

Annual Audit and Inspection Letter

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Annual Audit and Inspection Letter

Bromsgrove District Council

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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.

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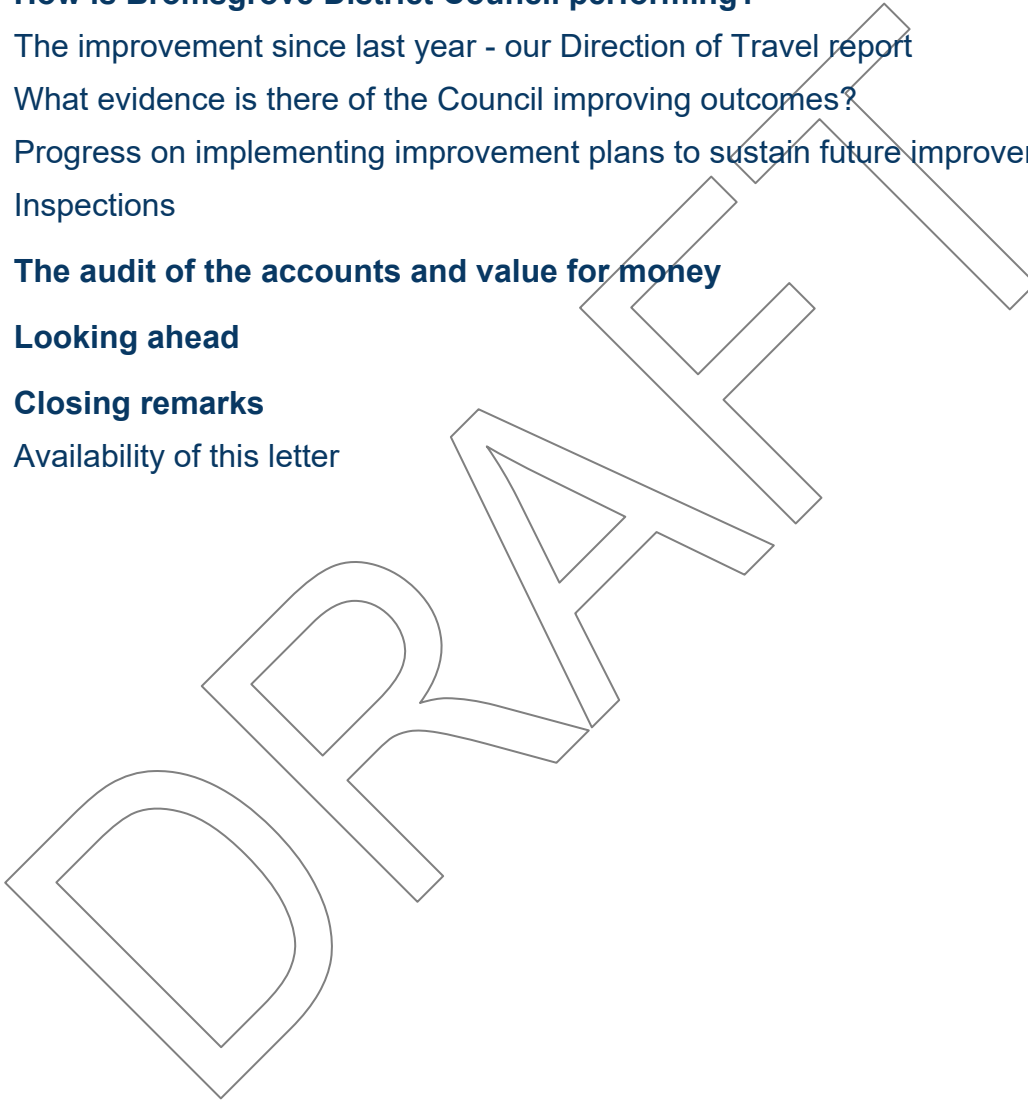
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Key messages

