

Annual Audit and Inspection Letter

South Derbyshire District Council

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	4
How is South Derbyshire District Council performing?	5
The audit of the accounts and value for money	11
Looking ahead	16
Closing remarks	17

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 South Derbyshire District Council is delivering improvement in each of its priority areas. Its performance has improved over the last three years and it compares well with that of other councils. It is working with other organisations to deliver projects in the community, such as the Environmental Education Project in Rosliston sponsored by Rolls Royce.
- 2 The Council is developing its approach to diversity, but from a low base. It achieved level 2 of the Equality Standard for Local Government and is working towards level 3. Access to services is improving and the Council is using a range of different initiatives to address the problems of access in a rural area. Physical access has improved with changes to customer services and the new reception area.
- 3 The Council's plans for the future are robust. Its performance management framework ensures regular reporting on performance to senior managers and Councillors. The Council has the capacity to deliver. It is addressing potential gaps through training for managers and professional training for technicians in those services where there are national shortages.
- 4 In common with most areas of the economy the economic downturn has affected local authorities which face the challenge of increasing costs, reducing income and rising service demand. To address these and other financial challenges you have recently reviewed your spending plans.
- 5 The Council received an unqualified opinion on its 2007/08 financial statements from the external auditor, Grant Thornton UK LLP, by the statutory deadline of 30 September. The Council's Whole of Government Accounts pack was certified by the due date.
- 6 The auditor issued a positive conclusion that, in all significant respects, the Council had made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2008 on 30 September 2008.

Action needed by the Council

- 7 The Council must:
 - prepare for the implementation of International Financial Reporting Standards and assess the impact on its financial monitoring and reporting arrangements; and
 - continue to develop a corporate approach to Comprehensive Area Assessment and the Council's organisational assessment.

Purpose, responsibilities and scope

- 8 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.
- 9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 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. (In addition the Council is planning to publish it on its website).
- 11 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.
- 12 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.
- 13 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 South Derbyshire District Council performing?

14 South Derbyshire District Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. 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

What evidence is there of the Council improving outcomes?

- 15** The Council has made progress in each of its priority areas.
- 16** Safer and healthier communities: The Council delivered 21 safer neighbourhood projects, tackling public concern. This reduced vandalism, and provided diversionary activity for young people. The Youth Engagement Through Sport project delivered sports and play sessions around the district. More than 40 walks were led each month at locations such as Calke Abbey, Hilton and Rosliston, as part of the Get Active in the Forest project.
- 17** You at the centre: The Council rolled out its green waste collection to over 34,000 households improving recycling to 49 per cent of household waste. Changes to the sweeping pattern resulted in cleaner public spaces. The Council has two 'Green Flag' awards for the parks with the addition of a new award for Rosliston Forestry Centre.

How is South Derbyshire District Council performing?

