

Annual Audit and Inspection Letter

March 2007



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Breckland Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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Our overall summary

- 1 This Annual Audit Letter (letter) provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These two latter components will be an important consideration for any future decision regarding the potential for a rescoring of the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The letter is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this letter are as follows.
 - Breckland Council has a strong focus on improvement. Many performance indicators have improved and local people are getting some high quality services, particularly in areas such as benefits. Local people are experiencing improved access to services and information. Overall customer satisfaction is improving. The Council recognises the impact of migrant workers on the local area and has taken steps to help to integrate them into local communities. Business and improvement plans match Council priorities, and robust performance management assists delivery. Capacity has been recently enhanced by key partnerships with both Parkwood Leisure and Capita.
 - However, strategic housing is not improving and cultural services were judged to be 'poor' in a recent inspection. The Council is not consistently engaging and consulting well with older people. Risk management, although improving is not fully integrated with the performance management framework and annual delivery plans. Senior management capacity has been stretched, although this should be resolved when a new chief executive takes up their post.
 - We issued an unqualified audit opinion on the 2005/06 statement of accounts and certified the completion of the audit.
 - We concluded that, in all significant respects, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006, except for the failure to put arrangements in place to manage its significant business risks.
 - The Council's overall corporate governance arrangements are satisfactory but further work is necessary to develop risk management arrangements.
 - We assessed the Council as performing at level 2 in our 'use of resources' judgement. This represents an adequate level of performance.

Action needed by the Council

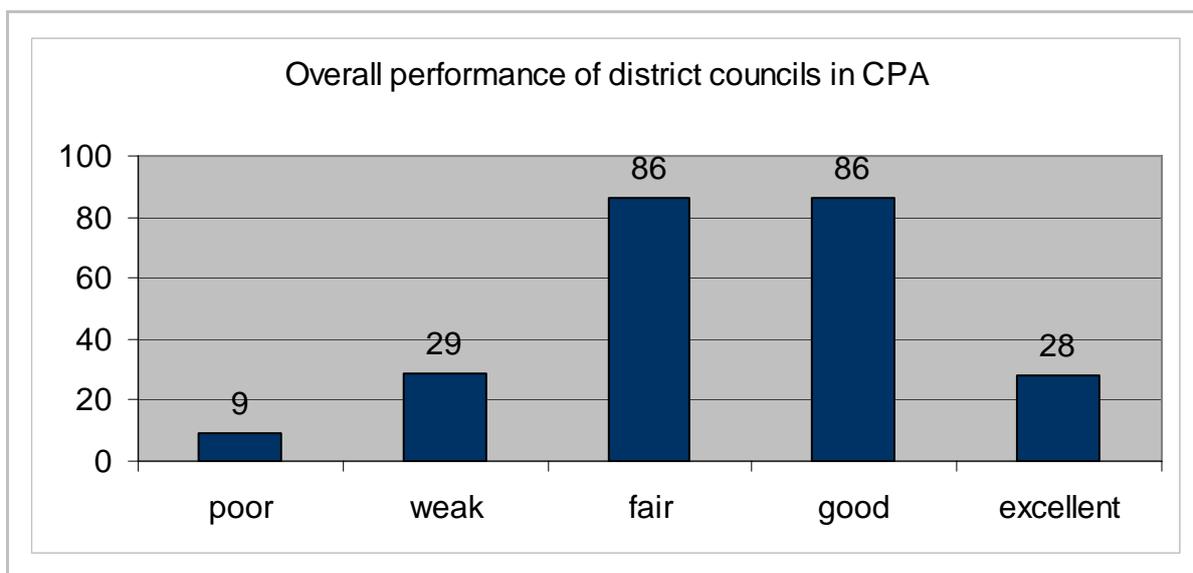
4 The Council should:

- continue to drive forward the Council's improvement programme to address areas of poorer performance;
- address the issues necessary to further improve the Council's use of resources assessment; and
- further embed risk management into the operational arrangements of the Council.

How is Breckland Council performing?

- 5 Breckland Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now starting to update 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?