- 1 Overall, Council services are improving. The Council is improving at a faster rate than other councils over the last year but from a low base. Based on a sample of performance indicators (PIs) from the Audit Commission, 63 per cent of PIs improved in 2006/07. The first quarter performance in 2006/7 was disappointing so this good performance is due to significant improvements in the second third and fourth quarters. However, only six per cent of PIs were among the best performing councils compared with the national average of 33 per cent. Overall customer satisfaction with the Council was below average and had not improved.
- 2 Until recently, the Council's focus has by need been largely internal, to rebuild itself and meet the requirements of its improvement plan. It is now shifting its attention more to external, public facing services. It is starting to take effective action to improve priority services such as on recycling, planning and housing and is increasing capacity through effective partnership work. It is delivering improvements in line with most of its plans. It has a robust improvement plan, focused on areas raised in the corporate assessment and linked to priorities. The Council has yet to sustain these improvements and embed the recent changes.

Action needed by the Council

- 3 The Council has to sustain these improvement and embed the recent changes. It needs to continue to respond positively to the recommendations set out in the corporate assessment published in June 2007. These are set out in the Inspections section below. In particular it needs to;
 - continue to improve priority services such as refuse collection to provide a value for money service;
 - embed VFM mechanisms so the Council can build and develop a value for money and efficiency culture;
 - keep focussed and develop robust plans to deliver against its priorities in the Town Centre and Logbridge areas. This is challenging agenda and the Council needs to ensure it has assessed its current capacity and what it needs to deliver;
 - boost capacity through considering the business case for shared services with partners and more innovative funding such as sponsorship;
 - continue to manage the Spatial project closely;
 - embed the changes that are helping to improve member capacity and decision making to ensure the Bromsgrove agenda can be delivered effectively; and
 - respond positively to the findings of the ongoing reinspection of the Council's housing services in February 2008.

- 4 The Council should also respond to the recommendations set out in the Annual External Audit Report 2006/07 dated 29 January 2008. In particular, to further improve value for money the Council should now analyse and report on the links between costs and performance across its services. The Council should align these reports to its corporate priorities. The Council should build and develop the VFM and efficiency culture by involving the understanding and ownership of Members.

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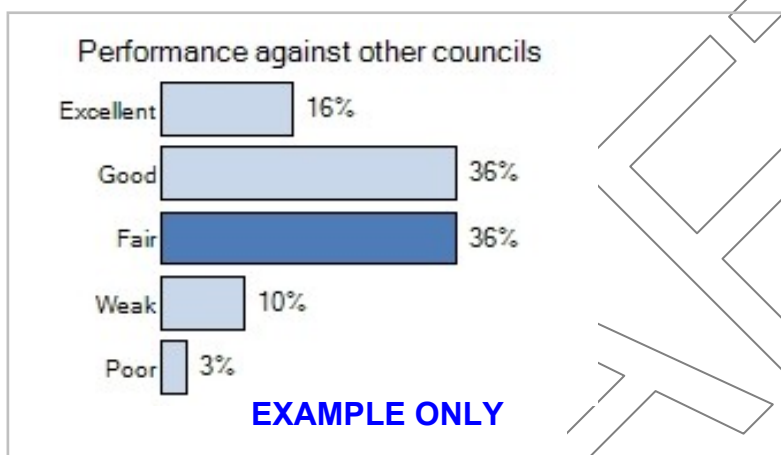
Purpose, responsibilities and scope

- 5 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 6 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 help the Council in meeting its responsibilities.
- 7 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].
- 8 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.
- 9 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.
- 10 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Bromsgrove District Council performing?

- 11 Bromsgrove District Council was assessed as Poor in the Comprehensive Performance Assessment carried out in 2007. 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



[Note: The relevant chart will be added by the Publishing Team based on the information given in paragraph 5. There is no need for authors to add the chart themselves].

Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

Housing

- 12 Performance on Housing was poor in 2006/07. There was an increasing use of poor quality temporary accommodation, putting the Council's performance among the worst 25 per cent of councils, and a lack of affordable housing for local people. Performance on housing is now improving. Following its housing inspection in 2006, the Council has made positive progress to improve housing services which needs sustaining. The Audit Commission will reinspect the Council's housing services in February 2008. This will provide an in depth assessment of progress made.

