

DC Annual Audit and Inspection Letter

March 2007



Annual Audit and Inspection Letter

Torridge District 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.

© 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

Contents

Our overall summary	4
Action needed by the Council	4
How is Torridge District Council performing?	5
The improvement since last year - our Direction of Travel report	6
Financial management and value for money	9
Conclusion	13
Availability of this letter	13

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 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:
 - building blocks for service improvement continue to be established;
 - improvement in use of resources and value for money have occurred as a result of refocusing leadership, corporate planning and systems and procedures; and
 - some organisational strain is evident due to the pace of change and capacity constraints.

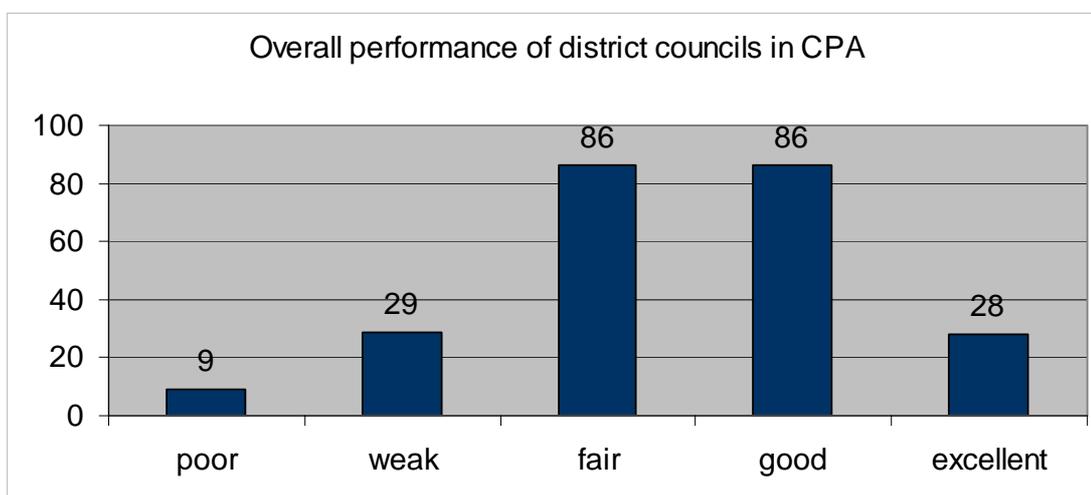
Action needed by the Council

- Ensure that ability to deliver improved services is maintained through effective performance management.
- Continue to prioritise and address capacity issues to ensure that the programme of change is delivered and regulatory requirements are met.

How is Torridge District Council performing?

- 4 Torridge District Council was assessed as Poor in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now starting to update 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

Summary

- 5 Over the last 12 months the Council has made fundamental changes which, in recent months, have resulted in some significant improvements in the Council's priority areas of improving quality of life, promoting sustainable economic growth, safeguarding the environment and becoming an excellent council. Through a Council restructure, strong leadership and investment in some of the Council's failing services, many of which were important for local people, the capacity of the organisation has been increased. This process has resulted in a shift of resources and focus to priority areas, supported by improved business planning and performance management. Many of these improvements are still at an early stage and gaps in capacity still present a risk. However, if the Council remains on its current course then prospects for further improvement are good.

What evidence is there of the Council improving outcomes?

- 6 The Council's overall improvement is good. Based on the Audit Commission's basket of performance indicators (PIs) the number improving between 2004/05 and 2005/06 was 62 per cent, above the national average of 58 per cent. However, the Council's performance was still weak, only 16 per cent of PIs are at a level that compares with the best councils nationally. This was well below the national average of 31 per cent. The Council's 2006/07 third quarter performance indicates strong improvement.
- 7 Improvement in the Council's priority areas such as planning and housing between 2004/05 and 05/06 was minimal. In planning improvements have not been sufficient to raise performance above the poorest performing councils in the country and housing performance remains mixed. Over the last eight months unaudited figures indicate significant improvements have been made.
- 8 The Council's improvement in meeting wider community outcomes is generally strong. Recycling levels have improved significantly and the Council is not far from meeting its national target of 30 per cent. The processing of housing benefit claims has improved helping some of the poorest residents in the district. Crime levels are low, amongst the best performing councils in the country, and improving in most areas. Affordable housing completions are very high in comparison to other districts and improving significantly (2004/05 - 2005/06) - helping support sustainable communities and quality of life - in line with council priorities.
- 9 The Council has achieved and is developing a number of projects that support the economy and sustain the local environment. Building on its successful Caddsdawn Industrial Park the Council is working on a number of projects to increase and support local employment such as the Appledore Fish Dock and East of the Water Industrial Development.

