

ANNUAL AUDIT AND INSPECTION LETTER 2005/06

1. INTRODUCTION

- 1.1 Each year the Council receives an Annual Audit and Inspection Letter that summarises the work undertaken by the Audit Commission and the District Auditor for the preceding year.
- 1.2 The purpose of this report is to provide Members with an external overview of performance for the year and to raise any significant issues that require particular attention.

2. LETTER FOR 2005/06

- 2.1 A copy of the Audit and Inspection Letter for 2005/06 is attached as Appendix 1. A copy of the Letter will be published on both the Council and the Audit Commission's website
- 2.2 The report concludes that the Council is performing well against its own priorities and in comparison to other Councils. The Council has identified the priorities that are important to its communities and is demonstrating progress against these priorities. The Council has robust plans for improving still further. The Council continues to prepare its accounts on a timely basis and performs well in comparison with other councils in the use of the resources assessment.

3. PORTFOLIO HOLDER COMMENTS

- 3.1 This report has once again demonstrated that the Council's corporate governance and management arrangements are sound and effective. The external, and independent, challenge of the Audit Commission gives assurance to our residents that the Council provides quality and effective value for money services.

4. CRIME AND DISORDER, ENVIRONMENTAL AND EQUALITY AND DIVERSITY IMPLICATIONS

- 4.1 There are no crime and disorder, environmental or equality and diversity implications arising directly from this report.

5 RECOMMENDATIONS

5.1 It is recommended that the Annual Audit Letter for 2005/06 be noted.

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Background Papers:

Published document

DC Annual Audit and Inspection Letter

March 2007



Annual Audit & Inspection Letter

New Forest 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.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and our assessment of how well the Council has managed its finances (the Use of Resources scores).
- 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 Our overall conclusion is that New Forest District Council is performing well against its own priorities and in comparison to other Councils. It has identified the priorities that are important to its communities and is demonstrating progress against those priorities. It has robust plans for improving still further. The Council continues to prepare its accounts on a timely basis and performs well in comparison with other councils in our use of resources assessment.
- 4 The main messages for the Council included in this report are that it needs to:
 - reduce the time spent by homeless households in temporary accommodation through implementation of the Council's action plan;
 - put in place plans to achieve local and national recycling targets;
 - identify the underlying causes of, and rectify, the differences within the Council's capital accounts relating to the Credit Ceiling and Capital Financing Requirement; and
 - develop its corporate risks register, incorporate significant partnership risks in the risk register, and provide risk management training and guidance to appropriate staff.

How is New Forest District Council Performing?

What evidence is there of the Council improving outcomes?

- 5 Services are improving in areas the Council has identified as priorities and areas the public say are important to their communities. New Forest DC was assessed as 'excellent' in the comprehensive performance assessment (CPA) carried out in 2003/04. Since the CPA assessment, the Council has continued to build on its position by implementing its corporate improvement plan and focusing on the delivery of improvement against the four priorities in its Corporate Plan 2003/07. These are: managing our finances; crime and disorder and community safety; housing; and clean streets and public spaces. Progress can be demonstrated against these priority areas over the past year.

Managing our finances

- 6 Indicators for 2005/06 show improvements in most areas in the last year. The Council was in the best 25 per cent nationally for council tax and the collection of national non-domestic rates with performance improving. Performance on invoices paid by the agreed date or within 30 days has improved and is now just above the average compared to other councils. Performance on prosecution for fraud is above average compared to other councils. The percentage of council tax collected has consistently improved over the last four years and is now in the best 25 per cent.
- 7 The Council met all of its performance plan key targets for 2005/06 in respect of 'managing our finances'. These include the development of a new procurement strategy in line with best practice, and improving the medium term financial strategy with the inclusion of short and medium term financial targets in the service planning process. The Council has developed an Improvement and Efficiency Strategy for 2006/10 which places improvement and efficiencies at the centre of its strategic development and service delivery. The Council is also meeting the efficiency targets in its efficiency work programme.