- 13 Early signs are that it is taking an improved approach on homelessness with partners, providing more support and mediation, particularly for young people and their families. This has reduced the number of homeless people needing accommodation. One hostel has closed and another two are due to close shortly, and no people are in bed and breakfast. The Council has provided 35 self-contained units throughout the community over the last year and is bringing empty homes back into use faster. Better signposting of housing services on the website and in the Customer Service Centre and faster processing of housing benefit applications has improved service. Consultation with the more vulnerable such as homeless, disabled people and hard to reach groups such as gypsies and travellers on their needs, and customer care training for staff has also improved.
- 14 However, although the Council is increasing the supply of affordable housing from a low base, there are some significant challenges in this area for the future particularly given the settlement currently set out in the draft Regional Spatial Strategy. The Council is delivering around 75 new affordable homes a year, just under target, but is constrained by its share of affordable housing over the next twenty years and a high proportion of green belt land. In an area of high house prices this may place pressure on individuals and families seeking to buy affordable houses in Bromsgrove.

A Clean District

- 15 The Council has made good progress on recycling, but refuse collection and street cleanliness were not performing to an adequate standard in 2006/07. Over 40 per cent of household waste was recycled in 2006/07 which is among the top performing councils and satisfaction was high at nearly 80 per cent. Satisfaction with parks and open spaces was high and improving, but performance on street cleaning, a Council priority, was poor. The Council has recently improved street cleansing, such as providing more equipment and 'Hit squads'.
- 16 Refuse collection is high cost and satisfaction is low. Recent performance has improved with fewer missed bins, but the Council needs to continue to improve this area to provide a value for money service, including a review of the fleet of refuse collection vehicles.

Planning

- 17 Planning performance was poor in 2006/07 but has improved recently. Staff have been recruited and teams restructured to provide a better service for customers. The time taken to determine planning applications has improved and is now at 100 per cent for major applications (Council data). There is better access to planning services with surgeries held three days a week where officers are available for drop in sessions.

Customer Service, Reputation and Performance

- 18 Access to Council services is improving but much remains to be done. The Council has made progress on the e-government agenda, with a new Customer Service Centre (CSC) and an improved website which allows payments online. There is a greater customer focus emerging across the Council with staff training, better signposting of services in the CSC and on the website and face-to-face meetings available on Planning and waste services. Processing of housing benefits has improved according to recent Council data. The Council has achieved level 2 of the Equality Standard for local government.
- 19 However, there are still weaknesses in customer service. Overall customer satisfaction with the Council was below average in 2006 at 51 per cent¹. The Council is not meeting its target for answering and handling customer calls. The Council is working to improve these areas to provide a joined-up, efficient and customer focused service. A recent customer survey showed that 71 per cent of people found accessing the Customer Service Centre easy. The Council plans to introduce a new complaints handling system, service standards and further customer care training for staff in 2008. It is also investing £6 million over the next seven years on improving systems and processes which are central to improving customer service as part of the Spatial Project.
- 20 The Council is engaging positively with the public including the vulnerable to improve services. It holds Partners and Communities Together (PACT) neighbourhood meetings, a disabled user group and an equalities forum. These all provide valuable feedback to help the Council shape its services such as on parking and regenerating the town centre. The Council has also employed an outreach worker to work with people in the disabled community to find out their needs, and centres for reporting hate crime have been set up across the district. Because of these initiatives, the Council is gaining a better understanding of the needs of local people.

Community influence and Partnership Working

- 21 The Council is starting to make a greater contribution to wider community outcomes. It plays an active role on the Bromsgrove partnership, such as helping to improve the health of local people and providing activities for young people. Activities for young people include a skate park, play areas, events during school holidays, and sport sessions provided by neighbourhood wardens. The work of the crime and disorder reduction partnership has contributed to reducing overall levels of crime and fear of crime over the last three years.
- 22 Community leadership is improving. The Council is providing greater leadership in the community and is using customer feedback more to deliver improved services. Following feedback from PACT meetings it has set up 'Hit Squads' to target street cleansing, and neighbourhood wardens are working more closely with the Police on reducing anti-social behaviour.

¹ based on 2006 Best Value User Satisfaction Survey.

