

DC Annual Audit and Inspection Letter

March 2007



Annual Audit and Inspection Letter

Tendring 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.
- 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.

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- any third party.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
 - Services are broadly being improved in line with the Council's objectives, with 60 per cent of the performance indicators used to assess direction of travel showing improvement.
 - Performance management arrangements are operating effectively and are being further strengthened.
 - An unqualified opinion was issued on the 2005/06 financial statements in September 2006, along with an unqualified conclusion on the arrangements to secure value for money.
 - Overall the Council scored a 3 (good) in our use of resources assessment.

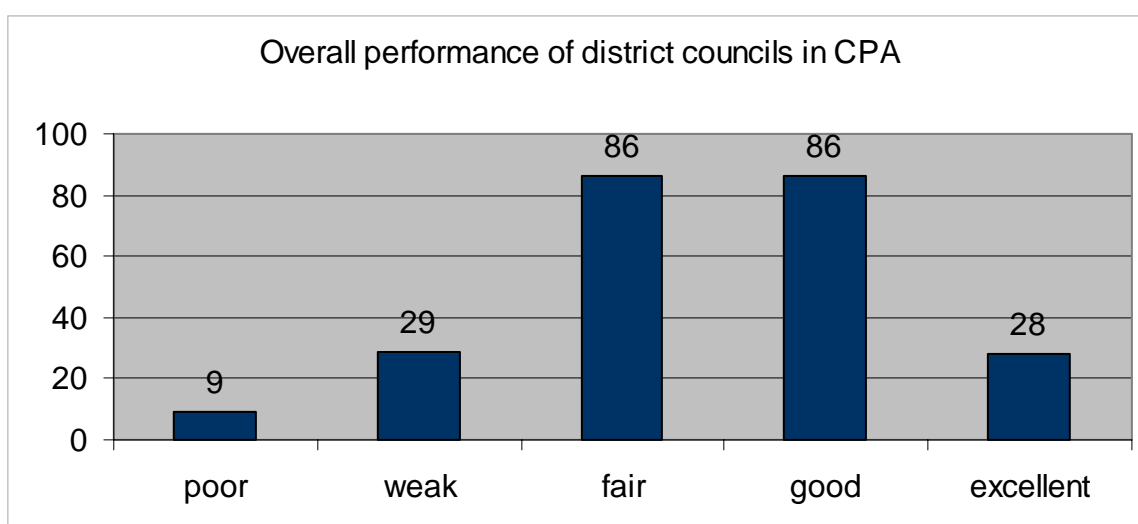
Action needed by the Council

- 4 No additional actions beyond those already undertaken by the Council have been identified.

How is Tendring Council performing?

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

Summary

- 6 Tendring District Council is broadly improving services in line with its vision “to become a cleaner, safer and thriving district with a high quality environment and a strong local economy”. Improvements have been achieved in 60 per cent of the performance indicators used to assess councils’ direction of travel. This is in line with the degree of improvement achieved by district councils nationally.
- 7 Performance management is effectively identifying and tackling areas for improvement. An increased focus on achieving good value for money is evident with the development of value for money local indicators and a culture where officer and councillors are increasingly alert to value for money issues.

- 8 Planning and performance management is being further strengthened and capacity is being increased, to help ensure that the Council can continue to improve services within its financial constraints.

What evidence is there of the Council improving outcomes?

- 9 The Council has demonstrated improvement in front-line services in line with its seven priorities identified through public consultation. The main priority is “a strong local economy”, the other six being: a cleaner district; a safer community; affordable and decent housing; better public space; a willing partner and community leader, and earning a positive public image.

