

Annual Audit and Inspection Letter

March 2007



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**South Hams District Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

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.

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**

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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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 as follows.
  - The Council has continued to make progress against its six priorities for improving the well-being of the people of South Hams.
  - Service performance overall has remained strong in comparison with district councils nationally, as measured by best value performance indicators (BVPIs).
  - The Council has taken measures to strengthen capacity and has been successful in securing external funding for a wide range of development initiatives.
  - The Council has maintained an overall score of 3 'performing well' for its CPA Use of Resources judgements in 2006/07. Although the overall score has remained the same, there have been improvements across all areas of the assessment, and this places the Council in a good position for the future.

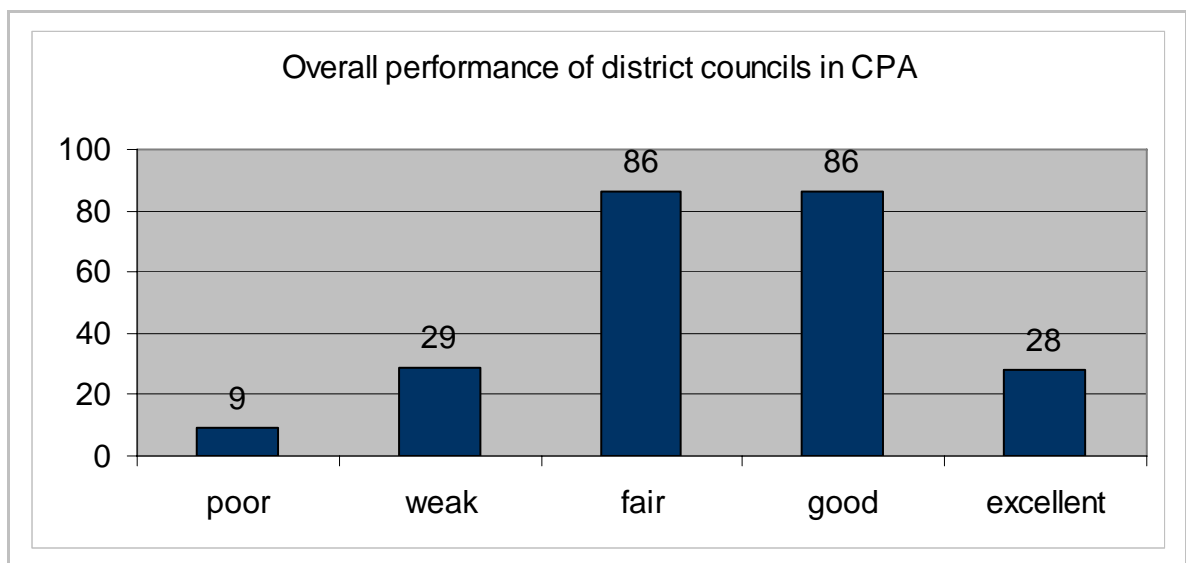
## Action needed by the Council

- 4 The Council should take action to improve services for which performance indicators are in the lower quartiles for district councils nationally.
- 5 The Council needs to continue to focus on diversity and equality issues and achieve improvements in its performance against the equalities standard.

## How is the Council performing?

- 6 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 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

- 7 The Council has continued to make progress against its priorities for improving the well-being of the people of South Hams. Overall, key services have continued to improve, and compare well with services at other councils, although there is further scope to improve some aspects of performance.

## **Affordable housing**

- 8 The Council is working actively with partners to meet the housing needs of the district and achieve its affordable housing priority. Approximately 100 affordable homes were provided in South Hams in 2005/06, comprising a mixture of tenures, and meeting a wide range of housing needs, including supported housing. This was in the best quartile of councils nationally for affordable housing completions or acquisitions. Despite this success, there remains a significant shortage of affordable housing in the district, with a recent survey showing the need for 600 new units a year. In partnership with registered social landlords (RSLs), the Council has obtained funding for 118 affordable homes over the next two years. In recognition of its Beacon Status for affordable housing, it has also been awarded funding to explore new approaches to the delivery of this.
- 9 The Council has also improved services for homeless people by acquiring properties to accommodate homeless families, and facilitating an increase in private sector leased properties in the district. As a result, the average length of stay in bed and breakfast accommodation fell significantly, from 7.6 weeks in 2004/05 to 4.4 weeks in 2005/06, although the Council remained below the average of district councils nationally for this.