- 23 Alongside the improvements in community leadership, political and managerial leadership are also improving. The current leadership are well thought of internally and externally. They are taking a strong lead in Bromsgrove's recovery and maintaining a good profile locally in communities and increasingly in the region.
- 24 Discussions continue to be held about shared services, primarily with Redditch, to progress various issues and while none have been delivered so far good progress is now being made on several areas. Work also continues with Worcestershire County Council on Town Centre and Asset Management and Wychavon Leisure Trust on Leisure Services.
- 25 Key areas of focus for shared working where tangible progress has been made are;
- procurement with the Council now providing procurement services to RBC and Wychavon District Council;
 - payroll – agreement as part of report on Medium Term Financial Plan (MTFP) to transfer service to Redditch;
 - elections – proposal submitted to RBC for BDC to run both authorities elections; and
 - CDRP – the merger of North Worcestershire CDRPs being progressed for completion in early 2008/09. The host authority is to be decided.

Town centre and Longbridge

- 26 The Council has a clear understanding of what it wants to achieve in the area, but detailed plans are yet to be developed. It is making positive progress on plans with partners to regenerate the town centre and Longbridge, but it is too soon to see any outcomes from this work. The Council needs to keep focussed and develop robust plans to deliver against its priorities in these areas. This is challenging agenda and the Council needs to ensure it has assessed its current capacity and what it needs to deliver.

Improving Value for Money

- 27 The Council's approach to value for money is developing. The recent assessment of Use of Resources found the Council was not delivering adequate value for money but processes had improved. Costs were above or at average and performance was often below average, such as on refuse collection.
- 28 Processes for improving value for money in the future are in place. The Council now has a value for money strategy and action plan to improve its performance. There is a procurement steering group to help drive efficiency and reduce costs, a more robust performance management framework under a Performance Management Board (PMB), and better use of benchmarking information. Investment for 2008/09 is targeted at Council priorities and savings are being identified in non-priority areas. These mechanisms need to be fully embedded so the Council can build and develop a value for money and efficiency culture.

Progress on implementing improvement plans to sustain future improvement

- 29** The Council is delivering improvements in line with most of its plans. It has a robust improvement plan, focused on areas raised in the corporate assessment and linked to priorities. It is detailed, SMART¹ and closely monitored. Most areas are on track and key milestones have been met. Positive progress is being made on the housing action plan with nearly 90 per cent of actions complete. Implementing the housing strategy is on track, although the issues around affordable housing need addressing particularly given the settlement currently set out in the draft Regional Spatial Strategy.
- 30** The Council is developing plans for the longer term to sustain future improvements, but these are not yet fully developed and embedded. It has reduced its priorities to focus on five key areas in its Council Plan for 2008-11, and financial planning is being aligned to these areas. A new Community Strategy has been prepared with partners with which the Council Plan has been aligned. This outlines shared aspirations for the district for the next 10 years. The Council is playing an active role in regenerating the town centre and Longbridge with neighbouring authorities, but detailed plans are yet to be developed.
- 31** The Council is increasing capacity through effective partnership work. For example, better partnership working on housing is improving homelessness services, and work on the Crime and Disorder Reduction Partnership has contributed to reducing crime. However, the Council can do more to boost capacity through considering the business case for shared services with partners and more innovative funding such as sponsorship.
- 32** A robust performance management framework is in place and is becoming embedded through the Council. Regular performance monitoring is well established at various levels with individual staff targets, and performance reports are clear and focused. Performance is being managed more effectively, with quarterly reports to cabinet and performance clinics have improved areas such as sickness absence and paying invoices. Benchmarking with excellent authorities has begun. The Council now has a data quality strategy in place and risk management has improved. However, there is no standard approach to managing projects, apart from ICT projects, which is a risk in delivering the Council's plans.
- 33** The Council has effective mechanisms in place for communicating progress on plans and performance. It has won an award on internal communications. Communication with staff has improved including back to the floor visits by managers. There is good coverage on performance development reviews in all departments, targets are linked to priorities and training needs identified. This is helping to engage staff in the Council's improvement agenda.

¹ SMART: specific, measurable, achievable, realistic and time-bound.