A strong local economy

- 10 The Council is an effective partner in the Haven Gateway Partnership, which has secured Growth Point status. Final approval has been secured for a £300 million container terminal scheme at Bathside Bay that will make Harwich potentially the second largest container port in the UK. The Council expects that 772 direct jobs will be created through the Bathside Bay development and thousands more will result through businesses connected to the port's activities. This is a major development with direct impact on the wealth and wellbeing of the whole district.
- 11 Effective performance management has resulted in significant improvement in the speed of determining planning applications. All three of the planning speed indicators now exceed government standards and have attained the levels of the best performers nationally. These improvements have been accompanied by a focus on good quality design and access, with a new design award being launched by the Council. The planning enforcement backlog is reducing. Data provided by the Council indicates that in 2005/06 a full response to planning enforcement complaints within 21 days was achieved in almost 94 per cent of cases, against a new local performance indicator target of 90 per cent.

A cleaner district

- 12 There have been modest improvements relating to cleanliness and recycling. There was a small improvement against the best value cleanliness indicator in 2005/06 but performance remained amongst the lowest 25 per cent of district councils. Current Council data indicates that performance in this area continues to improve.

- 13 The Council is appropriately focussing on improving its recycling performance. The proportion of household waste collected that was recycled or composted increased from just under 20 per cent in 2004/05 to nearly 22 per cent in 2005/06. However, this is below the 24 per cent recycling standard that the Department for Environment, Food and Rural Affairs had set for the Council. There is no collection service for compostable materials, as the Council prefers to encourage home composting. This restricts the Council's ability to achieve its recycling standard, although current projections indicate that the standard will be met in 2006/07. The Council is currently trialling the siting of a bottle bank in an area of social housing to ascertain the amount of glass it can expect to recover for recycling from such sites. There has been a recent move from fortnightly to weekly collection of recyclable materials. Costs have increased, but at a lower level than anticipated for this increased service. This was achieved by the Council specifying the outcomes required and enabling the contractor to design the service accordingly. The Council is demonstrating the importance it attaches to improving recycling and it is increasing the opportunities for local people to use this service.
- 14 The Council has performed well in terms of the amount of household waste collected per head of population. Performance has been amongst the best achieved nationally by district councils since 2003, and further improved in 2005/06 with a 9.6 per cent reduction in the waste collected. This indicates that the Council has successfully promoted waste reduction and re-use (for example through home composting).
- 15 Improvements have been made to the cleanliness of the 43 public conveniences in the district as a result of more rigorous contract monitoring.

A safer community

- 16 There is a mixed picture regarding improvements in community safety, with an increase in offences in three of the seven categories measured. The district has among the lowest incidences of household burglaries and sexual offences, but comparatively high levels of theft of, or from, vehicles. A recent survey, undertaken by independent researchers on the Council's behalf recorded how safe residents feel in Tendring. Compared to similar surveys in 2003 and 2004 initial analysis of this survey indicates that the proportion of residents feeling safe walking outside alone in their local area during the day has fallen slightly (85 per cent, compared to 87 per cent in 2003 and 88 per cent in 2004). After dark 39 per cent feel safe (compared to 33 per cent in 2003 and 43 per cent in 2004).
- 17 Crime hot spots have been successfully addressed. West Clacton had major issues a couple of years ago, but a range of projects, for example around youth inclusion, has helped reduce anti-social behaviour and crime levels.

- 18 The Council is making progress with improvements in socially deprived areas in a sensitive manner to ensure that residents are effectively involved in the changes. An Interaction Board, that includes residents, has been established to direct the expenditure of the £3.7 million grant from the Safer and Stronger Communities Fund (SSCF). Much of first year's money has been put into the regeneration of Clacton town centre. At Jaywick partners are working together to ensure sympathetic regeneration of the area to improve the environment and the quality of life, in close partnership with residents. An experienced registered social landlord, with well developed techniques of public engagement, is working with the Council to ensure that residents' concerns and needs are met.