- 18** Higher quality services: The Customer First contact centre improves access to Council services, and now resolves 78 per cent of queries at the first point of contact. The website makes information about services available to everyone and includes 'report it', 'apply for it', 'pay for it', 'request it' and 'find out about it' links. The benefits service has improved - with good performance on processing times and above average performance for accuracy.
- 19** Prosperity for all: The Council has attracted a significant amount of inward investment, such as the new service area on the A50. The quality of the housing service is improving and the 2008 housing inspection concluded that the Council is providing good, 2* strategic housing services with excellent prospects for improvement.
- 20** Rural South Derbyshire: The Council is working with the South Eastern Derbyshire Local Accessibility Partnership (SEDLAP) to improve public transport in its rural area. SEDLAP is responsible for planning and co-ordinating the transport services provided by local bus operators, social care providers, community transport, the Primary Care Trust and the Council for Voluntary Services. The Council is continuing to invest in play facilities, such as the multi-use games area at Overseal.
- 21** Stronger in the region: The Council is continuing its dialogue with East Midlands Airport and has also secured an agreement with North West Leicestershire District Council on airport-related planning applications. It lobbied BT to provide broadband in South Derbyshire. But performance in the speed of planning decisions is below average, although spending on planning services is also much lower than the comparator group.
- 22** The Council's overall performance is improving and compares well with other councils. It improved 65 per cent of performance indicators (PIs) over the last year which is significantly above the national average of 58 per cent. Improvement over the last three years shows a positive trend with 66 per cent of PIs showing improvement, compared with the national average of 58 per cent. The Council has 35 per cent of PIs in the top 25 per cent, which is above the national average for district councils of 33 per cent. Performance was strongest in corporate health, regulation, and housing; but weaker in culture and environment.
- 23** The Council's annual satisfaction survey 2007/08 showed good overall satisfaction with services. Tenants are also satisfied with housing services with overall satisfaction levels of 90.6 per cent. The Council's survey of customer services users shows that satisfaction levels are high, with 75 per cent of users very satisfied and 25 per cent satisfied.
- 24** The Council contributes to wider community outcomes and it works with the LSP to deliver for local communities. For example, it encourages healthy lifestyles by providing a dance coach to teach dancing to 90-100 people each Saturday. It works with key groups such as Age Concern, Derbyshire Association for the Blind, and the South Derbyshire CVS to improve its engagement with community groups. Through sponsorship from Roll Royce, it delivered an Environmental Education Project attracting 98 school visits and 16 outreach groups to the Rosliston Forestry Centre. The Council is strengthening its rural links working through parishes. It is also encouraging parishes to attend its area forums alongside the police and county council.

How is South Derbyshire District Council performing?

- 25** The Council is developing its approach to diversity. Progress has been slow, but the Council is now committed to equality and diversity. More robust monitoring would enable the Council to show that access is equitable. Diversity training is compulsory for staff and Councillors. The Council uses the values and attitudes group (an external group made up from many different types of organisations) to inform its approach. It used the group to identify which language translations to make easily available. These include Japanese for the Toyota workforce and new leaflets will include Polish. The Council reached level 2 of the Equality Standard for Local Government 2007/08. It has clear and realistic plans in place to reach level 3, but it will not achieve this until March 2010.
- 26** The Council is improving access to its services. It understands the problems caused by the geographic nature of the district and makes efforts to ensure access despite the remoteness of some residents. For example, it arranged for residents to apply for their Goldcards locally in the community, arranging photography and verifying applications in community halls. Physical access has improved with the new Customer First service; the reception was designed around easy access for people with disabilities. Staff show a strong and genuine customer focus and a recent survey of council tenants revealed that 88 per cent found the person they had spoken to was 'helpful', an increase of 23 per cent over the last two years.
- 27** Value for money is improving across the Council. The Council has a clear corporate framework for embedding value for money and has consistently exceeded its efficiency targets. It has reinvested these savings in services to meet priorities. Partnerships are adding value. The Council's Procurement Strategy 2007-2010 provides a clear framework for procurement activity which reflects modern procurement practices and supports the Council's aim to offer value for money services. It maintained its Use of Resources assessment of performing well.

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

- 28** The Council's plans are robust and aligned. The Council themes reflect those of the local strategic partnership (LSP). Business and financial planning are integrated. The corporate plan is the key plan. It is underpinned by service plans and the financial strategy which makes a clear commitment to disinvest in non-priority services and identify growth opportunities in priority areas. Service plans are comprehensive and include assessments of value for money and risk and clear, measurable targets. These cascade down to teams and individual staff through the Council's personal development review process. Staff are kept informed about key priorities and plans through the regular corporate brief and team meetings.

How is South Derbyshire District Council performing?