- 6 The Council has made solid progress against its identified corporate priorities, although there is still work to do in some areas. In its Business Plan to 2010, the Council has identified three objectives – a well planned place to live that encourages vibrant communities; a safe and healthy environment; and a prosperous place to live and work. These in turn have been underpinned by nine objectives. There have been improvements in many areas such as housing benefits, but work still to do in others, such as strategic housing, where for instance the management of homelessness was underperforming, for example lengthy stays in bed and breakfast accommodation during 2005/06. In addition performance in relation to the number of affordable housing completions or acquisitions has deteriorated.

- 7 However, the Council has been focussing its efforts on preventing homelessness, for example it has launched a Young Homelessness Forum which is helping to reduce the number of homeless young people and has led on the Norfolk Sanctuary Scheme to assist victims of domestic violence. Current initiatives include working in partnership with private sector landlords to provide more temporary and permanent accommodation, but meeting the targets set within the Annual Delivery Plan for 2006/07 would not deliver performance to match councils in the upper quartiles.
- 8 Performance indicators for 2005/06 demonstrate that the Council is consolidating its position and this is supported by other initiatives, where it is looking to improve outcomes in priority areas. Seventy per cent of the Commission's basket of indicators show improvement when compared to the previous year, as opposed to the district council average of 58 per cent, and 42 per cent are in the best quartile, compared with the average of 31 per cent. The Council is embarking on initiatives that are intended to meet its priorities and will benefit local people in line with stated priorities.
- 9 An example is the Rural Enterprise Valley (REV) project; with £6 million of funding to boost high tech motor sport and other associated engineering on a 30 acre site in Thetford, to help meet the Council's objective to enable quality employment in the district. A key target of this project is designed to meet the specific corporate objective of fostering a culture of learning and skills development. The project includes a programme of skills development and will be targeted in one of the most deprived parts of the district. Measurable outcomes are being set, in line with key outcome targets within the business plan.
- 10 In September 2006 the Audit Commission published its inspection report on cultural services and found them to be 'poor', but with 'promising prospects' for improvement. The Council prepared an improvement plan to address the shortcomings identified in the report. A new cultural team is in place and is working on a large scale programme of activities in market towns and rural areas. The new leisure partnership has been successful in improving leisure facilities ahead of schedule with both the completion of the extension and refurbishment of Thetford Leisure Centre and the building of the new leisure centre in Dereham, opening this spring. Further improvements are planned.
- 11 The Council is contributing to wider community outcomes and strengthening its engagement with partners. It has taken on an enhanced role with the Local Strategic Partnership (LSP), which is now chaired by the leader of the Council and has responsibility for delivering both the community strategy and the cultural strategy. All five area partnerships within the district have membership on the LSP and a dedicated officer was appointed on a two year contract from January 2006 to help co-ordinate and ensure delivery of the partnership's objectives. The Council has set up a working group to drive forward its work on the LAA. The group is in the process of co-ordinating the Council's action and involvement, but it is too early to assess the likely impact.

- 12 The Council has improved access to services for the community and engages with vulnerable and excluded groups, although there is limited dialogue aimed specifically at older people. There are improved facilities for those contacting the offices, with swifter services and some financial transactions being possible by telephone at the first point of contact. Extending the opening hours of customer service centres at Attleborough and Swaffham has improved access in those local communities.
- 13 The Council has tried to integrate migrant workers into the community. The Breckland New Communities project has helped 1,700 migrant workers with employment and education. In addition, the Council has provided funds towards the appointment of a community worker post and has introduced pictorial guides in relation to the street scene service, as well as leaflets in various languages. However, the population of Breckland comprises almost 20 per cent over 65s, and yet specific consultation and communication with older people is limited. Engagement tends to be through the citizens panel or by individual initiatives linked to a particular service, such as 'bowling for health', rather than by tailored arrangements. It has an equality strategy in place and all service plans now incorporate equalities targets, with equality impact assessments being undertaken where relevant to a particular service. The Council has achieved level 2 of the equality standard for local government and equality is now incorporated as part of the service planning process.
- 14 The Council has made some progress on value for money, although there are some service areas where cost is not matched by performance or user satisfaction. Efficiency savings are being secured at the target level set by the government and a new framework is being introduced to improve monitoring and reporting internally. However, some services, such as homelessness and cultural services have yet to demonstrate value for money in terms of performance relative to expenditure. In both instances, the Council is aware of the situation and has put in place arrangements for improving the link between cost and quality. At this stage, the link between value for money and quality of service is variable.