Affordable and decent housing and better public space

- 19 Performance is improving, although it is still amongst the lowest 25 per cent of district councils for the provision of affordable housing, and for the number of privately owned vacant dwellings that have become occupied, or been demolished, as a direct result of Council action. Less than the district average of Council owned homes were "non-decent" in 2005 and the Council has a significant investment programme for its housing stock. Over £2.5 million was spent in 2005/06 on improvements such as replacement windows and doors. These provide better security for the 122 homes in which they have been fitted. Capital investment is being made to enable achievement of the Decent Homes Plus standard. The proportion of affordable homes required as part of any development has increased from 25 per cent to 40 per cent. There has also been a reduction in the housing development threshold with affordable housing required in any developments of 15 or more dwellings, down from 40 dwellings. These actions increase capacity and efficiency and the scope for service improvement.
- 20 To ensure that recreation grounds are well maintained, the Council's reality checking programme includes visiting one recreation ground on a bi-monthly basis and checking for general ground maintenance and other issues such as graffiti, litter picking and dog fouling.

A willing partner and community leader

- 21 The Council continues to work effectively in partnerships and to provide community leadership. To enable better focus the large overview and scrutiny committee has been restructured into three smaller committees, one of which is focussed on the Council's work with partners. It is working with the community and with partner organisations to ensure that the skills that will be needed in the future, for example linked to Haven Gateway developments, are in place. Discussions are being held between overview and scrutiny members and schools and other interested parties to improve the skills of young people. The Schools to Employment group focuses on making direct links between youngsters and the opportunities available.

Earning a positive public image

- 22 The Council actively seeks to involve customers in review and development of services. Its reality checks provide a customer's view of service provision. Members of the Youth Assembly, and Customer Focus Group have undertaken some of the checks. Changes are made in services as a result of the findings of these reality checks and in response to customer comments, for example with greater attention being paid to aspects of cleaning and maintenance at Clacton Leisure Centre. The Council is thus demonstrating that it is responsive to customers' comments and concerns.

Access

- 23 Access to services is being improved, although the Council has had some setbacks. The planned extension of the Contact Centre beyond revenues and benefits has not yet happened. This has been due partly to the pressures on staff capacity caused by the three major projects (the "Lifestyles" fitness suite at Clacton Leisure Centre, the Clacton town centre improvement and the new public conveniences at Frinton) and partly to problems with the ICT systems, which also resulted in under-performance against benefits targets.
- 24 The re-launched website is being well used as an information sources and for enquiries and making payments and requests for service. Results from a recent residents' survey indicate that in 2006 almost 32 per cent of respondents had used the website – up from 18 per cent in 2004. A survey at the Tendring Show indicated that 70 per cent of respondents found the website helpful and 81 per cent reported it as easy to use. Savings from increased website take-up have resulted in an ongoing non cashable efficiency gain of £44,947. New customer information points have been established in Brightlingsea at the library and at the town council. Members of staff in both locations have had familiarisation training on the Council's website so that they are well equipped to answer queries.
- 25 Ward profiles are being compiled so that the groups within the community, and their needs, can be identified. A disabilities equalities panel has been set up and there are groups for young people and for older people. These groups, and community leaders of minority ethnic groups, are becoming involved in reality checking to help identify any barriers to access.

Value for money

- 26 With over 60 per cent of the indicators at, or above the average for district councils, and low council tax, the Council is achieving good value for money (VfM). The piloting of performance indicators to monitor VfM is encouraging the development of a VfM culture, with this topic increasingly featuring in service managers' meetings. Opportunities for securing cost-efficiency have been seized, for example procurement of public consultation and of computer hardware in partnership with other Essex public sector services. Although performance of the Contact Centre was impaired by software problems the Council subsequently received additional free modules from the IT supplier.

