

Annual Audit and Inspection Letter

March 2007



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Babergh District Council

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for 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 as follows.

Summary of Direction of Travel Report

- Council performance as measured by a basket of key Best Value Performance Indicators (BVPIs) selected by the Audit Commission has improved both in absolute terms, and relative to other councils. Sixty three per cent of these improved between 2004/05 and 2005/06, compared to an average for all districts of 58 per cent and 47 per cent were in the top quartile as compared with 31 per cent nationally. Local people can see some improvements in services, notably planning and benefits. The Council has also kept down the overall cost of its services and is proposing a below inflation increase in council tax of 2.9 per cent for 2006/07. The Council is in the second year of its four year Corporate Performance Assessment (CPA) improvement plan. It has delivered some planned improvements in the last year, although there has also been some slippage against target dates.
- The Council has been actively involved in partnership working on several projects which, if successful, will deliver improvements in services. A notable example is choice based lettings, which is designed to allow tenants a choice of accommodation across the Haven Gateway area. The Council has still to deliver further planned improvements in some areas, including implementing the full range of service standards and managing complaints.

Summary of Local Area Agreement (LAA) governance arrangements

- There is strong political and managerial leadership for the LAA with an ongoing commitment to partnership working. The partnership has developed a governance model and management structures and is working on targets overseen by four 'Block' Boards.

- However, governance arrangements that are fully 'fit for purpose' requires further work with central government. LAA partners are now seeking this through an ambitious 'Pathfinder' bid that builds on the LAA model. At the time of our work there was no overarching clear vision other than the achievement of LAA targets. Also, some key systems and processes were in need of development.
- Phase 2 of this work will be carried out between April and October 2007.

Summary of financial management and value for money assessment

- The Council has been assessed overall as performing well in its annual Use of Resources assessment.

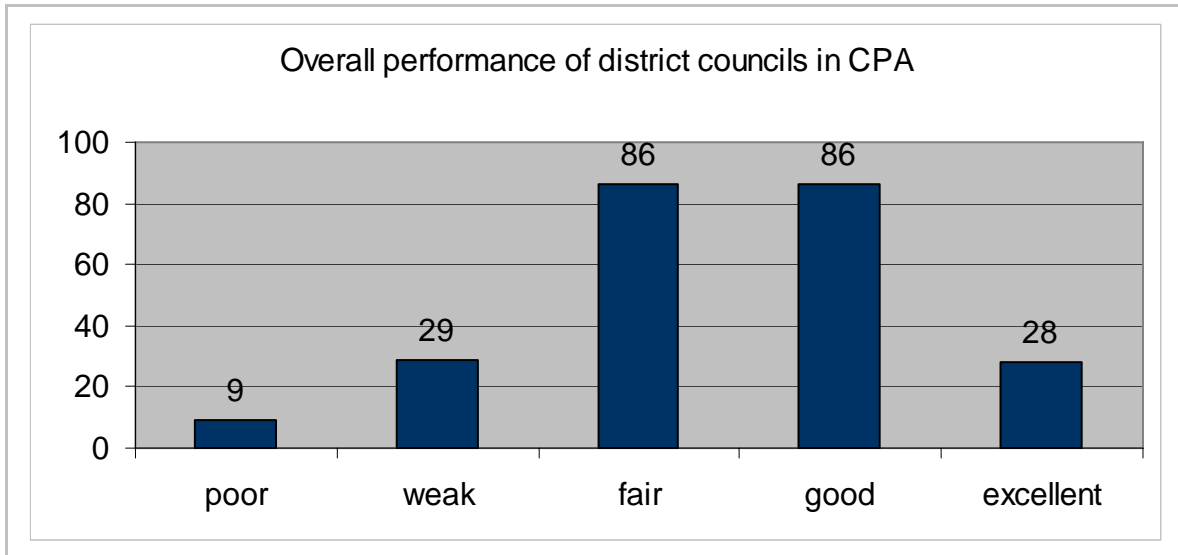
Action needed by the Council

- Ensure that issues arising from the Annual Direction of Travel Assessment are included in the Council's Improvement Plan.
- Monitor progress and outcomes against the various areas for improvement arising from the Use of Resources assessment for the Council.

How is Babergh District Council performing?

- 4 Babergh District Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to revisit 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

What evidence is there of the Council improving outcomes?