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

- 15 The Council has developed a robust form of improvement planning. The overall business plan sets out clearly the Council's key priorities, the details of which are fed into the Annual Delivery Plan covering all executive portfolios. Delivery plans stipulate SMART¹ targets, including quarterly milestones. These in turn feed down to service team targets. The Star Chamber process ensures that annual business planning matches council priorities and the identified needs of residents. As a result, the Council is in a position to identify and monitor improvements in accordance with its plans and priorities.

¹ Specific, Measurable, Achievable, Real, Timely

- 16 Mechanisms are in place for ensuring that improvement plans are implemented and include close involvement by elected members. There is monthly monitoring by portfolio holders, together with quarterly performance clinics which include the leader of the Council. A new addition in 2006 has been the introduction of a 'hothouse panel' which assesses performance in greater depth where necessary. The panel is led by the deputy leader and has been able to ensure that appropriate action plans are drawn up where performance targets are not being met. The Council has made some improvement in its risk management arrangements as a risk assessment strategy was approved by members in November 2006. More work is needed to further develop the risk register on the performance management system, incorporate key risks in the annual delivery plans and embed the risk management process throughout the Council. Overall, the Council has appropriate arrangements in place for monitoring improvement and ensuring the delivery of quality services.
- 17 The Council is enhancing its capacity to deliver its plans. A strategic alliance with CAPITA is in its early stages and, consequently, has yet to produce results. The project is aimed at improving performance and delivering efficiencies and will be addressing areas such as mobile working arrangements, shared services for human resources and payroll, building control and development services, and a review of ICT architecture. Capacity is also being built within leisure services by way of a private finance initiative with Parkwood Leisure, which includes enhancements to Thetford Leisure Centre, in accordance with user requirements. Internally, the Council has introduced the 'Investment in Excellence' tool, which is geared towards promoting self awareness and development, and which has been well received by the 200 or so staff who have so far participated, and is now being extended across the organisation. Breckland Council has a lean management structure. Senior management capacity has been stretched since November 2006, as a result of the departure of the Chief Executive and long term sickness of two key senior officers. This put considerable strain on the remaining officers and interim appointments. Whilst it is expected that this situation will be shortly resolved, it has had a significant impact on staff morale.
- 18 Overall, the Council is consolidating on previous work and continues to demonstrate an awareness of the issues facing the area and the need for continuous improvement in the way that it delivers services to local people.

Service inspections

- 19 An inspection of cultural services was carried out last year and a report published in September 2006. The inspection team found the services to be 'poor' but with 'promising prospects for improvement'. The service was poor because:
- the Council had no clear understanding of what it wanted to achieve through its cultural services and there had been no strategic approach to capturing cultural needs and delivering services;
 - the Council was failing to offer a diverse range of district-wide cultural opportunities, particularly in arts and sports development;

10 Annual Audit and Inspection Letter | How is Breckland Council performing?

- satisfaction levels for sports and leisure facilities and parks and open spaces, were among the worst nationally; and
- partnership working to raise district-wide levels of physical activity was weak.

But:

- there were some good community health initiatives; and
- improving value for money through the new partnership with Parkwood Leisure.

- 20 However, the new leisure partnership is already improving leisure facilities and re-investing in arts and sports development. Also the Council is taking steps to ensure that future cultural service provision is informed by a full assessment of local need.
- 21 The inspection report made a number of recommendations which are essential if the Council is to achieve its ambitions for cultural services. Members should note these and monitor their progress.

Performance reviews

- 22 Breckland Council took part in a Norfolk-wide review of E-Government and Customer Access during 2006. The review sought to better understand the complexity of electronic service delivery and access to services across Norfolk, and to gain assurance that improved access to services and efficiency gains were being delivered. It found:
- the Council is a member of the Anglian Revenues Partnership with other district councils and has realised benefits in sharing staff, facilities and IT systems. The service provides a consistent, equitable approach to benefits services;
 - the Council has used the 'People First' project and its Corporate Customer Services project to improve access;
 - the Council has independently procured a customer relations management system;
 - the Council works well with other Norfolk councils and was given an 'excellent' rating in a mystery customer survey which was carried out as part of the review;
 - Customer Service Centres across the district are operated in partnership and effectively support residents in providing a one-stop facility for Town Council, District and County Council issues; and
 - the Norfolk Connect Partnership (of which the Council is a member), has clear objectives and has delivered a number of projects since it began in 2001, for example the Norfolk Connect on-line portal benefited from Partnership strategic procurement decisions.