Crime and disorder and community safety

- 8 Indicators for 2005/06 show that the Council is making good progress towards its crime, disorder and community safety priorities. Crime and Disorder Reduction Partnership (CDRP) data shows a reduction in the number of domestic burglaries and in the number of thefts of a motor vehicle, placing the Council in the best 25 per cent nationally. The number of robberies has remained at the same level as last year, again placing the Council in the best 25 per cent. However, CDRP data shows a slight increase in the number of thefts from a motor vehicle, and in violence against the person, placing the Council below the average experienced by other councils. Whilst actual levels of crime are very low, consultation undertaken with the Citizen's and the Young People's Panels during 2006 found that 47 per cent of respondents were worried about crime because of what they had read in the local media.
- 9 The Council met two thirds of its performance plan key targets in 2005/06. These include developing a costed growth plan for the renewal of CCTV and actively supporting the process for tackling anti-social behaviour. As a member of the Community Safety Partnership the Council is working effectively to prevent crime. In 2005/06 the Council developed a communications strategy for the Community Safety Partnership and employed a media officer to reduce the fear of crime. The targets that were not met were primarily due to delays by other agencies.

Housing

- 10 The Council's housing performance is improving and generally above average compared to other councils nationally, but housing homeless households remains an area of concern.
- 11 In the Council's role as 'landlord', performance in rent collection, re-letting homes and the percentage of urgent repairs completed in time are again in the best 25 per cent of councils. The average time taken to complete non-urgent repairs remains in the worst 25 per cent. Service standards have been set for urgent and non-urgent repairs through consultation with tenants and contractors, and repairs are completed within these standards. Non-urgent repairs are treated as non-urgent. The average weekly housing management costs also remain higher than average nationally. The Council has carried out a fundamental review of the way in which housing services are provided following the Options Appraisal of the Housing Service in 2005. The review has led to significant savings in staffing costs, and changes to the structure of the service. These include the creation of a housing help desk, a specialist team to deal with income recovery issues, and a tenancy team specialising in nuisance and anti-social behaviour.

- 12 The time spent by New Forest's homeless households in bed and breakfast or in hostel accommodation is longer than that experienced by homeless households elsewhere, with the Council remaining in the worst 25 per cent nationally. In order to reduce the use of temporary accommodation, the Council has sent out leaflets to vacant properties offering the owners the Council's rental scheme, and developed a private leasing scheme. An action plan has also recently been developed to reduce the use of temporary accommodation. The Council delivered 71 new affordable homes in 2005/06 against its target of 100, which put the Council's performance above average compared to other councils nationally. The percentage of private sector homes vacant for six months or more is, however, above average, indicating that there is room for further improvement.
- 13 Housing benefit performance is good overall. Time taken to process new housing benefit claims has improved, moving the Council into the best 25 per cent nationally, and the recovery of overpayments is above average. The accuracy of processing has, however, deteriorated slightly, but the Council is still above average.
- 14 The Council met all of its key targets in 2005/06 apart from the number of affordable homes developed. Targets met include publishing a rural housing development strategy, carrying out an appraisal of resource options for the development of new affordable housing, and securing funding through the housing revenue account budget to achieve the decent homes standard by 2010.

Clean streets and public spaces

- 15 Performance continues to be good overall in standards of cleanliness in the streets and public spaces, compared to other councils nationally, with the percentage of land littered to a significant or heavy extent remaining below average. The Council is in the best 25 per cent nationally and improving in its score against a checklist of enforcement best practice for environmental health.

- 16 Household waste collection has improved, placing the Council in the best 25 per cent. The Council's cost of waste collection per household remains below average compared to other councils, although it increased in 2005/06. The percentage of households served by a kerbside collection of recyclables remains good. Recycling falls short of meeting the government and Council's own target of 30 per cent. In order to improve recycling the Council has extended its clear sack recycling scheme across the district and introduced recycling advisors who contact households to encourage recycling. It is aware that its current collection methods are also unlikely to meet the long term target of 40 per cent recycled by 2010, and has therefore reviewed its waste and recycling options with a view to enabling it to meet these targets and reduce costs. However, a proposal for the introduction of an alternate weekly collection of refuse and dry recycling using wheeled bins with chargeable garden waste is not currently recommended by Councillors despite it being identified as the most cost efficient way of meeting the government and Council's own targets. The Council plans to consult residents on the future service delivery options for waste and recycling in the autumn 2007, which will tie in with its Green Audit.
- 17 The commercial services partnership with Test Valley Borough Council (TVBC) continues to deliver a range of benefits in waste collection, repairs and street cleansing services. The Council and TVBC have reviewed the benefits and future opportunities for developing the partnership and agreed that they should continue the partnership, and support further development.
- 18 The Council met all of its key targets in relation to public spaces for 2005/06. This includes a review of existing public conveniences and the construction of new facilities, and the clearance of fly tipping and abandoned vehicles.

