

Annual Audit and Inspection Letter

March 2008



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Babergh District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- Auditors are appointed independently from the bodies being audited;
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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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Key messages

- 1 Babergh District Council's overall performance remains good, but it has not been delivering sustained overall improvement against key performance indicators. The Council has taken action to improve services in priority areas. It has established new safer neighbourhood teams in specific problem localities. The proportion of affordable homes completed this year is above the national average. The number of homeless people has been reduced to 63 from 108 in the previous year. The Council has driven a successful initiative preventing falls in older people using their 'Sloppy Slipper' campaign. Customer access has improved following the implementation of the new Contact centre. Babergh continues to provide good value for money, for example through its new joint waste contract.
- 2 Areas that are still to be addressed are, complaints handling, diversity and equalities. There is limited evidence of improved outcomes for local people from the Babergh East Local Strategic Partnership. The Council is on target to meet the decent homes standard. Actions are in hand to deliver further improvements in customer service, developing affordable housing at Chilton Woods and on fuel poverty and smoking cessation.
- 3 The Council has been assessed overall as performing well in its annual use of resources assessment.

Action needed by the Council

- Monitor progress and outcomes against the various areas for improvement arising from the use of resources assessment for the Council.
- Ensure that progress against key Best Value Performance Indicators continuously improves.
- Review handling of complaints to ensure these are monitored and appropriate action taken.
- Ensure that the Council has sufficient focus on diversity and equalities.
- Act on recommendations in the 'Partnerships in Leisure' report, specifically in relation to developing a long term vision and strategy for sports and leisure.

Purpose, responsibilities and scope

- 4 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.
- 5 We have addressed this letter to councillors 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.
- 6 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.
- 7 As your appointed auditor I am 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, I review and report on:
 - the Council's accounts; and
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).
- 8 Your incoming auditor, PKF has reported on 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 Babergh District Council performing?

- 11 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 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?

- 12 Babergh District Council's overall performance remains good but the council has not been delivering sustained overall improvement, as measured by its Best Value Performance Indicators (BVPIs). For 2006/07, 38 per cent of Babergh's BVPIs were in the top quartile for all councils. This compared to an average for all districts of 33 per cent. However, only 41 per cent of BVPIs improved on 2005/06 compared to an average of approximately 58 per cent for district councils as a whole. The council failed to achieve its own PI targets for more than half its PIs.

- 13 The Council has continued to take action to improve its services in priority areas, which are:
- maintain a safe, clean and sustainable environment;
 - increase the supply of housing that local people can afford to rent or buy;
 - promote healthy living and reduce health inequalities;
 - give easy convenient access to quality services; and
 - raise individual and community ambitions, and encourage active citizenship.
- 14 The Council has a basket of indicators that increases focus on the most important areas within these priorities and, currently there is a positive direction of travel for 17 of the 22 PIs (77 per cent) where comparison is possible.
- 15 New safer neighbourhood teams have started to impact on specific localities where intelligence indicates there are a number of anti-social behavioural problems. Cross-cutting teams, together with the police are targeting young people and alcohol related offences are starting to reduce. Progress on recycling and waste, which is a priority identified by local residents, has been good. Recycling achieved top quartile performance on key BVPIs and collection is second quartile for amount of rubbish collected.
- 16 Performance on affordable housing has improved despite the challenges facing rural councils. The proportion of affordable homes completed, or acquired in 2006/07, is three per thousand which puts the council in the top quartile nationally. Homelessness prevention has improved as a result of the implementation of the Homelessness Strategy. In the last year the figures have reduced to 63 from 108 in the previous year. In addition, the Council has started to refurbish Stour House, the homeless hostel in Sudbury, to make self-contained units and provide better advice and support.
- 17 The Council's priority for healthier communities has driven a successful initiative preventing falls in older people. Public Service Agreement (PSA) reward grant has been used to exchange slippers in the 'Sloppy Slipper' campaign. Our review of the Leisure Services partnership found that the partnership between the Council and the South Suffolk Leisure Trust (SSL) is developing and not yet fully delivering on shared priorities. There is a lack of clarity about what the Council's wider ambitions for sport, leisure and cultural provision in Babergh will mean for local people and how it will be delivered. SSL is not currently contributing effectively to strategic development of sport and recreation. Nevertheless, the partnership has successfully improved sport and recreational services required in the short time since it was set up. Partnership working is good and the longer term relationship is expected to follow.

