

Annual Audit and Inspection Letter

March 2008



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South Hams 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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Contents

| | |
|--|-----------|
| Key messages | 4 |
| Action needed by the Council | 4 |
| Purpose, responsibilities and scope | 5 |
| How is South Hams District Council performing? | 6 |
| The improvement since last year - our Direction of Travel report | 6 |
| What evidence is there of the Council improving outcomes? | 7 |
| The audit of the accounts and value for money | 11 |
| Use of resources | 11 |
| Data Quality | 12 |
| Questions from electors | 12 |
| Looking ahead | 13 |
| Closing remarks | 14 |
| Availability of this letter | 14 |

Key messages

- 1 The Council has continued to improve outcomes for local citizens against a backdrop of increasing pressures on resources and priorities. The main messages included in this report are as follows.
 - In 2006/07, the auditor issued an unqualified audit opinion on the financial statements and conclusion on value for money arrangements to secure economy, efficiency and effectiveness in the use of resources.
 - The Council has maintained its score of three for use of resources and has improved several elements within this.
 - The Council has succeeded in achieving a range of improvements in all of its priority areas.
 - The Council has been innovative in working closely with other councils and this is delivering benefits in the form of increased access to skills and cost savings.
 - Against a backdrop of excellent performance overall, comparative challenges exist in the areas of affordable housing, length of stays for the homeless in bed and breakfast accommodation and housing benefits.

Action needed by the Council

- 2 Councillors should continue to prioritise the implementation and delivery of improvement plans relating to affordable housing. They should ensure that future plans are sufficient to meet the identified need and that resources are allocated to deliver them.
- 3 Councillors need to carry on using performance information to identify areas of comparative underperformance including bed and breakfast accommodation for the homeless and housing benefits and ensure that action plans to address these are developed and implemented.

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 inspection work 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 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report.
- 9 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 South Hams District Council performing?

- 10 South Hams District Council was assessed as Excellent 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

- 11 The Council has continued its focus on its priorities during the year and has achieved tangible outcomes in priority areas, for example, supporting local businesses, improving recycling and successful conservation projects. It is currently working with partners, other stakeholders and councillors to ensure that these priorities remain fit for purpose. The Council's improvement over the last year has been in line with other councils, but against a backdrop of a high proportion of its performance indicators already in the best quartile. Satisfaction with the Council is amongst the best nationally.

What evidence is there of the Council improving outcomes?

Affordable housing

- 12 The Council's rate of delivering affordable homes has slowed but it is taking an innovative approach to improving this. It is using its own land to help deliver its affordable housing agenda; it is working in partnership with others to deliver homes and has won a National Housing Design Project award for the innovative Totnes Southern Area affordable homes scheme. The Council is bringing forward plans for Totnes and Dartington to deliver affordable housing. At least 400 homes are proposed to help meet local housing need. 'Of significant importance for the district is the development of a new community. A key milestone is that the Sherford Area Acton Plan (AAP), a document which forms part of the new national planning system, has now been adopted. The AAP is one of the first in the country to be found 'sound' under the new system and provides a framework for the assessment of the current planning application.'
- 13 The Council has improved some services for homeless people although challenges remain. It has increased homelessness preventions by 63 per cent this year and it is amongst the best performers nationally for its average length of stay in hostels. It has also been successful in attracting over £550,000 from Regional Housing for improvements to private sector homes. However, the Council's homeless continue to have amongst the longest stays in Bed and Breakfast accommodation in the country and there is more work to do on this issue.

Good jobs

- 14 The Council is making good progress on delivering its priority to encourage full time occupations, attract higher waged industry, create the infrastructure to attract and grow businesses and support the businesses that already exist. The Council has received an award for the way it supports local businesses, the British Retail Consortium's (BRC) Flexible Landlord Standard. It has supported local businesses through a system of accepting rents on a monthly basis rather than demanding shop rents three months in advance. The Council has responded proactively to the closure of a major employer in the area, by considering what support it can give to the community and setting up a coalition to acquire the redundant site to redevelop with further employment opportunities. Other key outcomes arising in part from the Renaissance Programme include:
 - the completion of a £270,000 project this year, where three industrial units were opened in Dartmouth;
 - the endorsement of a programme to sell some of its older employment units to re-invest the funds into newer, modern units; and
 - the extension of the Devon Wheels 2 Work scheme which is making it easier for residents to access training and employment opportunities.

Retain the district's character

15 The Council continues to successfully maintain the districts distinctive character. It continues to protect and enhance the environment through effective partnership working and is delivering improvements, for example, it has conserved and protected Ancient Monuments, Historic Green Lanes, walking routes, Devon Hedgerow and wildlife sites. Further examples of attracting external funding include £23,000 and £245,000 from DEFRA for water quality improvements and community and coastal adaptation plan for the Slapton area Other key improvements this year include:

- Blue Flag status for three of its beaches;
- the completion of the flood prevention scheme in Harberton; and
- the development its Local Development Framework (LDF) Core Strategy, which is assessed as 'sound' by the inspectors.

A clean district

16 The Council has made good progress in delivering improvements in the cleanliness of the district. Public satisfaction with recycling and cleanliness of public spaces has increased and it is amongst the best performers nationally for both of these. A new partnership between the Councils Street Scene Inspectors and the district's Police Community Support Officers aims to tackle many minor issues such as fly-tipping, abandoned vehicles, graffiti and dog fouling. The amount of household waste in the district which is either recycled or composted has seen year on year improvement exceeding government targets. The Council uses its community magazine successfully to inform and educate people on recycling and waste. It has let residents know of its new Tetrapak recycling bank at Heaths Nursery Car Park in Totnes this year. This has proved to be very popular. The Council is working with Tetrapak to resolve current problems of disposal of packaging.