However:

- at the time of the review the Partnership lacked a clear direction and had suffered from a loss of impetus; and
- overall, there have been missed opportunities to develop and procure joint customer access related systems or solutions, which may have offered improved customer services and efficiency possibilities.

23 A number of joint recommendations were made to enhance Norfolk-wide customer access and improve outcomes and value for money across the Norfolk Connect Partnership. Members should note and consider the recommendations from these reports.

Financial management and value for money

- 24 Your appointed auditor has reported separately to members on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate except for the failure to put arrangements in place to manage its significant business risks; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 25 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); and
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 26 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 (1- 4)
Financial reporting	2
Financial management	2
Financial standing	2
Internal control	2
Value for money	2
Overall assessment of the Audit Commission	2

(Note: 1 = lowest, 4 = highest)

- 27 The overall score of 2 indicates that the Council is performing adequately overall. The key issues arising from the audit, as reflected in the above judgements are set out below.

The Council produced its annual accounts in accordance with the relevant standards and on time, supported by comprehensive working papers. However, the 2005/06 statement of accounts contained a material error in relation to a transfer of £31 million from the Provision for Credit Liabilities (PCL) to the Useable Capital Receipts Reserve which management agreed to reverse as the Council failed to meet the statutory deadline of 1 October 2005 for determining the relevant transfer. The Council had agreed the original accounting treatment having sought advice from the Office of the Deputy Prime Minister (ODPM). However, the ODPM did not have the powers to authorise the dispensation to make a determination for a transfer after a statutory deadline.

- 28 Although the Council does publish summary accounts alongside the statutory accounts, further action could be taken to promote external accountability through consulting stakeholders regarding their requirements in respect of the publication of the summary accounts and producing an annual report.
- 29 Financial management arrangements have been strengthened during 2006. The introduction of Annual Delivery Plans for each of the corporate portfolios and the Star Chamber process provide a clearer link between the annual corporate business planning and annual budget process.
- 30 Although adequate budget monitoring arrangements are in place, planned savings and efficiency gains are not monitored separately to other movements in the year. However, the Council has introduced a new framework to identify, monitor and report Gershon efficiencies during the year. Despite some progress in 2006, further work is also required to fully update the asset management plan, assess the level of backlog maintenance and detail the planned action to improve corporate asset use.
- 31 The financial standing of the Council is sound and overall spending is maintained within budget with levels for reserves and balances assessed as part of the annual budget process. However, no monitoring information is available which evaluates the effectiveness of debt recovery action and associated costs and the cost of not recovering debt promptly.
- 32 Our assessment of internal control found that the Council has made some improvement in its risk management arrangements as a risk assessment strategy was approved by members in November 2006. The strategy identifies the further work needed to develop the risk register on the performance management system and incorporate key risks in the Annual Delivery Plans and embed the risk management process throughout the Council. Although the Council has adequate arrangements in place to maintain a sound system of internal control, the assurance framework needs further development to show clearly the link between the Council's strategic objectives and risks, controls and assurances.

- 33 Progress is being made on embedding a VFM culture. Team targets and the processes for reviewing and improving VFM are in place and have led to improvements. Investment is being made in under-performing services to secure future improvements. The Council has plans to improve efficiency and VFM further through the strategic alliance partnership and service team plans for 2007/08 are to include links to procurement and to Gershon efficiency savings. Procurement practices have been strengthened in 2006 with the appointment of a procurement officer and the implementation of a new procurement strategy. It is too early to assess whether these developments will improve procurement efficiency and effectiveness across the organisation.
- 34 Overall costs are below average when compared with the Council's nearest neighbours but the relationship between costs and service performance is variable and some service costs are high such as homelessness. A limited amount of benchmarking of services is undertaken but there are plans to further develop benchmarking arrangements through the Council's membership of the Norfolk group of the Regional Centre for excellence.

Conclusion

- 35 This letter has been discussed and agreed with the acting Chief Executive and the Chief Accountant. A copy of the letter will be presented to the Cabinet on 24 April 2007.
- 36 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

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

Susan Jewkes
Relationship Manager

March 2007