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- 18 Customer access has improved, although there are still some issues that need to be addressed. Through implementation of the Customer Access and Service Transformation (CAST) plans, four customer service teams have been created following extensive business process re-engineering. Data from transactions show good results in resolving customer queries at first point of access satisfactorily. However, 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. Complaints handling continues to be an area of concern. Satisfaction with complaints handling at the Council is 28 per cent and remains in the bottom quartile. The Council does not yet know the reason for high numbers of dissatisfied customers, or which services are causing concern and is currently investigating this.
- 19 The Council with its partners has achieved some outcomes against its fifth priority, which is to '*raise individual and community ambitions and encouraging active citizenship*'. For example, it has successfully engaged with the Post Office and local parishes to influence local post office closures and has been persuasive in arguing for post office provision in Assington. But partnership outcomes are difficult to capture and articulate and the Council recognises that partnership working needs strengthening and embedding across a range of partnerships to achieve more.
- 20 Babergh's community leadership is providing positive role models for partnership working. The Council has an inclusive approach and can show a number of examples this year of effective partnerships including working with the Haven Gateway partnership on growth and sustainability. The Council has signed a fourteen year waste contract with Mid-Suffolk District Council, entered into a Building Control partnership with Ipswich Borough Council and Suffolk Coastal District Council. To date, however, although there is evidence of improved outcomes for local people from partnership working in the West Suffolk Local Strategic Partnership (LSP), there is more limited success in Babergh East LSP. Distribution of the reward grant generated from the success of achieving 'stretched' government targets has had a positive impact and there are schemes, such as luncheon clubs that have been set up to improve the quality of life for elderly isolated residents.

- 21** Diversity and equalities have still to be fully addressed and the Council still cannot be confident it understands its community's needs. It has achieved level one of the equality standard for local government, on a scale of zero to five. Seventy one per cent of councils achieved a higher rating than this. There is a lack of a fully co-ordinated approach to diversity, impact assessments are not undertaken systematically and engagement is piecemeal. Efforts to date have focused on internal policies, procedures and training for all staff and most councillors to enable appropriate challenge to stereotypes. The Council does endeavour to meet the needs of its customers by providing facilities such as translators, literature in different languages and home visits, but this is largely reactive although some innovative distribution of literature is designed to open up dialogue with specific groups such as the polish community. It has recently formed a Steering Group with divisional representation and a Member Champion. This provides the Council with a forum to address these issues.
- 22** Performance has deteriorated in some areas, notably planning, where BVPIs for 2005/06 show that determining times for all three types of planning applications have been getting longer. In-year performance shows a mixed picture with no consistent pattern of improvement. This is associated with a high staff turnover at a time of increasing demands on this service. There is positive evidence on the quality of planning processes - the Council won their major planning appeals recently. The Local Plan is up to date and all determinations are in line with planning policy. Savings have been achieved in the planning service following implementation of new processes, arising from business process re-engineering.
- 23** Babergh continues to provide good value for money for its residents. For example, the new joint waste contract costs less than it would have done had a separate contract been let just for Babergh.

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

- 24** The Council is delivering improvements through a variety of methods which are not at present fully joined up. The Council is in the third year of its four year Corporate Performance Assessment (CPA) improvement plan, but in practice improvements are also being driven through other plans such as the corporate plan, the CAST project plan and service plans. The improvement plan has not been the key driver and councillors are not monitoring it actively. The final report on progress for 2006/07 was not reported until October 2007, over six months after the end of the financial year. Only 67 per cent of planned actions for 2006/07 were completed as scheduled. Actions not completed include a review of LSPs, a further review of the complaints process and integration of service standards into service delivery. The latter two actions had already slipped from previous years. The Council now intends to improve management of the improvement plan by integrating it with other Council plans.

