

Annual Audit and Inspection Letter

March 2008



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Bassetlaw 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.

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 Bassetlaw is improving services to the public although the rate of improvement is slightly below other councils. It has improved in priority areas. Whilst crime remains high, most types of crime have reduced over the last year. Community prosperity has been enhanced by the improved Priory Centre and new leisure facilities although these have yet to impact significantly on outcomes.
- 2 Some other services such as housing have improved but others have not.
- 3 It is continuing to improve access to services and community engagement by increasing rural access points, and strengthening its approach to equality but this still remains relatively underdeveloped. Its approach to value for money is developing but not yet embedded.
- 4 Bassetlaw has clear priorities but not yet for the longer term. It has developed a robust performance management framework which now needs to be used more effectively.
- 5 Internal capacity has developed through restructuring and strengthened partnership working but has been hindered at a senior level by sickness absence and subsequent vacancy. Bassetlaw has shown it is open to learn from independent review.
- 6 The Council's Arms Length Management Organisation (A1 Bassetlaw) achieved a good, two-star inspection result, and, consequently the Council will now have access to over £62 million of resources to improve its housing stock.
- 7 The Council has strengthened its arrangements for use of resources which are now assessed as 'performing well - consistently above minimum standards'.
- 8 The development of Comprehensive Area Assessment and the implementation of new financial reporting standards in the future are likely to hold challenges for all councils.

Action needed by the Council

- 9 Action is needed by Members in the following areas to ensure that:
 - the performance management framework is used more effectively to drive improvement;
 - capacity issues are addressed promptly;
 - its approach to equality and value for money are further developed and embedded; and
 - the Council has the necessary arrangements in place to capture the necessary information to allow it comply with the introduction of new International Financial Reporting Standards.

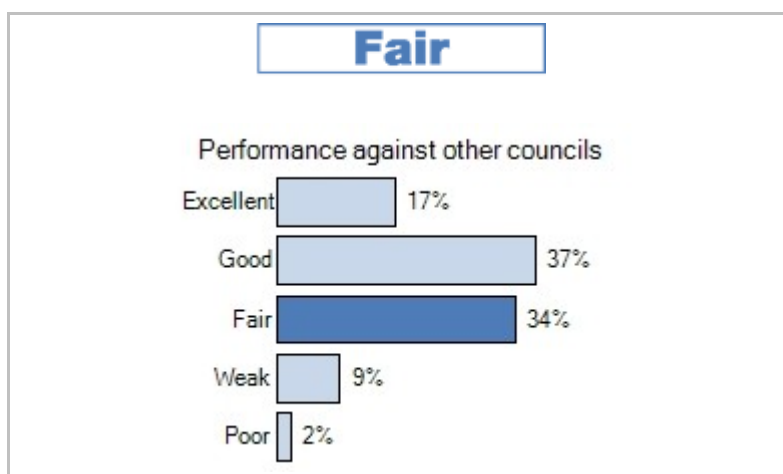
Purpose, responsibilities and scope

- 10 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.
- 11 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 12 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.
- 13 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;
 - 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.
- 14 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.
- 15 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 Bassetlaw District Council performing?

- 16 Bassetlaw District Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2003. 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

- 17 This summarised below and expanded on the following paragraphs.

"Bassetlaw is improving services to the public although the rate of improvement is slightly below other councils. It has improved in priority areas. Whilst crime remains high, most types of crime have reduced over the last year. Community prosperity has been enhanced by the improved Priory Centre and new leisure facilities although these have yet to impact significantly on outcomes.

Some other services such as housing have improved but others have not.

It is continuing to improve access to services and community engagement by increasing rural access points, and strengthening its approach to equality but this still remains relatively underdeveloped. Its approach to value for money is developing but not yet embedded.

Bassetlaw has clear priorities but not yet for the longer term. It has developed a robust performance management framework which now needs to be used more effectively.

Internal capacity has developed through restructuring and strengthened partnership working but has been hindered at a senior level by sickness absence and subsequent vacancy. Bassetlaw has shown it is open to learn from independent review."

What evidence is there of the Council improving outcomes?