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

- 27** The Council's approach to corporate planning is robust. The Corporate strategy is derived from community strategy and public consultation. It addresses national priorities and the priorities of partner organisations such as the CDRP and Haven Gateway Partnership and contains local area agreement commitments. There is a range of improvement plans, and targets are challenging but realistic. They are specific and enable performance to be measured. Timescales and responsibility for achieving these targets are clearly indicated. Proposals for service development, for example e-planning, contain risk assessments and cost-benefit analyses.
- 28** The Council is strengthening and streamlining its corporate and community planning and partnership working. There are proposals to maintain the breadth of membership of the local strategic partnership, but to reduce the size of the Board. Review and updating of the community strategy is nearing completion. This is designed to be the top level planning document and driver for reassessment of the corporate strategy.
- 29** Performance management is rigorous. Areas of under-performance are effectively addressed, as demonstrated in the speed in planning determinations moving from well below average to the level achieved by top performing councils. Reality checks result in improvements in service, as well as providing opportunities to engage with different groups within the community, as was the case when young people were able to give their views to the team that checked the condition of the Clacton skate park. The Council is also developing a new corporate performance management system, to be implemented from 1 April 2007, which should enhance the Council's capacity in this area. Effective performance management is ensuring ongoing improvement in services.
- 30** Areas are identified where more effective procedures can lead to improved service, for example better use of planning gain agreements and establishing a knowledge data base on the intranet with information such as changes in legislation.
- 31** Capacity is challenging but workloads are manageable. The Council is effective at shifting staffing resources to meet new demands. New appointments are made where necessary, for example the appointment of a contracts monitoring officer in environmental services. An environmental health/planning liaison officer has been appointed for Jaywick, using SSCF funding, to deal with that area's special needs. This means that the Council strengthens its capacity where necessary to meet challenges.

- 32 The Council makes appropriate investment and amends policies to ensure that improvements in service are achieved. Investment is being made, for example in IT systems, to help reduce future revenue expenditure. Training is being provided for officers and councillors to better equip them in carrying out their duties. Capital investment is being made, for example in new public conveniences. These actions increase capacity and efficiency and the scope for service improvement.
- 33 The asset disposal programme is identifying resources that are under-used, or that can be released without detriment to service, to provide funding for capital projects. Clacton Golf Club was sold for £1.25 million to the Club and provides the same service but with a change of ownership.
- 34 There are no governance issues that are likely to affect service improvement. Councillors and officers have constructive working relationships. The Council has a united vision of what it is aiming to achieve and works well with its partners.

Service inspections

- 35 As Tendring District Council was rated as a good council under CPA, no service inspections have been undertaken in the past year.

Financial management and value for money

- 36 As your appointed auditor I have reported separately to the Council in September 2006 on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited and contains all the required information.
- 37 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).
- 38 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	4 out of 4
Financial management	3 out of 4
Financial standing	4 out of 4
Internal control	2 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)

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

- The notable practice on financial reporting identified last year has continued to operate, but the Council faces challenges from the more demanding criteria for the next assessment on promoting external accountability.
 - Financial management arrangements remain good and the revised capital strategy and asset management arrangements being developed should deliver further improvements once embedded.
 - Financial standing arrangements have improved through the ongoing refinement of the financial strategy and the process to deliver it, and these are now considered to represent notable practice.
 - Arrangements for internal control have strengthened and, with the recent establishment of the audit committee, it is anticipated that once embedded and delivering outcomes these should improve the performance in this area still further.
 - Value for money arrangements continue to develop, with the reality check programme identified as notable practice. Once work on measuring the impact of achievement becomes embedded, together with planned improvements to the performance management arrangements, then performance in this area should improve further.
- 40** In previous annual audit and inspection letters I have commented on the shortfall in resources within the Council's internal audit service. These shortfalls meant that the internal audit plan was not delivered in full in 2005/06 and is unlikely to be delivered in full in 2006/07. Other than this shortfall in resources, our triennial review of internal audit carried out in 2005/06 against the requirements set out in the CIPFA Code of Practice for Internal Audit identified that they were compliant with the Code. I understand that new audit staff have been recruited during 2006/07 and the Council anticipate that the 2007/08 audit plan will be delivered in full.

Conclusion

- 41 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the cabinet on 18 April 2007.
- 42 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

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

Paul King

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