- 29** The performance management framework is robust and embedded. Officers monitor budgets monthly by and Councillors quarterly. Financial and performance monitoring is reported quarterly to each policy committee using a traffic light reporting system. It achieved 88 per cent of its corporate plan targets compared with 79 per cent last year. The Council reacts to poor performance by implementing improvement measures. For example, poor performance in planning led to a service restructure to improve the processing time and this has led to some improvement in performance. There is accountability and ownership of performance throughout the organisation. Staff and teams show a strong awareness of performance issues, which are discussed at team meetings; they are clear about what is expected of them.
- 30** The Council delivers organisational change effectively. Its change management processes allow on-going change in response to changes to priorities, external demands, or changing services. The process gives time to involve affected people which allows them to influence the change. Recent examples of this include internal restructuring, tackling under-performance in some service areas, developing a 'one stop shop' approach to customer services and fostering a culture which places customers at the centre.
- 31** The Council has the financial capacity to deliver next year. Its financial position has been reasonably healthy over the last few years although it has an underlying budget deficit. Funding is sufficient for next year but current forecasts show a budget deficit in five years' time. The Council is responding to this by looking at alternative service delivery for internal services. It also has an efficiency and business improvement process in place to release cash savings to reinvest in priority services. Funding is allocated in line with priorities.
- 32** The Council is continuing to develop the capacity to deliver. The people strategy outlines the workforce needs and workforce planning is included in service plans. The strategy identified the need to develop leadership. The Council has addressed this through a leadership and management programme which runs at three levels: one for heads of service, one for middle managers, and one for supervisors. It has addressed difficulties in recruiting in some key technical areas such as planning, building control, environmental health, and accountancy. It has recruited at technician level and invested in professional training for formal qualifications. It is addressing the issues associated with an ageing workforce through modern apprenticeships, which have been fairly successful with most apprentices staying with the Council. Councillor capacity is developing. The new councillors had a robust induction process to support them in their role with councillor mentors, training for committee chairs, and training for councillors on regulatory committees.

Service inspections

- 33** We carried out an inspection of the Council's Strategic Housing Services in 2008 and concluded that South Derbyshire District Council is providing good, two-star strategic housing services which have excellent prospects for improvement.
- 34** Staff show a strong and genuine customer focus and are committed to providing sensitive services. Given the remote nature of the District, efforts are made to ensure services are accessible with, for example, taxis provided to enable homeless applicants to attend appointments. There is a comprehensive range of good quality customer information. A number of improvements have been made to services following customer feedback, complaints and consultation.
- 35** The Council understands the local housing market and has good quality housing strategies based on sound research. It is effectively preventing homelessness and decisions are issued quickly to homeless applicants. Positive work is taking place to support people experiencing domestic abuse.
- 36** Disabled customers needing adaptations in their homes are receiving a responsive service and fewer vulnerable people are living in poor quality private sector housing. Floating support for younger people and Telecare services for older people are promoting independent living.
- 37** However, website information on homelessness and domestic abuse is basic and customer satisfaction is not measured when complaints are concluded. The Council has made slow progress on diversity issues and there is a lack of robust monitoring to ensure that access to services is fair and equal.
- 38** Until recently the Council has not made the most of opportunities to enable the development of new affordable homes to meet local people's needs and the majority of homes provided have been for shared ownership rather than for rent.
- 39** However, key building blocks are now in place increasing the Council's capacity to enable new affordable homes in the future. A range of customer-facing improvements have been delivered and performance has improved in key areas affecting service users. The Council has made good progress on recommendations following the 2005 repairs and maintenance inspection.
- 40** There is a sound performance management framework in place and the Council has directed resources towards priority areas with services improving as a result. As a relatively small Council, it is positive that a range of effective partnerships is increasing its capacity for improvement and external funding has been successfully levered in from a range of sources to support strategic housing activities

41 The following recommendations were made.

Recommendation	
R1	Increase customer focus by: <ul style="list-style-type: none">• including improved information on homelessness and domestic abuse on the Council's website;• systematically providing feedback to customers on how their comments and complaints have improved service delivery; and• monitoring and reporting on customer satisfaction when complaints are closed and taking action on the findings.
R2	Promote fair and equal access to services by putting robust systems in place for capturing, monitoring and reporting on the diversity of service users at the point at which they access services, and act on the results.
R3	Improve performance management and value for money by: <ul style="list-style-type: none">• ensuring that affordable housing targets are incorporated into the existing performance management arrangements with immediate effect;• establishing a systematic approach to evaluating the outcomes of strategic housing activities, and act on the findings; and• further develop the approach to value for money by analysing and comparing whole service costs and act on the findings.
R4	Take action to address all other weaknesses identified in this report and report on the findings to elected members, residents and key stakeholders.