- 34 The Council generally has the capacity to deliver its plans but there is uncertainty in some areas. Capacity has been strengthened through restructuring the senior management team with a permanent chief executive and executive director, training for middle managers and members and reducing sickness absence. Staff morale has improved, but concerns about job security with future budget cuts and job evaluation need to be managed to avoid any impact on corporate performance. There is also some uncertainty over the deliverability of the ambitious Spatial Project, a major change programme and IT project. However the Council are managing the project closely. Although the project is four months behind, the delay is almost entirely down to a conscious decision to change supplier to ensure the project delivers the benefits the Council needs.
- 35 Member capacity and working relationships have improved. A comprehensive member training programme has helped members have a better understanding of their role and the workings of the Council. Scrutiny has been strengthened and mentors assigned for the cabinet. But although member training continues in accordance with set timescales, poor attendance issues have been raised. It has now been decided that catch up sessions would be arranged for those members who had been unable to attend earlier sessions. It is believed the inclusion of all group leaders on the board is having a positive effect on the programme and attendance.
- 36 The Council has made good progress on improving its governance arrangements, but changes need to be fully embedded. There is a new Code of Conduct and a broad member development programme. New members have brought new skills to the Council and have undergone an induction programme. The constitution has been updated with a smaller Board and more specific roles and responsibilities and the role of the Standards Committee has been strengthened. These changes are helping to improve member capacity and decision making but need to be fully embedded to ensure the Bromsgrove agenda can be delivered effectively.

Inspections

- 37 The Council's first full CPA was conducted in 2007. The CPA assessment was on site in February 2007 and was published in June 2007 and this resulted in a categorisation of "poor". The key strengths in the Council's performance included;
- council leadership has a clear idea about what it wants to achieve and is self aware about the scale of the task required if the Council is to achieve minimum standards;
 - some recent positive progress in addressing area of poor performance; and
 - significant improvement in financial management.
- 38 At the time of the inspection, there were some important areas for improvement in the Council's performance and there was too much complacency about the changes needed to achieve the required improvements in performance. These included:

- overall performance remained below acceptable standards - service performance is poor and recent improvements in some areas have yet to be experienced by the public;
- there is not yet an adequate vision for the area in place and stakeholders (partners, councillors, partners and the wider public) are not clear about the Council's aims;
- the relationship with the County Council is not effective;
- priorities are not sufficiently specific and limited progress in using these to allocate resources;
- many councillors have a poor understanding of their role, a lack of trust between some councillors and staff and this has had a destabilising effect and has damaged the Council's reputation;
- over reliance on key senior individuals to provide leadership resulting in significant risks to the sustainability of capacity; and
- performance management is not yet embedded and there are no processes in place for managing partnerships. The quality of management information is poor and the processes for ensuring value for money are not robust.

39 However, since the publication of the report there has been steady progress and many changes. These include;

- the improvement plan is being implemented successfully;
- a senior management restructure to increase capacity at a senior level and the Council has set up an extensive training programme for members;
- performance indicators for 2006/7 show that Bromsgrove is improving faster than other councils;
- inter authority working is moving forward; and
- the 2006/07 accounts have been closed on time with an unqualified opinion but VFM will have a qualified opinion.

The audit of the accounts and value for money

- 40 Your appointed auditors have issued an Annual External Audit Report which sets out the findings of work completed in the past year. Your auditors also issued the following opinions:
- an audit report, comprising an opinion on your accounts and a conclusion on your use of resources, issued on 24 September 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited and complies with statutory requirements.
- 41 The opinion on your accounts was unqualified, but the use of resources conclusion reported that arrangements in place are adequate except in respect of three areas, as described further below.
- 42 At the same time as giving an opinion on the Authority's accounts, your auditors issued an audit certificate, which marks the conclusion of their statutory responsibilities for the year. Your auditors also reviewed the Authority's WGA submission and concluded that it was consistent with the statutory accounts.
- 43 In 2007, your auditors completed the second review of data quality at the Authority using a methodology developed by the Audit Commission. They considered the Authority's arrangements to be adequate overall. This marks significant progress over last year's assessment when the Authority's arrangements were judged inadequate overall. Their Annual External Audit Report provides further detail on the findings and recommendations arising from the audit.

