

Annual Audit and Inspection Letter

South Hams District Council

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

- 1 The Council has performed well for a number of years and has been rated as an excellent council continuously since 2003. It has done very well to improve from this high base again in 2007/08.
- 2 The Council has made good progress with the delivery of its priorities and performs better than most councils in many areas such as recycling and composting waste and time taken to process new benefit claims. The Council has also:
 - taken further steps to improve access to its services;
 - continued to improve value for money;
 - made good progress managing waste and keeping the district clean; and
 - continued to protect and improve the environment and provide new facilities to benefit local residents and visitors.
- 3 The Council has invested in the needs of some sections of the community suffering from disadvantage although it cannot demonstrate that it is systematically considering the diverse needs of all sections of the community when it designs and delivers services.
- 4 The Council has had to focus on setting its strategic planning framework in recent years and so progress in delivering more affordable homes has been slow
- 5 An unqualified opinion was issued on the 2007/08 accounts. The financial statements and working papers submitted for audit were good.
- 6 Both our Use of Resources and Data Quality assessments found that the Council continues to perform well.

Action needed by the Council

- 7 The Council needs to:
 - do more to identify and address the needs of people at risk of disadvantage;
 - ensure that plans to improve are put in place in areas where progress to date has been slow - including the provision of more affordable housing;
 - monitor progress in implementing improvement recommendations made in the Auditor's reports on the control environment, accounts, use of resources and data quality - the audit committee has a key role to play in this regard; and
 - ensure that it is well positioned to meet the challenges of the new use of resources assessments from Spring 2009.

Purpose, responsibilities and scope

- 8 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 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 I 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.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. I 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).
- 11 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, he 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.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including my 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.
- 13 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is South Hams District Council performing?

14 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 have been updated, 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

15 The Council has made further progress with the delivery of its priorities and the performance of many of its services has improved. Achievements include recycling and composting more waste than almost anywhere else in England and developing robust plans for future housing but relatively few affordable homes were built. Its improvement against a set of national indicators was well above average with a high proportion of its performance indicators already in the best quartile. The Council has taken further steps to improve access to its services but it could do more to understand the quality of life of its most disadvantaged residents and how to improve it. The Council faces a number of challenges in the year ahead including uncertainty over future local government structures, the need to introduce a new pay structure for staff to meet equal pay requirements and increased demand for some services as a result of the economic downturn. Delivering further improvements to services in these circumstances will be difficult.

What evidence is there of the Council improving outcomes?

Affordable housing

- 16** The Council has made significant progress with the development of plans for more housing in the district but the number of affordable homes currently being built is not sufficient to meet demand. 59 affordable homes were completed in 2007/08 which is below the Council's own targets. The Council has made more progress than most councils in identifying sites for future housing and its policy framework which requires an average of 50 per cent of new housing to be affordable has been approved.
- 17** The Council is continuing to pursue plans for the development of a new community in Sherford to include 5,500 new homes and a range of community facilities. However, the economic downturn is likely to affect the delivery of these plans. As a result, the Council is starting to develop alternative ways of meeting the housing needs of its residents. For example, it is working in partnership with a housing association to buy five properties on the open market which can then be rented at affordable levels. It processes housing benefit applications more quickly than most councils and has improved access to debt advice by working in partnership with the Citizens Advice Bureau. These measures are helping to prevent people becoming homeless.