The audit of the accounts and value for money

The audit of the accounts and value for money

- 42** Your appointed auditor reported separately to the Audit Sub-Committee on 23 September 2008 on the issues arising from the 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report in December 2007 on the Best Value Performance Plan for 2007/08 confirming that the Plan has been audited.
-

The key issues arising from the audit

Accounts and value for money (vfm) conclusion

- 43** The audit of the 2007/08 accounts was carried out in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards and the accounts were submitted for audit within the statutory deadline.
- 44** The Council produced timely annual accounts, and a full set of working papers which were available at the start of the audit. The working papers were of a good standard. Officers were available during the audit to answer queries and our requests for supporting information were dealt with promptly.
- 45** A small number of audit adjustments were identified by the audit, where the draft accounts were considered not to comply with CIPFA's Statement of Recommended Practice (SORP). One significant adjustment was to reclassify revalued fixed assets of £1.7million from additions to revaluations. There was no impact to the reported revenue outturn.
- 46** The financial statements contain two unadjusted audit differences that were accepted by the Audit Sub Committee, they are as follows.
- Figures in the financial statements relating to subsidy income and payments due to the National Non Domestic Rates pool were calculated on an estimated basis. Actual final claim figures are now available. The impact on the Collection Fund disclosure for Council Tax Benefit income is £34,000 and for National Non Domestic Rates is £-45,000.
 - The Council invoiced £30,000 in advance for funding from the East Midlands Regional Assembly for the provision of climate friendly workshops. Both sundry debtors and grants unapplied are overstated by £30,000. There is no net impact on the balance sheet.
-

- 47 Neither item impacts on the Income and Expenditure Account or the General Fund balance and did not prevent the auditor from providing an unqualified audit opinion.
- 48 Grant Thornton's review of vfm arrangements resulted in an unqualified vfm conclusion in regard to the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

Use of Resources

- 49 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 50 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	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

- 51 The Council has maintained an overall assessment of 3 for Use of Resources. The scores for all five elements and each of the individual Key Lines of Enquiry (KLOE) were maintained at the level attained in 2007. It is important to recognise that this represents an improvement in performance by the Council because of the increased standards set out in the criteria for the 2008 assessment.

The audit of the accounts and value for money

- 52** With regard to financial reporting the Council prepares, authorises and publicises financial accounts to the required timescale and compliant with required accounting standards and other regulation. Whilst a number of errors were identified these were few and non material in nature. A significant proportion of the working papers required for the audit were available in a well presented electronic format before the start of the audit. In addition, the Council is performing well with regard to promoting external accountability.
- 53** The Council continues to perform well for all three financial management KLOEs:
- 2.1 the Council's medium-term financial strategy/plan, budgets and capital programme are soundly based and designed to deliver its strategic priorities;
 - 2.2 the organisation manages performance against budgets; and
 - 2.3 the Council manages its asset base.
- 54** The Council continues to be assessed at level 3 for financial standing. Improvements in arrangements during the last year have included a review of the Credit Control Policy and the introduction of a new recovery partnership with an external agency to set up a dedicated central Debt Recovery Unit.
- 55** The Council continues to perform well for all three internal control KLOEs:
- 4.1 effective management of significant business risks;
 - 4.2 arrangements in place to maintain a sound system of internal control; and
 - 4.3 arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- 56** The Council also continues to be assessed at level 3 for value for money. The Council has further developed its arrangements managing and improving value for money and is continuing to implement developments to address prior year issues regarding corporate arrangements for securing data quality.
- 57** We have been working closely with the Council with regard to the introduction of the new Use of Resources framework and facilitated a workshop attended by officers in January 2009 which was intended to:
- provide them with an overview of the new Use of Resources framework;
 - summarise the links with the CAA framework;
 - highlight the key differences between the new and the previous approaches to Use of Resources; and
 - discuss next steps and agree a way forward for the completion of the 2008/09 review.
- 58** As a result, the Council has identified lead officers for each of the new KLOEs and we have planned a series of meetings with key officers to progress the 2008/09 review.