- 18 The Council's overall performance is improving but over the last year it has not been as strong as most other councils. Over the last year, 55 per cent of its performance indicators (PIs) have improved, which is below the national average of 58 per cent, although the trend in improvement is better with 57 per cent of PIs improved over the last three years, a little above the national average of 55 per cent. Despite that, the proportion of PIs where the Council performs in the top quarter is below average, at 28 per cent.
- 19 Resident satisfaction with the Council is improving. Over the past three years, levels of satisfaction have increased in 11 of the 17 areas covered by indicators. Satisfaction compares well with other councils – it is amongst the best performing councils in 9 PIs including satisfaction with housing benefits service, planning service, and tenant satisfaction. However, its performance is below that of other councils for environmental services and leisure.
- 20 The Council has made progress in each of last year's priority areas.
 - **Community safety:** The Council is piloting a shared community safety service with Newark & Sherwood District Council. It works with the police to deliver the neighbourhood policing agenda and contributed to establishing safer neighbourhood groups. It has improved its open spaces with Kings Park in Retford being awarded regional winner for 'the best park in Britain'. National indicators show that most types of crime are reducing but all remain below average and four of the six are amongst the worst when compared with other councils.
 - **Community prosperity:** The Council has been successful in expanding the Priory Centre in Worksop which has attracted new high quality retailers. It established community trusts to manage the cinema and bowling centre and has improved play provision such as in Snipe Park in Harworth. The two new leisure centres in Worksop and Retford are now open. But national PIs relating to sport and leisure are all below average.
 - **Community engagement:** The Council is continuing to improve its engagement with the community and has increased the number of rural community help points with the latest opening in Misterton. It developed its new corporate plan following extensive consultation.
- 21 The Council has been successful in delivering key projects. The two new leisure centres, delivered in conjunction with the county council, were completed on time and within budget. The housing service shows significant improvement over the last year. The Council worked with its housing arms length management organisation (ALMO) to make strong progress in addressing weaknesses and the housing PIs show its performance is in line with other councils.

- 22 The Council contributes to wider community outcomes and responds to the short-term needs of the community. The Bassetlaw Local Strategic Partnership (BLSP) functions well and partners consider that the Council is a key member of the partnership, contributing to its smooth-running. The community strategy and the Council's corporate plan are aligned. The Council reacted quickly to provide residents with support during the floods of summer 2007, agreeing and publicising criteria for the distribution of grants and rehousing its tenants quickly.
- 23 The Council is continuing to work on improving access to its services. It is delivering improved user focus through its Customer First programme which is taking a corporate approach to community engagement and providing clear customer standards. It has improved access through the new community centre in Misterton, the video link to help the CAB with outreach work, and the new migrant worker forum which builds on the Council's earlier work with the Polish community. The housing service has further improved customer access through extended opening hours. Bassetlaw's approach to equality is improving but is not as developed as other councils. It is still at level 1 of the equality standard for local government, although it has plans in place and is working towards achieving level 2 by March 2008.
- 24 Value for money is improving across the Council. The value for money strategy is starting to become embedded but has not yet clearly and significantly impacted on public facing services. The Council pursues opportunities to reduce costs and has achieved efficiency savings in excess of its national target. It has effective procurement practices and is actively pursuing opportunities for joint procurement with other Nottinghamshire councils.

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

- 25 The Council has clear priorities for the next three years but it has further work to do clarify its vision for the longer term. The corporate plan has recently been revised and contains detailed plans for its key initiatives and plans for each of four new priorities. There is a process to cascade corporate priorities into service plans and other corporate plans but the Council has still to complete this and so several plans, such as the medium term financial strategy, no longer align with the revised corporate plan. The Council has started to look across normal boundaries to work more with Derbyshire and Lincolnshire and less with other Nottinghamshire councils, as it feels the issues facing Bassetlaw have more in common with other counties, but this work is at an early stage.
- 26 There is a robust performance management framework which could be used more effectively to drive improvement. Key plans and strategies have action plans with measurable targets. National and local PIs are reported regularly to senior managers and to councillors but the reporting is not currently linked to priorities and it does not always identify how underperformance will be addressed. The scrutiny function is still evolving and the committee is developing a process to monitor the performance of each service against its objectives.