## **Good jobs**

- 10 The Council has made considerable progress with this priority. It has taken initiatives in support of local business activity and employment opportunities, in both traditional and high technology industries. Working with partners, it has secured European, national and regional funding of approximately £1.5 million for business and community development projects. Recent achievements under these programmes include the completion of employment estates in Totnes, Dartmouth and Lee Mill, with high take-up by target employers. The Council has continued to provide advice and support to businesses, and to attract new businesses to the area. Campaigns supported by the Council have contributed to the wide availability and high take-up of broadband. Work with partners to develop sustainable tourism has helped to sustain employment in this sector, and has won several prestigious awards and accreditations.
- 11 Initiatives taken by the Council have contributed to strong local economic growth in recent years, which has been above the national average, and higher than that in most other areas of Devon. However, average earnings in South Hams remain significantly below regional and national averages, and economic development faces major barriers in the form of high house prices, hidden deprivation, skills shortages and a lack of land and premises. The Council has developed a new Prosperity Strategy to address these issues, the overarching aims of which are to reduce reliance on low wage sectors and develop a knowledge-based economy.

## **Retain the district's character**

- 12 The Council is successfully maintaining South Hams's distinctive character, whilst supporting the sustainable development needed to achieve other corporate priorities. It is achieving this by means of supplementary planning guidance on sustainable development, and effective development control, and through co-operative working with local communities, developers and other stakeholders. These approaches are helping to ensure that major developments at Sherford, Langage and Totnes Southern Area are designed to meet high quality standards and wider local requirements.
- 13 The Council is protecting and enhancing the environment through effective partnership working. It has raised external funding of £1.3 million for a three year landscape partnership that will address environmental management and access issues. Its work with partners to maintain Areas of Outstanding Natural Beauty, and to manage the local coastline and estuaries have resulted in a wide range of environmental improvements, and in improved access to rural recreational areas.
- 14 The Council has improved its performance in dealing with planning applications. The proportion of 'major' planning applications determined in 13 weeks rose from 53 per cent in 2004/05 to 69 per cent in 2005/06, which met the Government's target of 60 per cent, and was above the average of 65 per cent for district councils nationally. The proportion of 'minor' and 'other' applications determined within eight weeks met the Government's targets for these and also compared well with other councils. There was a notable improvement in the proportion of appeals allowed against the Council's decisions to refuse planning permission, which fell from 36.1 per cent in 2004/05 to 28.2 per cent in 2005/06, an above average performance.

## **A clean district**

- 15 The Council has taken further measures to improve waste management and street cleanliness. It has introduced new kerbside services for the collection and recycling of waste, including organic recycling, for approximately 80 per cent of households in the district in 2005/06, and will complete this scheme in 2006/07. It has also introduced street scene inspectors, who provide advice to the public in the streets of South Hams on waste disposal and other matters, and exercise enforcement powers in respect of a wide range of environmental crimes, such as littering, dog fouling, fly tipping and graffiti.
- 16 The Council's performance in respect of recycling and cleanliness is strong overall. The amount of household waste sent for recycling rose from 20.5 per cent in 2004/05 to 23.6 per cent in 2005/06, which was in the best quartile for district councils nationally. Including composting, the total amount of waste recycled in 2005/06 was 34 per cent, which comfortably exceeded the DEFRA target of 30 per cent. The Council was also in the best quartile for district councils nationally for unacceptable levels of fly tipping and graffiti. However, the proportion of relevant land and highways with unacceptable levels of levels of litter and detritus was above the average for district councils nationally, with significant scope for improvement compared with the best quartile. The Council acknowledges this and is taking measures to address the issue.

## **An accessible council**

- 17 The Council has improved customer access to its services. Achievements during the last year included the migration of more services into the customer contact centre, the successful implementation of a new telephone system in the centre, the introduction of customer relationship management software, and improvements to the website. These initiatives resulted in significant increase in the number of customer contacts with the Council in 2005/06, through all channels. Disability access to Council buildings rose from 42.9 per cent in 2004/05 to 57.1 per cent in 2005/06, although this remained below the average (68.0 per cent) for district councils nationally.
- 18 The Council remained at Level 1 of the Equalities Standard for Local Government in 2006 and is behind the pace of many other councils in this respect. However, its newly-adopted Corporate Equality Scheme, has resulted in a more co-ordinated, strategic approach to equality and diversity issues. Initiatives being implemented under the scheme include a three year programme of equality impact assessments for all the Council's strategies, policies and functions, and mandatory diversity training for all councillors and staff. The Council's consultation includes engagement with 'hard to reach' groups such as young people and travellers.
- 19 The Council has taken a range of successful initiatives in support of social inclusion during the past year. These include the introduction of a benefits service for vulnerable people in their own homes; take-up benefit campaigns generating benefits of over £300,000 for customers; free bus travel for people aged over 60; and new community services and facilities. However, providing access to services is a challenge South Hams because of isolation and exclusion due to the rurality of the district, poor transport links, low average incomes and small and fragmented BME and other minority groups. The Council has developed a new Social Inclusion Strategy to address these issues.
- 20 Performance in processing housing benefit and council tax claims was mixed. The average time for processing new claims fell to 25.8 days in 2005/06, which was significantly better than the average for district councils. However, speed in processing changes in circumstance worsened from 6.8 days in 2004/05 to 15.5 days in 2005/06, which was in the worst quartile. Accuracy of benefit calculations was above average.