- 5 The Council has taken action to improve its services. The planning and benefits services have piloted business process re-engineering (BPR). This tool is intended to implement more efficient customer-focussed services. In benefits this has resulted in a reduction in the turnaround time for the customer from an average of 25 days to ten days. A cashable saving from this, and the implementation of an efficient document image processing in revenues, have been delivered; although the savings are much lower than forecast in the original business case. The Council has achieved consistently high performance in revenues and benefit with 11 out of 12 BVPI measures above the median. In Planning there have been delays in implementing the new processes arising from business process re-engineering, but an implementation plan is now in place. The proposals are expected to improve the turnaround times for customers, provide for greater autonomy and empowerment for staff and provide cashable savings. The report indicated that a savings of 1.5 posts could be made although this has yet to be confirmed. Planning BVPIs for 2005/06 show that waiting times for both major and minor planning applications have been improving and the national targets are now consistently being exceeded. The planning quality of service indicator has also improved. Babergh's Local Plan was formally adopted on 1 June 2006, after several years of development and consultation, so the Council is now able to move forward with this.
- 6 The Babergh 'Be Active' project has continued to address both health and social issues throughout the district. In March 2006 it won a beacon award in the category of culture and sport for hard-to-reach groups'. Its achievements include:
 - 630 places taken up on activity programmes for those with disabilities;
 - 522 places taken up on activity programmes for disaffected youths; and
 - 12 young people at risk of offending referred through an Acceptable Behaviour Contract mentoring scheme.
- 7 The Council has also implemented a new leisure trust service from 1 April 2006 achieving a saving of £148,000 per annum. This trust also aims to improve leisure services through the range of activities offered; as yet it is too early to see evidence of improvements being delivered.

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- 8 Progress on recycling and waste, which is a priority identified by local residents, has been good. In March 2006 Babergh won another beacon award, jointly with all other Suffolk authorities, for its achievements in recycling. The councils were commended for strong formal partnership arrangements and a strategic vision that includes the wider waste stream. Recycling achieved top quartile performance on key BVPIs and collection is second quartile for amount of rubbish collected. Babergh has signed a new contract for waste collection, in conjunction with Mid Suffolk Borough Council. It expects that this will deliver substantial savings compared to what it would have cost for a separate contract just for Babergh.
- 9 Performance on affordable housing has improved and the proportion of affordable homes completed is above the national average. The Council had completed 230 homes by the end of 2006 and anticipates meeting its target of 700 new homes between 2004 and 2009.
- 10 A full range of service standards are still not yet available to use to measure improvement and effectiveness of services. Consequently the Council cannot fully assess whether its services to the public are meeting its own requirements for the level of performance. The target date for completion of service standards has slipped and the Council will now consult and publish these through the 2007/08 CPA Improvement Plan. SMART action plans are also still not in place yet, this task has been identified a priority for policy staff once they are appointed. Responding to complaints is another area the Council has still to review. This is dependent on the development of service standards.
- 11 Diversity and equalities has still to be fully addressed as part of the access project. Some issues have been addressed, for example access to translation services. As a result of their stage in development, the Council cannot yet be confident it understands its community's needs.

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

- 12 Progress on improving access has been thorough but slow. Babergh had attempted to take forward a partnership approach to customer access with other Suffolk councils, but, following discussion has concluded that there are no opportunities, in the short term, to develop this approach. It has also concluded that there is no business case to pursue any other form of delivery partnership or outsourcing arrangement for access. The Council has instead agreed a two year programme plan to develop its own internal solution. This aims to develop an enhanced front office service and resolve 80 per cent of calls at first point of contact. It then intends to complete a 'take-stock review' to compare its progress to other councils before determining the future direction. The Council has continued to develop its approach to community engagement through its annual State of the District Event, which this year was focussed on three of the council priorities: a safe and sustainable environment, easy, convenient access to quality services and raising individual and community ambitions, and encouraging active citizenship.