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- 25 It is proceeding with its plans to improve key services. Some of the savings from the CAST programme are being reinvested to improve customer services. The Council has begun a project to look at how other councils have improved their complaints handling performance, in order to learn from their approach. Service and financial planning has improved and linkages are now firmly in place as part of budget setting.
- 26 Plans are being put together to develop Chilton Woods near Sudbury which is intended to comprise 800 new houses of which 35 per cent will be affordable units. This is in line with the Council's growth agenda and affordable housing plans. Sustainable plans for developing Great Cornard are also in place. The Council is on target to meet the decent homes standard although will need to keep costs under review and plan approaches to enable it to meet its own enhanced 'Babergh Standard'.
- 27 The Council has not yet developed a comprehensive plan to improve on diversity and equalities, but it has taken initiatives in some specific areas. A health inequalities network has been established and has begun to focus on fuel poverty and smoking cessation. An enforcement team has been deployed in Sudbury targeting manual and semi-skilled workplaces to give advice and guidance on compliance with 'smoke free' legislation. Funding is available through the LSP to work with agencies who visit vulnerable people in their homes to spot where fuel poverty is a problem but it is too early for this work to have had an impact.
- 28 There is sufficient capacity to achieve plans. Political capacity is good and there is consensus about most issues, but decision making is slow. Decision making is hampered by the Council's constitution. . At officer level leadership capacity was initially strengthened this year as a result of re-structuring, but the recent vacancy of one of its two corporate directors has significantly reduced top level management capacity. Although the number of section heads has been reduced, resources have been aligned with priorities and front office processes made fit for purpose and provide better customer access. Managers are empowered to take responsibility for areas of service delivery and the quality of the customer experience has improved. There is optimism for the future throughout the Council and confidence that more can be achieved.

The audit of the accounts and value for money

- 29 As your appointed auditor I have reported separately to the Strategy Committee on the issues arising from our 2006/07 audit and have issued my audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 28 September 2007.
- 30 Your incoming auditor reported on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 31 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).
- 32 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
Financial management	3
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)

Financial reporting

- 33 The Council is performing well in this area with the Council producing their annual accounts in accordance with relevant standards and timetables and promoting external accountability.

Financial management

- 34 The Council is performing well in this area. Additional arrangements have been put in place since the previous assessment to link operational activity indicators to the budget monitoring process, and monitoring progress of planned savings and efficiency gains are now embedded. In particular additional arrangements to support councillor reporting were identified which showed strong linkage between financial reporting and operational indicators. This has resulted in an improvement of the overall theme score.

Financial standing

- 35 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

- 36 The Council is performing adequately in this area, although there continues to be scope to improve and embed arrangements around risk management training, business continuity planning, updating procedure manuals and discharging the core functions of an Audit Committee.

Value for money

- 37 The Council is performing well in this area, with the key areas of strength remaining the same as the previous assessment in particular noting that cost comparisons with other councils remained in the lowest quartile for its 'nearest neighbours' group.

Partnerships in leisure

- 38 In 2007, we carried out a performance audit of partnership arrangements in relation to South Suffolk Leisure Trust (SSL) established in October 2005 to contribute towards our value for money conclusion. Based on revenue estimates, the Council is forecast to spend £1.6 million on all leisure provision in 2007/08 (or 15 per cent of net revenue expenditure).
- 39 In summary we found that, the partnership between the Council and SSL is developing but not yet fully delivering on shared priorities. This longer term relationship is expected to follow. The first priority has been achieved and was to ensure financial stability and to rebuild customer levels and satisfaction. The Council has yet to resolve the future of Hadleigh Swimming Pool. The Council and SSL acknowledge that the next challenges to be faced are to focus on other key areas around the 'strategic fit' of sport and recreation facilities and the services they provide. The following paragraphs provide more detail.