Good jobs

- 18** Despite difficult economic circumstances, the Council is continuing to take action to strengthen the local economy. A new South Devon Public / Private Tourism Partnership has been established to promote sustainable tourism and the Council organised a Sustainable Tourism trade fair for local tourism and other related businesses to promote local products and services. The Council and partner organisations on the South Hams Strategic Partnership have signed up to the Learning and Skills Council's Skills Pledge which is a public commitment by employers to develop the skills of their workforce. The South Devon and Greater Dartmoor Local Action Groups comprising representatives from the public, business, voluntary and community sectors have secured funding of £3.6 million from the South West Regional Development Agency to support the economic development of rural areas.
- 19** The Council is working in partnership to improve the employment prospects of disadvantaged people. By providing funding for the Devon Wheels 2 Work scheme, it has helped 16 local people with transport to get to work. Through an innovative public private partnership in Dartmouth, a former chapel has been converted to provide supported housing and a restaurant which enables long term unemployed people to develop skills and qualifications to work in the hospitality industry. The Council is taking action to support migrant workers, including the 150 overseas workers based at the Langage Energy Centre, through the production of a handbook available in a number of languages giving information and advice about a wide range of issues. The Council is now identifying further action it can take to support local businesses in the current economic downturn.

How is South Hams District Council performing?

Retain the district's character

- 20** The Council has continued to protect and improve the environment and provide new facilities to benefit local residents and visitors. A new Estuary Management Partnership has been established to maintain and improve the coastal and marine environment and new facilities have been provided at Salcombe Yacht Harbour. The number of beaches achieving Blue Flag status has increased from three to four. A website has been launched to encourage tourism businesses to adopt environmentally friendly practices and many local businesses have now achieved Green Tourism Business Scheme accreditation. This scheme was introduced in the South Hams but has now been rolled out to the whole of the South West. The Council launched its Public Space Strategy and has set aside £1.9 million in its capital programme as well as securing lottery funding for new play facilities and other improvements to parks and open spaces throughout the district. By taking action to preserve and improve the area's special qualities, the Council is helping to make sure the South Hams remains an attractive place to live and visit.

A clean district

- 21** The Council continues to make good progress managing waste and keeping the district clean. The amount of household waste which is either recycled or composted was the second highest of all English districts in 2007/08. This has resulted in a significant reduction in the amount of waste going to landfill. There was a further reduction in recorded levels of litter and graffiti in 2007/08 and robust action was taken against fly-tippers with 23 successful prosecutions. The council is also taking action to reduce carbon emissions through the adoption of a climate change strategy and acceptance onto the Carbon Trust's carbon management programme. It has received Government approval for its air quality assessment and review process. Delivery of these strategies will help the Council play its part in tackling climate change and improving air quality.

An accessible Council

- 22** The Council has taken further steps to improve access to its services. Following a successful trial in Ivybridge market, the Council now provides a rolling programme of customer service roadshows in each of the district's main towns to raise awareness of the services it provides. Some of the district's more deprived neighbourhoods were targeted in a joint initiative between the Council and other local organisations which involved events in local community centres and home visits to raise awareness of the services available and seek people's views on what would make their community a better place to live. The Council contributed funding of £470,000 towards the cost of the Watermark Centre in Ivybridge which opened in Spring 2008. The centre provides a library, cinema and theatre space, IT suite, community information resources, business units and business support services. The Council runs a Healthy Walks initiative which has about 400 registered walkers and it runs a Junior Life Skills programme for over 800 ten year olds from local primary schools which aims to raise awareness of health and safety issues and help young people develop coping skills. These initiatives are helping to improve people's health and wellbeing.

- 23** The Council has invested in some areas where it has recognised more vulnerable sections of the community need more help but, overall, is not doing enough, systematically, to ensure it identifies and addresses the needs of all people at risk of disadvantage. The Council has implemented assisted collection of household waste to the elderly, frail and disabled and routinely visits housing benefits claimants in their own homes to improve the convenience, accuracy and speed of processing applications. However it failed to meet its target of reaching level two (out of five) of the Equality Standard for Local Government and is one of only a small minority of councils still at level one. It cannot demonstrate that it is systematically considering the diverse needs of all sections of the community when it designs and delivers services. As a result, it cannot be sure that vulnerable people are getting the support they need.

Value for money

- 24** The Council has continued to improve value for money and achieved efficiency savings of over £600,000 in 2007/08 through shared services with neighbouring councils, better procurement processes and other initiatives. The Council also has a good track record of securing external funding to support the delivery of its priorities. In order to support residents in the current economic downturn, the Council has decided not to increase Council Tax or car parking charges in 2008/09.