- 10 The Council's strategic approach to meeting the needs of 'hard to reach' groups is limited. The Council has not met level one of the Equality Standard which 92 per cent of authorities have achieved. In addition the Council is not leading by example in the employment of staff from minority groups.
- 11 The Council's performance on providing value for money is weak. Priority services such as housing and planning are high cost, reflecting investment in these services, but performance is poor (2005/06). Recent unaudited performance indicates that this picture is changing and there is evidence that a culture of value for money is developing. However, all these improvements are in their early stages.
- 12 Monitoring and reviewing of value for money are improving strongly from a low base. In the last 12 months, for the first time, managers have been provided with good service management information and this has helped develop far more robust business plans for their services. However, the effectiveness of service planning is weakened by the lack of staff appraisals and there are still a number of weak areas including benchmarking and the management and monitoring of equality. As a result the Council cannot fully demonstrate how well it is achieving in comparison to others.
- 13 The Council approach to procurement has progressed significantly and there is a clear strategy and action plan. Improved central co-ordination of purchasing has resulted in a number of significant savings.

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

- 14 The Council has an established and robust improvement plan. The plan has five clear objectives which address identified weaknesses from the Council's CPA assessment in 2003. The plan has been widely communicated and has been refined during the past 12 months with clear targets, outcomes and responsibilities. It is monitored internally, through the Corporate Management Team and internal improvement groups, and externally through an improvement board which includes representatives from the Government Office and the Audit Commission.
- 15 Service improvement plans are also developing well. The new business planning process comprehensively brings together performance, financial and improvement information with a strong focus on the Council's priorities and customer service. In addition a number of sound and well developed plans are in place for key projects such as the transfer of the Council's housing stock and the Fish Dock development at Appledore.
- 16 The Council is on target on the majority of its improvement actions within its corporate improvement plan. Key milestones such as restructuring, improving financial systems and service reviews have largely been met and the Council is recording improvements in services as a result. Comprehensive service reviews in a number of services have also been undertaken in 2006 and the progress on introduced improvements has been effectively monitored with some notable service delivery improvements in benefits, planning and housing.

8 Annual Audit and Inspection Letter | How is Torridge District Council performing?

- 17 Capacity has been strengthened through the recruitment of new staff at all levels in the organisation, the use of external consultants and by reconfiguring business processes releasing existing capacity within the organisation. Good examples of increased capacity include:
- re-designing the business planning process as part of an integrated performance management framework to facilitate continuous improvement in all services;
 - re-designing the business planning process in planning, benefits and housing repairs; and
 - filling key corporate roles of Head of Human Resources, Head of Corporate Services, and Head of Financial Services.
- 18 A number of gaps in capacity still remain. Some key senior management vacancies are unfilled and councillor training and development is still underdeveloped. This puts increase pressure on existing staff and could, if continued in the long term, restrict the pace of change.
- 19 The progress of developing a culture of performance management and value for money continues to present a challenge. These challenges and changes in staff, councillors and potential political leadership present the risk of distraction from the Council's improvement programme.
- 20 The Council still has much to achieve in order to reach its aspirations. Changes planned in governance arrangements running up to elections in May 2007 remain ambitious and on target. The Council recognises that current committee and governance arrangements slow progress and this continues to be a risk to future improvement.

Financial management and value for money

- 21** As your appointed auditor I have reported separately to the Policy and Resources Committee on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your value for money (VFM) arrangements to say that these arrangements are inadequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 22** The findings of the auditor are an important component of the Comprehensive Performance Assessment (CPA) framework described above. In particular the Use of Resources (UoR) 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).
- 23** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	1 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest and 4 = highest)

- 24 Since the last assessment the Council has improved its overall score from 1 to 2. This reflects the progress made by the Council in addressing issues relating to leadership, corporate planning and improving the systems and procedures followed in providing services. The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows:

Financial reporting

- 25 The 2005/06 audit required the income and expenditure account and the balance sheet to be restated by a material amount to comply with accounting standards.