Use of Resources

- 44 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).

- 45** Between August and October 2007, your auditors completed the third scored judgement on the Authority's use of resources. This assesses the Authority against Key Lines of Enquiry (KLOEs) specified by the Audit Commission, on which the Authority is scored on a scale between 1 (below minimum requirements) and 4 (performing strongly). The scores were reviewed by both KPMG's local and national quality control processes and then by the Audit Commission to ensure consistency in scoring with other auditors and authorities.
- 46** Your auditors assessed the Authority's arrangements as adequate, giving an overall score of 2. This sustains the good performance of the previous year's assessment. Your auditors noted clear improvements in a number of areas of the assessment, including the Authority's medium term financial strategy and budget monitoring arrangements. Your auditors have summarised the findings and conclusions in section 3 of their report with a summary of our recommendations included in Appendix A. They also reconsidered all recommendations made in the previous year and have reiterated those that they consider significant within this year's recommendations.
- 47** Your auditors reported their conclusion on the Authority's use of resources alongside the accounts opinion on 24 September 2007. The conclusion is based on to the extent to the Authority meets 12 criteria specified by the Audit Commission which link to the other audit work – for example, on Use of Resources scored judgement and Data Quality. It is unqualified where these are all met and qualified if there are areas where the minimum standards are not fully addressed.
- 48** Your auditors concluded the Authority has made proper arrangements to secure economy, efficiency and effectiveness on 9 of 12 criteria determined by the Audit Commission. The Authority was not able to meet 3 criteria as follows:
- setting strategic and operational objectives,
 - consultation with stakeholders, and
 - monitoring and scrutiny of performance.
- 49** This represents an improvement from last year when the Authority failed to achieve 8 of the 12 Audit Commission criteria. Your auditors reported the findings in the report to those charged with governance (ISA 260) in September 2007.
- 50** For the purposes of the CPA your auditor has 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

Element	Assessment
Financial standing	2 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, 4 = highest)

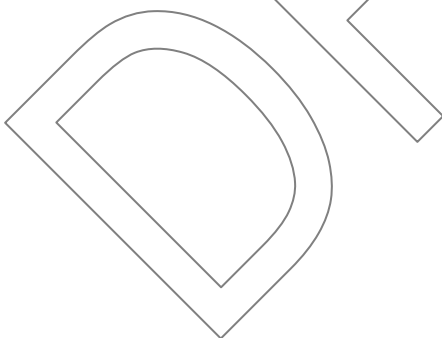
The key issues arising from the audit

[This section should include key issues relating to any aspect of the auditor's responsibilities, potentially also including the pension fund audit and WGA. If the vfm conclusion was qualified explain the reasons for this, which will be related to the criteria for which the Council did not have proper arrangements. Explain the basis for any qualification of the Council's accounts. Comment on significant issues reported to those charged with governance that should be brought to the attention of the Council. Highlight additional issues arising from work on the Use of Resources.

Also include reference, where appropriate and using appropriate headings, to the National Fraud Initiative and the audit of grant claims and any other specific audit work that includes issues that need to be brought to members' attention.

In particular focus on:

- aspects of the Council's performance that are recognised to be good practice/have improved considerably in the last year;
- the main areas where further development is required by the Council; and
- any specific work undertaken linked to vfm conclusion/UoR/SIC/accounts that warrants the high level attention of the Council.]



Looking ahead

- 51 The public service inspectorates are currently developing 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.
- 52 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 53 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 Local Area Agreements.

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Closing remarks

- 54 This letter has been discussed and agreed with xxx. A copy of the letter will be presented at the [audit committee/ cabinet/ full council] on xx xxx 2008. Copies need to be provided all Council members.
- 55 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 2006
Role of the Monitoring Officer	June 2007
Report to those charged with governance	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual External Audit Report	January 2008
Corporate Performance Assessment Report	June 2007
Annual audit and inspection letter	March 2008

- 56 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

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

Name [do not sign]
Relationship Manager

Date

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