- 40 Partnership working is good. The strength of the partnership is helping the Council and SSL to start to take a strategic and longer term view. However, much of the thinking has yet to be shared with other key individuals and organisations. There is a lack of clarity about what the Council's wider ambitions for sport, leisure and cultural provision in Babergh will mean for local people and how it will be delivered but this is being developed in its new Corporate Plan.. The Council has no long term strategic plan which is aligned to that of SSL. Although the Council has in place five priorities very clearly defined including: '*To promote healthy living and reduce health inequalities*'; and '*To give easy access to public services*' the partnership cannot yet show the outcomes that contribute to these priorities because outcome focused target setting is not yet in place.
- 41 Nevertheless, the partnership has successfully improved sport and recreational services required in the short time since it was set up. Resources have been channelled into immediate service improvements. The relationship between the Council and SSL is gaining in maturity and the partnership has concentrated on providing high quality, modern services and improving these for local people.
- 42 The overall approach to performance management is weak and there are key areas that are underdeveloped:
- the current performance management framework lacks specific cultural or sport and recreation outcomes; and
 - some of the detailed performance management arrangements between the Council and SSL are unclear.
- 43 This is important because, as a discretionary area of spend, sport and leisure facility management needs to demonstrate that it is delivering added value for the investment that is being made.
- 44 The Council and SSL do not adequately monitor or measure value for money within sports services. Systems to drive value for money are underdeveloped because of weak performance management. Some information on costs is available, but performance indicators are largely based around participation and cost; outcome and impact measures are currently underdeveloped. This means that SSL cannot demonstrate the extent to which it is delivering cost-effective sport and recreation services, and is not fully able to demonstrate the impact it is making against corporate and community priority outcomes established by the district council.
- 45 SSL has no clear strategic plan yet in place to support future funding decisions although it does have a five-year Business Plan or funding agreement. The operation of the SSL predicts long-term savings to the Council. However, more robust analysis of SSL's financial forecast model will be needed to secure further funding as the business seeks to develop. Financial remodelling of the partnership may well be needed if the Council wants SSL to become more active within the community.

Local Area Agreement (LAA) Phase 2 – Health Inequalities (the Suffolk-wide report)

- 46 In 2006, the Audit Commission undertook an audit of the LAA partnership in conjunction with PricewaterhouseCoopers who were then the external auditors for three of the district councils (Ipswich Borough Council, Mid-Suffolk District Council and Forest Heath District Council). It was agreed to complete this work through a phased approach with Phase 2 taking place in 2007. Phase 2 built on the findings of the previous audit, included PKF who are now the external auditors for Babergh District Council, and used a ‘tracer’ through a focus on the partnership’s approach to health inequalities.
- 47 Our work recognised the significant work partners had achieved to consult with local residents and disadvantaged and previously excluded groups in carrying out a comprehensive needs analysis for the county of Suffolk. We also reported that:
- progress has been made in a number of areas and there is a strong commitment to partnership working and principles have been established and agreed to develop LAA2;
 - needs analysis is effectively informing plans for future health improvements and LAA targets are informed by this data; and
 - increased capacity for addressing health inequalities is being driven and harnessed by a joint Director of Public Health with performance being monitored and challenged through the Suffolk Health Overview and Scrutiny Committee.

However:

- despite the performance management framework established by the LAA, there is a lack of challenge and performance management is not consistently driving improved outcomes for local residents. At the end of 2006/07 only 51 per cent of the original targets were on track with insufficient baseline data established against a range of other targets;
- LAA targets are being incorporated into partner agencies but there is an inconsistent approach which could lead to a lack of focus and co-ordination;
- some of the barriers to effective delivery of the LAA have not yet been overcome with a lack of wide understanding amongst partners and no shared vision. Budgets are not yet being pooled; and
- the range of strategies that impact on health outcomes for the people of Suffolk, although under development, are not driven by the LAA. Health outcomes are mixed and severe budget constraints of some partners have had an effect on capacity.
- each district council has been issued with its own individual report.

Looking ahead

- 48 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.
- 49 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.
- 50 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.

Closing remarks

- 51 This letter has been discussed and agreed with senior officers. A copy of the letter will be presented at the Overview and Scrutiny (Stewardship) Committee on 13 May 2008. Copies need to be provided to all councillors.
- 52 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 for 2006/07	May 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Partnerships in Leisure report	November 2007
Use of Resources report	December 2007
Data quality report	January 2008
Annual audit and inspection letter	March 2008

- 53 The Council has taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation.

Availability of this letter

- 54 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 2008

Robert Davies
District Auditor