Financial management

- 26 The quality and integration of the medium-term financial strategy (MTFS) with other policies and strategies has improved. Robust business planning processes that provide a link between the MTFS and the strategic plan now need to be fully established.
- 27 Budget monitoring and reporting have improved. The Council has recognised that further developments are required for effective reporting to members. In particular links to performance information and the risk assessments identified in the MTFS are desirable.
- 28 The updating of the property terrier is close to completion. Agreement of the terrier against fixed asset records used to support the financial statements has yet to take place.

Financial Standing

- 29 The Council has consistently managed its financial performance so that its level of balances has been maintained above £0.5 million which is the minimum level specified in its financial strategy. The budget set for the 2007/08 financial year allows for a 4.99 per cent increase in council tax. No draw on balances is proposed to achieve this and the projected level of balances at the 31 March 2008 is £0.7 million. The proposed capital programme of £2.2 million is to be funded by capital receipts. It is recognised that a shortfall in receipts may require a review of the programme.
- 30 The Council's strategic financial planning recognises that there are a number of risks requiring careful management if its level of balances is to be maintained above the minimum specified level. These risks include the impact of single status pay conditions from April 2007 and the proposed transfer of the Council's housing stock to a registered social landlord. The ballot of tenants is taking place in March 2007 but the outcome will not be known before this letter is published. These and other risks are being monitored by the Council and the impact on its strategic planning is being assessed.

Internal control

- 31 Risk management processes are gradually becoming part of the day to day management of the Council. Increased member involvement and the need for a review of effectiveness that measures impact against strategic objectives would indicate further integration.
- 32 Some organisational strain is evident in the operation of the system of internal control. The Council recognises in its statement on internal control that assurance that all legislative requirements are met is not fully in place. The audit committee function straddles two committees which gives rise to some reservations about its overall effectiveness. The Council recognises that the governance arrangements for partnerships require further development.

Value for money

- 33 The judgements made for the value for money element of the assessment is informed by changes in performance indicators which are published annually. The impact of changes to processes made in 2005/06 will be reflected in performance indicators for 2006/07.
- 34 The overall costs of the Council's services for 2005/06 are amongst the highest of all similar district councils. This is not reflected in the quality of key services, eg, high spending in planning and poor performance. This does not provide value for money. The Council has now invested, in line with its stated priorities, in poorly performing services such as housing, planning and benefits and has streamlined its processes with an emphasis on customers resulting in recent improvements. However, sustained improvements have yet to be seen.
- 35 The Council's track record of monitoring and reviewing value for money has been poor and there are still a number of weak areas including benchmarking and the management and monitoring of equality and diversity. However, The Council's overall approach to monitoring and reviewing value for money is now improving. The Council has systematically reviewed a number of its major customer facing services in the last year and the progress on improvement areas has been effectively monitored. Investment in a number of key and poor performing areas such as planning, benefits and housing is starting to make an impact. Key strengths include:
 - improved capital and asset management;
 - service reviews and process re-engineering in a number of services;
 - improved business planning;
 - Improvement in performance management of some services;
 - greater corporate co-ordination of procurement and improvement in value for money in low value high volume purchasing; and
 - external funding.
- 36 However, the strategy for the provision and resourcing of some services such as leisure and culture is unclear.

- 37 The Council's approach to procurement has progressed significantly in the last 12 months and there is a clear strategy and action plan. Its improved central co-ordination of purchasing has resulted in a number of significant savings, eg mobile phone services, stationery and fuel. The Council's approach to joint procurement is underdeveloped although there are good examples of partnership working and this has helped to secure some large scale external funding.

Data Quality

- 38 The Audit Commission adopted a revised approach to the review of data quality at local authorities during 2005/06. The approach required a review of the arrangements for producing and using performance information and spot checks on a sample of key best value performance indicators.
- 39 The outcome of the review indicates that although the Council is making improvements in its arrangements for monitoring and reviewing performance information the arrangements are not either fully effective or fully embedded. Robust arrangements to ensure that performance information used in managing services is complete and accurate and produced on a timely basis are needed. Further refinement of reporting arrangements to members is required in order that performance information can inform decision making and policy development.

Conclusion

- 40 This letter has been discussed with senior officers and members. A copy of the letter will be presented at the Policy and Resources Committee on 16 April 2007.
- 41 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

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

Peter Lawrence
Relationship Manager