewed by senior managers and councillors regularly through the quarterly business review process. Benchmarking is also well used. A thorough programme of reviews and introduction of 'lean' working principles has produced efficiency savings. Corporate efficiency savings targets have been exceeded and partnership working is strong. The Council has good arrangements for procuring services, understands the significance of full long-term costing analysis, and has a good track record of attracting external finance. Better use could be made of ICT to support more efficient ways of working.

## How is Torridge District Council performing?

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

- 25** The Council has considerably strengthened its ability to manage and improve its performance since being categorised as 'poor' following its corporate assessment in 2003. It has focused on the changes necessary to provide the foundations for future improvement, working to a programme agreed by the Department for Communities and Local Government (DCLG). The Council has transformed itself by establishing a positive, cooperative, performance orientated culture with sound business systems in place to underpin improvement. Progress was recognised by the DCLG in March 2008 when it agreed to return the responsibility to the Council for monitoring its own progress. Supported by a clear focus on delivering ambitions and priorities, the Council is now managed in a modern way and is well placed to improve further.
- 26** The Council has a clear vision and ambitions set out in its five year strategic plan which was agreed in 2005 and refreshed in 2008 following consultation with residents. The Council contributes to the development and delivery of countywide plans which relate to its own priorities including the local area agreement. It is also contributing to the development of a sustainable community strategy for North Devon and Torridge as a member of the North Devon and Torridge Strategic Partnership. The Council's plans have been informed by town and parish plans which have been developed in three quarters of the district's parishes. These arrangements provide a good opportunity for local communities to be involved in the development and delivery of plans.
- 27** Good progress has been made with the delivery of the strategic plan but it would not be clear to the public from the Council's published information whether the Council has achieved all that it set out to achieve or whether the actions it has taken have had the desired impact. Regular progress reports have been produced but these list achievements rather than reporting on progress against planned actions or on performance measures which monitor the impact of the actions it has taken. This has limited the extent to which the Council can be held to account by citizens and challenged on its performance. However, the refreshed strategic plan has a clearer set of plans and outcome-related targets against which progress can be monitored and reported more explicitly.
- 28** The Council has good capacity to deliver its priorities. An effective councillor development programme has helped to establish good relationships between councillors and officers, clear accountability for decision making and high ethical standards. The Council has established the systems and processes necessary to improve its capacity. Financial and staff resources are in place, but it is stretched to deliver its ambitious agenda in some areas. Staff have had high levels of sickness absence in previous years but performance improved in 2007/8 and is now better than average. ICT is a specific weakness that the Council is currently addressing. There is a sound approach to improving the accessibility of its services and it is using partnerships and shared services effectively to address some of the capacity challenges of being a small council. The Council is also working well with other Devon councils to prepare for possible changes to local government structures.

- 29** Performance management is effective. The Council has established an effective performance culture, supported by comprehensive quarterly management reports that report on progress with improvement actions, process efficiency, financial targets and some outcomes for customers. There are clear links between business plans and personal appraisals for staff and effective analysis of performance information is helping to driving up performance and value for money. The Council makes good use of feedback from surveys and its complaints system to help it develop services and is making further improvements to its arrangements for seeking and responding to customer feedback. These arrangements are helping the Council deliver services that meet the needs of its residents and improve their quality of life.

# The audit of the accounts and value for money

- 30** Your Appointed Auditor has reported separately to the Policy, Performance and Resources Committee on the issues arising from his 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 21 November 2008; and
  - a report on the Best Value Performance Plan confirming that it has been prepared and published in line with legislation and statutory guidance.

---

## Use of Resources

- 31** 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).
- 32** 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.

**Table 1**

<b>Element</b>	<b>2007/08 Assessment</b>	<b>2006/07 Assessment</b>
Financial reporting	1 out of 4	2 out of 4
Financial management	3 out of 4	2 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	2 out of 4	2 out of 4
Value for money	3 out of 4	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>2 out of 4</b>	<b>2 out of 4</b>

Note: 1 – lowest, 4 = highest

### The key issues arising from the audit

#### Audit of the Accounts and Annual Governance Statement

**33** In recent years the Council has secured improvements in its arrangements for preparing the Statement of Accounts. The working papers to support the accounts were of an improved quality from previous years and there was good co-operation from the Council's finance team. However, the transfer of the Council's housing stock to Tarka housing in 2007/08, was, in terms of the accounting treatment highly complex and onerous, requiring additional accounting disclosures, in the Statement of Accounts. Unfortunately there were some significant issues that had to be resolved before the appointed auditor issued an unqualified opinion on the accounts.

#### Value for money conclusion

**34** The Auditor issued an unqualified value for money conclusion. He assessed the management arrangements of the Council as adequate in all of the twelve areas specified by the Audit Commission.

#### Use of Resources

**35** Overall, the Council has been assessed as level two, which is the same as the previous year. Whilst improvements were made in the financial management and value for money themes, the Council was assessed as level one for financial reporting due to significant issues that needed to be resolved before the auditor could issue his opinion.

## The audit of the accounts and value for money

**36** Key improvements identified in the assessment included:

- good integration of strategic, service and financial planning;
- financial out-turn was in line with the approved budget and there was regular monitoring and scrutiny of financial performance by Councillors during the year;
- delivery of the audit committee function through the Policy, Performance and Resources Committee improved;
- strengthening of risk management and the assurance framework;
- a more pro-active approach to the delivery of anti-fraud work through the Internal Audit service;
- a more robust approach to the management and delivery of value for money; and
- the Council has invested resources within its business continuity planning process.

**37** The Audit Commission has published revised guidance for its new use of resources assessment starting in spring 2009. It involves a greater emphasis on outcomes as well as processes and is likely to prove more challenging to councils.

### Data Quality

**38** The Council's overall management arrangements for ensuring data quality continue to be good. It has an appropriate corporate framework which guides the management and accountability of data quality. The commitment to data quality is documented in key strategic documents, and the arrangements for monitoring and reviewing data quality are effective. The council's arrangements for data sharing are variable and it needs to do more to manage the quality of data it shares with and receives from partners. The auditor tested a sample of performance indicators and found these to be fairly stated.

---

# Looking ahead

- 39** 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.
- 40** 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.
- 41** 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 aspect of each area's Local Area Agreement.

---

# Closing remarks

- 42 This letter has been discussed and agreed with the Chief Executive and Strategic Director (Resources). A copy of the letter will be presented at the Policy, Performance and Resources Committee on 9 March 2009. Copies need to be provided to all Council members.
- 43 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**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2007
Corporate Assessment	October 2008
Annual Governance Report	November 2008
Opinion on financial statements	November 2008
Value for money conclusion	November 2008
Use of Resources assessment	December 2008
Data Quality	January 2009
Final accounts memorandum	February 2009
Use of Resources	March 2009
Annual audit and inspection letter	March 2009

---

- 44 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**

- 45 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.

**Name** Martin Green  
**Comprehensive Area Assessment Lead**  
**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

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 2009

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

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

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

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

---