Wider community outcomes

- 19 The Council is contributing to wider community outcomes through the implementation of its Community Strategy 2004/07 with its partners in the local strategic partnership - the 'Changing Lives Partnership'. Good progress was made with the implementation of this strategy during 2005/06, delivering over 80 per cent of the planned actions. This includes creating an improvement plan for the Changing Lives Partnership to provide greater clarity of direction. The Council is also consulting the public on a new draft Community Strategy, following the expiry of the 2004/07 strategy, to take effect from September 2007.
- 20 The Council is making good progress in improving access and the quality of services for all its citizens, focusing particularly on 'hard to reach' groups and those previously excluded. An Equalities Network was formed in 2005 with the local strategic partnership to gather views from minority groups and those who are 'hard to reach'. The Network has grown steadily since it began. The Council has developed an Equalities Strategy, and race, disability and gender equalities schemes. Service plans now include an equalities and access assessment of the impact of the service on these schemes. The Council has developed a consultation policy, and an annual programme of consultation, which includes surveys through the Citizens Panel and Young People's Panel.

- 21 In 2005/06 the Council achieved all of its key targets in relation to equal opportunity and diversity. This included achieving 60 per cent of level 3 of the government's national equality standard with a view to raising its achievement from level 2 to level 3 of the standard in 2006/07.

Value for money

- 22 Value for money is improving as well as the quality of services, with Council Tax being kept low. We concluded in our Use of Resources assessment that the Council secures good value for money in most areas and has met its efficiency targets.

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

- 23 In 2005/06, which is the most recently audited year for best value PIs (BVPIs), the Council's performance as measured by a basket of key indicators was good overall. Sixty five per cent of the key performance indicators (PIs) improved and 35 per cent were in the 'best 25 per cent of other councils'. However, more PIs were in the 'worst 25 per cent' than last year.
- 24 Those PIs which contributed to the increase in key PIs in the worst 25 per cent mainly relate to the planning and homelessness services. In planning, the drop in performance is attributed to the changes involved with the development of the New Forest National Park and the transfer of a significant proportion of the Council's planning team to the Park Authority. Performance in this area in 2006/07 has subsequently improved. In homelessness, the drop in performance relates to the length of stay of homelessness households in bed and breakfast and hostel accommodation. The Council is aware of the issues in both planning and homelessness and has developed action plans to improve performance.
- 25 The Council has robust plans for improving. Improvement planning is being implemented well, and the Council continues to demonstrate improvement through the effective delivery of its CPA Improvement Plan. The Improvement Plan is closely aligned with the Corporate Plan 2003/07 and the annual Performance Plan: 'Performance Matters'. The Improvement Plan is reviewed and updated regularly, and reported to Cabinet and Central Management Team. Progress is reported in 'Performance Matters' annually. Service plans are monitored by Heads of Service, and service Lead Scrutiny Members report by exception to review panels. In 2005/06 the Council made good progress in implementing its Improvement Plan, with the majority of key objectives and milestones being achieved.

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- 26** The Council has adequate financial and staffing capacity to deliver its plans. The service plans have identified resources required and this is linked to the expenditure planning process. Workforce levels are stable. Progress made against the Improvement Plan includes the implementation of a revised flexitime scheme to develop flexible working patterns. It also includes an increase in the range of methods through which staff can access training and development, including through the use of new technology and partnership working. The Council has agreed a Workforce Development Strategy and an ICT Learning and Development Strategy.

Financial management and value for money

The audit of the accounts

- 27 We reported the significant matters arising from the 2005/06 audit to the Final Accounts Committee on 26 September 2006, only the key issues are summarised here.
- 28 The accounts were produced on time and were supported by a good standard of working papers.
- 29 Our audit identified weaknesses in the controls in the new payroll system. A robust reconciliation process between the payroll system and the main accounting system had not been established and the control system did not identify an overpayment of £50,000 to one employee - this sum has since been recovered by the Council. The Council is taking action to address these weaknesses.
- 30 Following the completion of our audit of the 2005/06 accounts, we have provided:
 - a qualified opinion on your accounts. Our opinion was qualified because of a limitation in audit scope. We were not able to determine whether the capital accounts were presented fairly because of the £4.7m unexplained difference between the Council's Credit Ceiling and its Capital Financing Requirement;
 - an unqualified conclusion on your VFM arrangements. We were satisfied that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - a report on the Best Value Performance Plan confirming that it has been audited and that there were no issues that we needed to bring to your attention.