- 13 The Council intends to continue with its business process re-engineering (BPR) project, but an analysis of the Council's business has indicated that it does not have the scope to deliver a large programme of process reviews that will deliver substantial revenue savings. This is because most processes only involve a few staff. A scaled back, more focused, approach to continue with BPR is proposed in the two year plan for Customer Access and Service Transformation (CAST). Councillors have recognised the need to improve quality as well as achieve efficiency gains and are interested in using the process to review service integration and administration but have raised other ideas for consideration by Overview and Scrutiny Committees.
- 14 Babergh has been actively involved in several projects to improve joined up working with other councils. It has taken up the invitation in the Local Government White Paper to submit a bid for Pathfinder status. This has been developed in conjunction with all other Suffolk councils, except Ipswich. The bid proposes a three tier approach to integrate services and co-ordinate wider public sector agencies, in order to deliver improved outcomes for local people. Babergh is also working with sub regional economic partnership, the Suffolk Development Agency and Haven Gateway Partnership to promote the district, and enhance facilities for the community. Babergh has led a successful bid to secure £132,000 towards implementing Choice-Based Lettings (CBL). This is a Government initiative which promises to offer new and existing social housing tenants greater choice, and to allow tenants to search online and bid for properties across the Gateway area. The partnership aims to have this in place by 2008.
- 15 Partnership working with the two Local Strategic Partnerships (LSPs) is ongoing but tangible outcomes are not clear as yet. An evaluation of the LSPs is now being undertaken using the Partnership Evaluation Model. The West Suffolk LSP has developed a new ten year Community Plan. Babergh, in conjunction with St Edmundsbury Borough Council and Forest Heath District Council and other partners, has also won a government funding to run 50 structured workshops to engage 2000 households and 25 businesses in the West Suffolk LSP, to raise awareness of climate change and encourage behavioural change (Climate Change Now!). The Council recognises that the much smaller Babergh East LSP is overstretched, and focus needs to improve; and further support is required from the Council. Babergh is also supporting the plans to develop a University Campus in Suffolk. Although the main University site will be in Ipswich, there are plans to open a number of 'learning points' throughout Suffolk so that students can study specific subjects. Sudbury has been identified as a potential learning point, and the Council has hosted a road-show to discuss the benefits with local people.
- 16 Babergh has also made some progress in improving its internal processes. It has developed priority action plans (PAPs) for each priority within its Corporate Plan for 2006/07, but has yet to embed the links of PAPs to service plans and targets. Until this is completed services, delivery of the action plans remains unclear. Non-priorities are also still not explicit.

- 17 The Council has improved its data quality. In our audit of 2005/06 BVPIs we found that the management arrangements were adequate. A review by internal audit of selected BVPIs in June 2006 found that the quality of data had improved and only minor errors were found. The Council has made progress in implementing its corporate risk management strategy. Risk management workshops have been run and an initial exercise has been undertaken to identify and mitigate risks. Risk assessments are now included in all reports to management team. Risk management has yet to be incorporated into all service plans and PAPs; this is scheduled for the 2007/08 planning round.
- 18 The Council has completed its organisational development review and has reduced the number of service heads to six. The target date for introducing Single Status is now March 2007. The Council is progressing with its plans to re-skill staff and councillors but outcomes are not yet clear.

Other performance work

Local Area Agreement (LAA) governance arrangements

- 19 In our Phase 1 of our Local Area Agreement (LAA) report we found that the Suffolk Local Area Agreement (LAA) is characterised by strong political and managerial leadership, particularly through the Suffolk Strategic Partnership (SSP) and the SSP Development Group. A successful track record in delivering eg public service agreement (PSA) through effective partnership working has provided a sound basis for the development and delivery of the LAA in Suffolk. An ongoing commitment to partnership working is demonstrated by the active involvement of senior representatives from a broad spectrum of partners.
- 20 Since its inception in March 2005 there has been significant progress in a number of areas, particularly in establishing governance and management structures and addressing some key governance issues. Through the LAA a range of targets to improve service performance, in areas important to the people of Suffolk, have been identified.
- 21 Progress has been made in the pooling and alignment of funding to support the delivery of LAA targets. The impact of this process is variable and there are some limited examples where resources have been reallocated to meet identified need. In other cases alignment has predominantly been a paper based exercise with little impact on outcomes.
- 22 Financial arrangements and capacity are currently appropriate but require further significant development if they are not to limit the development of the LAA. Financial control arrangements currently relate only to local authorities, and they are expected to apply their own internal systems. The role of block boards and target leads in financial management is not clear.