- 27 The Council's internal capacity to deliver has developed but is still uncertain. Over the last three years the Council has focused on improving capacity through a management restructure which is aligned with councillor portfolios. Senior managers have recognised the need to improve performance and have embraced the new culture but the rest of the organisation has yet to follow. This, combined with the long-term sickness absence of a key senior manager, has resulted in loss of capacity to deliver the scale of improvement needed and it is not clear when these issues will be resolved. The Council is open to learn from external good practice and recently commissioned an external IDeA peer review to help it assess its improvement. The review team saw much progress but also identified that the approach sometimes taken by councillors to challenge was not always as constructive as it could be. The Council produces a balanced budget each year and has tackled annual budget gaps but has not yet fully aligned overall resources to its priorities.
- 28 The Council recognises that it needs to work with others to deliver actions to address the needs of the community. It is working effectively with the BLSP to deliver community benefit such as the Manton improvements and with the ALMO to deliver a much improved service to tenants. The Council has good relationships with the voluntary sector and is working with external third sector organisations to extend its capacity to deliver. It has developed a partnership framework which will ensure that partners share the Council's objectives and contribute to its work. It is continuing to pursue the shared services agenda with other Nottinghamshire councils and is joining other initiatives identified through the Nottinghamshire and wider East Midlands Procurement Forums.

Service inspections

A1 Housing Bassetlaw

- 29 The Council established A1 Housing Bassetlaw (A1) as its arm's length management organisation (ALMO) in October 2004. A1 manages 7,105 tenancies and 147 leaseholds on a five-year contract.
- 30 The Audit Commission's Housing Inspectorate re-inspected A1 in February 2007, following the first inspection in 2005 which found the service to be 'poor', with no-stars and with 'uncertain prospects for improvement'. The February re-inspection found that the service had improved to a 'fair', one-star service, with 'excellent prospects for improvement'.
- 31 A further re-inspection in summer 2007, assessed A1 to be providing a two-star, 'good' service to customers. In particular A1 had addressed some of the fundamental weaknesses found previously, including relating to aids and adaptations and leasehold management. These services are now more customer focused with more effective outcomes. As well as making improvements across the range of services, delivering better outcomes for customers, A1 had also made progress in whole-service, cross-cutting areas, including access and customer care, diversity and value for money.

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

- 32** Some key areas for improvement include lack of diversity related targets, inflexibility in the support offered to sheltered scheme residents and limited customer involvement in and market testing of a range of contracts related to 'estate services'.
- 33** As A1's service now meets government criteria, the Council is receiving supported borrowing of £3 million in 2007/08 and may be allowed to seek up to its total bid of £62 million by 2013/14.

The audit of the accounts and value for money

- 34 As your appointed auditor I have reported separately to the Council 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 vfm arrangements to say that these arrangements are adequate in September 2007 and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.
- 35 There are no further issues to report to you in this area.

Use of Resources

- 36 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).
- 37 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 38 Bassetlaw has strengthened its arrangements to ensure economic, efficient and effective use of resources. This has resulted in our overall assessment of this area improving from 'performing adequately - at minimum standards' (level 2) in 2006 to 'performing well - consistently above minimum standards (level 3) in 2007.
- 39 In particular we have noted improvements in arrangements and working papers to support the preparation of the Council's statement of accounts and risk management arrangements which are now further embedded.
- 40 We have provided a more detailed report on our assessment to officers.

Looking ahead

Comprehensive Area Assessment (CAA)

- 41 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.
- 42 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.
- 43 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.

International Financial Reporting Standards (IFRS)

- 44 The Council will also face further challenges in financial reporting in the coming years. In March 2007 the Chancellor announced that accounts in the public sector will need to be compiled using International Financial Reporting Standards (IFRS). IFRSs will be applied to local government for the 2010/11 published accounts which will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009. It may also be the case that the government will require some financial information for 2008/09 based on IFRSs.
- 45 While much of the current reporting framework is in line with IFRS there will be significant additional disclosure requirements and a number of areas where the Council will potentially need to change its accounting methods to ensure it is able to capture the relevant data at the correct point in time to comply with IFRS.
- 46 Your officers are aware of the need to prepare for this change, but it is essential that the Council puts in place the sufficient resources and project plan at an early enough stage to ensure the relevant information can be collated. It is likely that preparation for this change will form part of future Use of Resources assessments.

Closing remarks

- 47 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Overview and Scrutiny Committee on 15 April 2008. Copies need to be provided to all Council members.
- 48 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
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	November 2007
A1 Housing Bassetlaw Inspection Report	November 2007
Use of Resources	December 2007
Data quality	February 2008
Annual audit and inspection letter	March 2008

- 49 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

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

Neil Bellamy
Relationship Manager and District Auditor

March 2008