An accessible Council

17 The Council is making good progress as an accessible council. There have been a number of specific improvements, for example:

- following the implementation of a new telephone system the Council delivers improved first point of contact;
- it has delivered initiatives to support social inclusion, such as Care and Repair Home Improvements and Shop Mobility; and
- its integrated Housing Advice and Revenues and Benefits service has created a more effective front line service.

- 18 The Council has improved its focus on hard to reach and previously excluded groups of local people and has succeeded in addressing a number of ongoing issues of equity of access to its services. For example:
- it has established a partnership with Tone Leisure (South Hams) Ltd., to encourage young people, older ages, excluded people, visitors and the less mobile (GP referral and health restricted) to undertake exercise;
 - it has increased accessibility through the innovative Revenues and Benefits 'Assert' project; and
 - the Environmental Health out-of-hours Service now deals with urgent noise, nuisance and emergency issues.

Value for money

- 19 The Council continues to manage and use its resources well. It is improving its value for money through joint working arrangements and shared services, for example in payroll. It continues to seek opportunities for shared working with Teignbridge and West Devon and the three district councils have now merged their building control service to share expertise and boost efficiency. The production of a joint holiday guide with Teignbridge has resulted in twice as many guides being produced and generated substantial savings for the Council. In addition the Councils' have procured a joint tourism website. The Council has also joined the Devon Tenders portal which is an e-tendering system enabling tenders and quotes to be completed electronically with suppliers. Both the Council and local suppliers' save time and money through this process. The Council is achieving further value for money through the use of a joint procurement officer.

How much progress has the Council made in implementing improvement plans to sustain future improvement?

- 20 The Council has a comprehensive and robust set of strategies in place to deliver its corporate priorities. There are policies and strategies on key areas of work that are required by Government or are considered to be important. For example, the new Sustainable Community Strategy. All of these have clear links to the Council's corporate objectives and are communicated to stakeholders and staff through its strategic plans. They are also cascaded to service plans to ensure accountability and ownership. This clear 'golden thread' enables staff to better understand what they need to deliver.
- 21 The Council's revised improvement plan, 'Towards and beyond excellence' is appropriately customer focused and aligned to the Council's policies and work streams. To ensure that it remains focused on the right things and that its priorities are fit for purpose and in light of the new Sustainable Community Strategy the Council is currently reviewing its priorities.

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

22 The Council continues to strengthen capacity. It is working closely with other authorities to identify opportunities for joint working and shared services. Successes include:

- a joint Chief Executive with West Devon Borough Council;
- the development of a joint improvement unit (policy and performance) with West Devon Borough Council (saving some £60,000 per annum);
- shared services for building control and, payroll; and
- a shared procurement officer.

Work over the last 12 months has helped to improve capacity for the councils with the sharing of learning and streamlining of policies and methodologies.

23 The Council is also increasing its capacity by attracting external funding including, European monies and partnership funding totalling £1.36 million have been received. This includes contributions from the Heritage Lottery Fund, Food Standards Agency, South West Regional Development Agency, Natural England, Devon County Council and South West Tourism, as well as a number of private organisations.

24 Leadership and governance of the Council remain strong and the Council is improving some of its essential systems to support this. Staff have responded positively to a change of Chief Executive and these new arrangements are settling well. The Council has improved its governance arrangements with a new Audit Committee and training for councillors. Performance management is improving and the Council's HR policies are robust.

25 The Council is currently working on Single Status. After seeking legal advice last year it has had to start the process of job evaluation again. This has led to some staff morale problems which are addressed through open and transparent communication and the full engagement of the Chief Executive and Leader.

The audit of the accounts and value for money

Use of resources

- 26** 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).
- 27** For the purposes of the CPA your auditor has assessed the Council's arrangements for Use of Resources in these five areas as follows.

| Element | Assessment for year ending 31 March 2007 | Assessment for 2006 |
|--|--|---------------------|
| Financial reporting | 3 out of 4 | 3 out of 4 |
| Financial management | 3 out of 4 | 3 out of 4 |
| Financial standing | 3 out of 4 | 3 out of 4 |
| Internal control | 3 out of 4 | 3 out of 4 |
| Value for money | 3 out of 4 | 3 out of 4 |
| Overall assessment of the Audit Commission | 3 out of 4 | 3 out of 4 |

(Note: 1 = lowest, 4 = highest)

- 28** You have therefore maintained your overall score of 3, which means you are 'performing well' on your CPA Use of Resources judgements. Although the overall score has not changed we have again identified improvements across some areas of the assessment.

Data Quality

- 29 The Audit Commission developed a new approach to the review of data quality at Local Authorities during 2005/06. This involved the auditors performing detailed 'spot check' work on four performance indicators, selected from the Audit Commission's list of nineteen indicators. The conclusion from this work for 2006/07 was that the performance indicators selected for testing were fairly stated.

The Council's management arrangements for data quality were also reviewed against the prescribed key lines of enquiry. On the basis of the assessment, the Council is performing well in its management arrangements for data quality.

Questions from electors

- 30 Members of the public have the right to ask the external auditor questions about the accounts. No members of the public have contacted the external auditor.

Looking ahead

- 31** 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.
- 32** 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.
- 33** 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

- 34 This letter has been discussed and agreed with the Chief Executive and senior managers. A copy of the letter will be presented at the Audit Committee on 8 April 2008. Copies need to be provided to all Council members.
- 35 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 1 Reports issued

| Report | Date of issue |
|------------------------------------|----------------------|
| Audit and inspection plan | March 2006 |
| Annual Governance Report | September 2007 |
| Opinion on financial statements | September 2007 |
| Annual audit and inspection letter | March 2008 |

- 36 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

- 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.

Karen Green
Relationship Manager

March 2008

Simon Cookson
Appointed Auditor (PWC)