Use of resources assessment

- 31 The Use of Resources score is derived from the assessments we have made 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).

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- 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 Council's Corporate Performance Assessment, we have assessed the Council's arrangements for use of resources in these five areas:

Table 1 Use of Resources scores

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

(Note: 1 = lowest, 4 = highest)

- 33 These 'headline' scores are the same as those for 2005 and the Council continues to perform well in use of resources meeting above the minimum requirements overall. Next year, the assessment process will be tougher. The following table sets out our overall conclusions for this year and then concentrates on those areas where the Council needs to improve if it is to meet the higher standards for a 3 score next year.

Table 2 Use of resources: Summary of findings and areas for improvement next year

<p>Financial reporting</p> <p>Theme score 3</p> <p>The Council prepares its accounts in accordance with relevant accounting standards and timetables. The 2005/06 financial statements were prepared and approved by the Council, and certified by the auditor, within statutory deadlines. The accounts submitted for audit contained no material misstatements, although we qualified the statements on the basis of a limitation of scope arising from the capital accounts. A number of minor changes to the accounts were agreed with officers during the audit.</p> <p>To maintain a level '3' score next year, the Council will need to:</p> <ul style="list-style-type: none">• demonstrate that it is considering the views of a range of stakeholders in making its decision as to whether to publish an annual report; and• publish summary financial information that meets the needs of a range of stakeholders.
<p>Financial management</p> <p>Theme score 3</p> <p>The financial management framework is robust and soundly based. The Council has in place a medium-term financial strategy driven by the corporate business plan and linked to its key strategic objectives. Adequate arrangements are in place for the monitoring of performance against budgets and for the management of the Council's asset base.</p> <p>To maintain a level '3' score next year, the Council will need to:</p> <ul style="list-style-type: none">• demonstrate that the financial performance of partnerships is regularly reviewed, linked to outputs, and the results are shared with partners and acted upon;• demonstrate that the Council's budget monitoring is related to operational activity indicators that are lead indicators of spend; and• develop a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.

Financial standing

Theme score 3

Although arrangements to manage spending within available resources and to control reserves and balances are effective, the Council reported underspends of £1.2m and £1.0m respectively against its original budgets for 2004/05 and 2005/06. The Council is currently seeking ways of improving budget monitoring in order to eliminate significant year-end underspends against original budget.

To achieve a level 3 score for financial standing next year the Council needs to maintain its current performance in this area.

Internal control

Theme score 3

Internal control arrangements are well developed within the Council. The embedding of risk management remains the main area for improvement.

In summary, to maintain a level 3 score the Council will need to:

- maintain and review its corporate risks register, linked to strategic business objectives, incorporating risks from significant partnerships and provide risk management training and guidance to appropriate staff;
- include risk assessments in reports to support strategic policy decisions and project initiation documents;
- ensure that members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full Council as appropriate; and
- demonstrate that it has identified its significant partnerships and has appropriate governance arrangements in place for each of them, and that governance arrangements with respect to partnerships are subject to regular review and updating.

Value for Money (vfm)**Theme score 3**

The Council currently achieves good value for money. Its overall performance is above average compared to other councils whilst costs are below average. It has a good understanding of which services are relatively high cost and these services are matched to its corporate priorities and policies. Councillors and managers routinely review and challenge the vfm of services and the corporate centre. The Council's information on costs and the quality of services includes information on equity across the whole community. The Council is delivering its cumulative efficiency review targets. Arrangements for monitoring and reviewing data quality are also in place.

To improve further, the Council will need to:

- achieve significant improvements in value for money as a result of internal and external reviews;
- ensure that challenging and ambitious targets are set and applied to improve efficiency and value for money;
- track the impact of cost reduction efficiencies on users; and
- realise the benefits of the new procurement strategy.

Conclusion

- 34 This letter has been discussed and agreed with the Chief Executive and the Director of Resources. A copy of the letter will be presented at the Cabinet meeting on 4 April 2007.
- 35 The Council has taken a positive and constructive approach to our audit and inspection and we would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Kate Handy

Relationship Manager and District Auditor