Data Quality

- 59** The three stage approach to this year's data quality review was as follows:
- management arrangements;
 - analytical review; and
 - data quality spot checks.
- 60** The review of corporate arrangements to secure data quality was required for the VFM opinion and consisted of an update on the progress with implementation of the recommendations from the previous year's action plan and an assessment of the Council's performance against the revised KLOEs for this year's review. We assessed the Council as continuing to perform adequately against all of the five KLOEs. The Council is continuing to address issues raised in previous data quality reviews and when the actions taken have become embedded this should result in an improvement in the overall score for corporate management arrangements.
- 61** The analytical review was performed to provide an arithmetic check of the calculations for BVPIs and non-BVPIs including variances, plausibility and expected ranges. This exercise was supported by supplementary information from Audit Commission's central PI team. We discussed any outliers with Council officers to establish if the reasons and used the process as a basis for selecting non-mandatory BVPIs for the data quality spot check stage of the review.
- 62** The data quality spot checks provided an in-depth review of sample of PIs from a list of specified BVPIs and non-BVPIs. The PIs reviewed were as follows.
- BV 78a - Speed of processing new claim to HB/CTB (Mandated).
 - BV 78b - Speed of processing changes of circumstances to HB/CTB (Mandated).
 - BV 199a - Local Street and Environmental Cleanliness - Litter and Detritus (Selected).
 - BV 199b - Local Street and Environmental Cleanliness - Graffiti (Selected).
 - BV 199c - Local Street and Environmental Cleanliness - Fly-posting (Selected).
- 63** The findings of our data quality spot checks were that the three local street and environmental cleanliness PIs tested were fairly stated. This followed an improvement in arrangements implemented by the Council as a result of last year's review.
- 64** However, we were unable to substantiate the audit trail for BV 78a and BV 78b following the change in benefit's system undertaken by the Council during the year. The audit trail for the indicators was not carried forward from the legacy system into the new system. Consequently, we had to conclude that both these indicators were not fairly stated.

Grant Claims

- 65** The Council has suitable procedures in place for the management of key grant claims, submitting these by the required deadline.
- 66** Significant problems were encountered with the claim for Housing and Council Tax benefits resulting in a detailed qualification letter being submitted to DWP after the 31 November 2008 deadline. DWP has subsequently written to the Council requesting that the matters noted in the qualification be quantified and reported on by 14 April 2009. This work is currently taking place and will need to be addressed, as a matter of priority, as this could have a significant bearing on the Council's level of subsidy claimed for the year along with any related balances within the Council's accounts. It should be noted that the difficulties experienced in certifying the claim to date stemmed from the legacy benefits system operated by the Council until December 2007. The 2008/09 benefits year will be entirely on the new system, which Council officers anticipate will resolve the difficulties with the 2007/08 certification.

Looking ahead

- 67** 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.
- 68** 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.
- 69** 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 aspects of each area's Local Area Agreement.

Closing remarks

- 70** This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Finance and Management committee on 30 April 2009. Copies need to be provided to all Council members.
- 71** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	30 September 2008
Value for money conclusion	30 September 2008
Annual audit and inspection letter	March 2009

-
- 72** 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

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

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

www.audit-commission.gov.uk