- 23** Despite this progress the breadth and complexity of the initiative means that many areas remain to be addressed if the LAA is to effectively deliver recognisable outcomes for the people of Suffolk. Other than the achievement of the LAA targets there is no clear shared vision for the future of the LAA or explicit shared values. Partner involvement with the initiative is variable and tensions remain around the role, responsibilities and partner representation on participating bodies. The breadth of awareness of the LAA in both partner organisations and amongst the public is very limited.
- 24** There are a number of areas which the partnership acknowledges need to be developed. In most areas early action has been initiated but the pace of change is being limited by the capacity of individual organisations and staff to deliver and implement the changes. In the short term there is a need to establish a number of key arrangements, particularly performance and risk management, scrutiny, a mechanism to determine benefits realisation and a structured approach to communications. Some progress has been made in each area eg the development of an innovative approach to risk sharing, and the creation of a web site and electronic newsletter but for the majority there are currently few demonstrable outcomes.
- 25** A number of external factors are constraining the development of the LAA. The requirement that the County Council retains accountability for the allocation of pooled funding is likely to limit the pooling of funds by other partners as they would lose direct control of their own resources. Enabling measures formerly referred to as freedoms and flexibilities have had little impact on the delivery of the LAA and few significant flexibilities have been sought or agreed. At this early stage in its development it is difficult to demonstrate that the LAA is adding value.

Financial management and value for money

- 26 We reported separately to the Strategy Committee on 28 September the key issues arising from the 2005/06 audit, and have provided:
- an unqualified opinion on your accounts;
 - an unqualified conclusion on your value for money arrangements; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 27 The findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments 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.
 - 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.
- 28 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 Use of Resources assessment

Theme	Assessment
Financial reporting	3
Financial management	2
Financial standing	3
Internal control	2
Value for money	3
Overall assessment of the Audit Commission	3

(Note: 1 = inadequate performance, 2 = adequate performance, 3 = performing well, 4 = performing strongly)

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

Financial reporting

- 30 The Council is performing well in this area with the key areas of strength from our previous assessment remaining the same, with the Council producing their annual accounts in accordance with relevant standards and timetables and promoting external accountability.

Financial management

- 31 The Council is performing adequately in this area. Many of the key areas of strength from our previous assessment remained the same. These included:
- integrated financial and business planning projecting over a three year period;
 - comprehensive budget setting with appropriate delegation and detailed budget monitoring information available;
 - variances being addressed, where applicable, and service delivery not being affected; and
 - an affordable capital programme being set using prudential indicators and which prioritises capital projects.
- 32 It was also noted that the Medium Term Financial Strategy has been more widely communicated to staff and stakeholders. However, given the Council's recent restructuring there are arrangements and plans which require reviewing and updating, in particular the Asset Management Plan, and these caused the overall theme score to be reduced.

Financial standing

- 33 The Council is performing well in this area, with the key areas of strength remaining the same as the previous assessment, and arrangements are in place to manage spending within available resources.

Internal control

- 34 The Council is performing adequately in this area although a number of improvements since our previous assessment were noted including embedding of arrangements in regard to reviewing risk management processes, risk management reporting to Members and using the assurance framework to underpin the Statement on Internal control.
- 35 However, the Council needs to continue to embed the Risk Management Strategy in terms of training and enhance arrangements to ensure the Council is complying with its constitutional documents.

Value for money

- 36 The key areas of strength from our previous assessment remained the same and improvements were noted which further embedded existing arrangements including:
- Council costs remaining below average and moving into the lowest quartile for its nearest neighbour group;
 - improvement in performance indicators; and
 - reporting efficiency savings in excess of the Gershon targets.

Going forward

- 37 The 2007 use of resources assessment will be a harder test for the Council as a number of criteria at both level 2 and 3 will change to 'must have' status. Consequently, in order for the Council to sustain or improve upon its current performance at the next assessment, it will need to meet these criteria. Furthermore, in order to achieve scores of 3 and above, arrangements must be 'embedded'; that is have been operating consistently with clear outputs and impact. The assessment will also, for the first time, be aligned to the financial year and will therefore only take into consideration arrangements in place as at 31 March 2007, although information up to the date of the actual assessment can be taken into account in assessing embeddedness.

Conclusion

- 38 This letter has been discussed and agreed with senior officers. A copy of the letter will be presented to Members at the Council meeting on the 17 April 2007.
- 39 The Council has taken a positive and constructive approach to our audit and inspection. We would like to take this opportunity to express our appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Edwina Child
Relationship Manager

March 2007

Robert Davies
District Auditor