## **Overall service performance and value for money**

- 21 Service performance overall has remained strong in comparison with district councils nationally, as measured by best value performance indicators (BVPIs). 42 per cent of the Council's BVPIs for 2005/06 were in the best quartile, which was comfortably above the average for district councils, including 'excellent' councils. The Council also compares well in relation to the extent of service improvement: 79 per cent of BVPIs have improved in the three years since 2002/03, against the average of 57 per cent for district councils.

- 22 The Council is improving value for money. Its backward-looking efficiencies statement shows savings of £932,000 in 2005/06, against targets for the next two years of £640,000 and £960,000. The Council has transferred the management of its four leisure centres to a leisure trust, which aims to generate average annual savings of £250,000 pa and increased investment of £350,000. It is securing efficiency gains and service improvement through sharing services - for example, payroll, audit and building control - with other councils. It has made savings in the purchase of stationery and furniture, and in the development of e-procurement, through its membership of the Devon Procurement Partnership.

### **Sustaining future improvement**

- 23 The Council has robust strategies in place to deliver its corporate priorities and fulfil its role in delivering the Community Strategy for the area. A new Sustainable Community Strategy 2007-2011 and evolving Local Development Framework (LDF), provide a comprehensive framework for the sustainable growth and development of the district. The Council adopted the Core Strategy in December 2006, and will shortly be publishing an Area Action Plan for the major new community development at Sherford. It has also published new strategies for prosperity, public space, and social inclusion, and the development of a climate change strategy. Corporate priorities are cascaded to service plans, and resources for these are allocated through budget processes.
- 24 The Council has taken measures to strengthen capacity. It has realigned staff resources with corporate priorities - for example, through the creation of an affordable housing team and the development of the Customer Services unit. In addition, working days lost to sickness absence per full time employee fell from 12.7 in 2004/05 to 9.16 in 2005/06, which was in line with the average (9.64) for district councils nationally. The Council has streamlined some back office processes, to secure efficiency savings (for example, in Planning) and in support of the implementation of its customer services strategy. It has made improvements to project management and performance management, with stronger roles for the Executive and Scrutiny in these. It has continued to develop partnership working and resource sharing with other councils and public sector bodies, and made targeted use of external specialists. It has been successful in securing external funding for a wide range of development initiatives.

## Financial management and value for money

- 25 Your appointed auditor has reported separately to the Scrutiny Committee on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
  - a conclusion on your value for money arrangements to say that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited and that there are no matters to report on.
- 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.

**Table 1**

<b>Element</b>	<b>Assessment for 2006</b>	<b>Assessment for 2005</b>
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	2 out of 4
Internal control	3 out of 4	2 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)*

## Use of Resources

- 28 The Council has maintained an overall score of 3 ('performing well') for its use of resources.
- 29 The main areas where performance has improved are as follows.
- The Council provided written assurances to the Members in 2006 on the adequacy of reserves.
  - The Council has improved its processes around risk management and has demonstrated that it has:
    - updated risk assessment process annually;
    - provided risk awareness training;
    - provided quarterly reports to those in charge of risk management; and
    - embedded risk management in the organisation through the use of the Covalent system which can be accessed by Officers and Members.
  - The Council has also further developed an assurance framework that maps the council's strategic objectives to risks, controls and assurances.

## Financial standing

- 30 Along with other Councils, South Hams District Council is facing increasing pressures on balancing its budget whilst keeping council tax increases low and maintaining its balances.
- 31 Based on its latest forecasts, the Council is anticipating a breakeven position for 2006/07. The projected balance for 31 March 2007 as at end of January 2007 is total revenue reserves of £8.3million, of which, £3.1 million is general reserves.

## Data Quality

- 32 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 was that the four performance indicators selected for testing were fairly stated.
- 33 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 obtained an overall score of 3 ('performing well') for its management arrangements for data quality.

## Best Value Performance Plan

- 34 Your auditor has issued an unqualified opinion on your Best Value Performance Plan.

## Questions from electors

- 35 Members of the public have the right to ask the external auditor questions about the accounts. One member of the public has exercised the right to ask questions and the auditor is considering the issues raised.

## Conclusion

- 36 This letter has been discussed and agreed with the Chief Executive and senior managers. A copy of the letter will be presented at the Overview and Scrutiny Committee and Executive Members on 19 April 2007.
- 37 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

- 38 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the council's website.

Karen Green  
Relationship Manager  
March 2007