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

- 25** The Council has a clear set of corporate priorities supported by more detailed delivery plans and a robust plan for improving its performance. Its priorities are closely related to the priorities set out in the South Hams Sustainable Community Strategy which it is delivering in partnership with the other organisations represented on the South Hams Strategic Partnership. The Council is also contributing to the delivery of the priorities in the countywide Sustainable Community Strategy and Local Area Agreement which relate to its own priorities and is taking a leading role on one priority area. It has good performance management arrangements and progress is reported to residents through a quarterly magazine which is delivered to every household. These arrangements help to ensure that there is clarity about what the Council is trying to achieve and that it remains on track with the delivery of its priorities.
- 26** Although good progress has been made in many areas, the Council has not achieved all of its objectives and milestones in the past year. It has still not identified a new pay structure for staff which will be both affordable and compliant with equal pay requirements and plans and timescales for resolving this are not clear. In addition, progress in carrying out business process reviews to identify the scope for greater effectiveness and efficiency has been limited. High levels of staff sickness in 2007/08, vacant posts and work arising from the Boundary Committee's review of local government structures have affected the Council's capacity to deliver its plans and accelerate the shared services agenda. The continuation of shared service arrangements with neighbouring councils has strengthened capacity in some areas but plans to extend shared services to other areas have been hindered by uncertainty over future local government structures. Despite these challenges, the Council maintained its Investors in People accreditation for the fifteenth successive year and has improved the performance of many of its services.

How is South Hams District Council performing?

- 27** The Leader and Chief Executive of the Council are providing effective leadership and relationships between councillors and officers remain good. The Leader aims to demonstrate that the Council is becoming more approachable and responsive to the needs and views of local people by giving people more opportunities to have their say and responding personally to complaints and concerns where appropriate. The Council faces a number of significant challenges in the year ahead including potential local government restructuring and the need to respond to the consequences of the economic downturn. It recognises the need for strong leadership if it is to continue to improve services and deliver its priorities in the face of these challenges.

The audit of the accounts and value for money

- 28** Your appointed auditor has reported separately to the audit committee on the issues arising from our 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and 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.

Use of Resources

- 29** 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).
- 30** For the purposes of the CPA I have assessed the Council's arrangements for use of resources in these five areas as overleaf.

Table 1 Use of resources 2008

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 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

The key issues arising from the audit

Use of resources

- 31** The council has maintained its level 3 performance - ie it is performing consistently above minimum requirements.
- 32** The auditor's assessment of value for money identified some improvement, with the 'managing and improving value for money' sub theme scoring 3 (compared with the score of 2 last year). However, he also identified scope for improvement in the internal control theme, relating to the use of data matching information and the provision of ethics training.
- 33** Overall, the council should ensure that its future improvement decisions are taken in the context of best practice, the likely impact and the associated costs. These are key criteria which will be reflected in next year's use of resources assessment.

Financial statements

- 34** An unqualified opinion was issued on the 2007/08 accounts.
- 35** The financial statements submitted for audit were substantially complete and contained no significant errors. During the audit, management agreed to make two amendments to the accounts - an additional note disclosing a long term contract and another on financial instruments.
- 36** Detailed recommendations were made and accepted by officers to strengthen arrangements for:
 - obtaining valuations; and
 - the reconciliation and maintenance of asset records.

Data quality

- 37** The Council's overall management arrangements for ensuring data quality remain consistently above minimum requirements.
- 38** The auditor's data quality spot checks identified a small number of housing benefit claims where data had been incorrectly recorded. Nevertheless, he concluded that housing benefits performance indicators were materially fairly stated.
- 39** The auditor made a number of recommendations which have been accepted by officers, including:
- taking action to ensure that procedures and guidance are understood and implemented correctly;
 - developing partnership arrangements for data quality; and
 - ensuring that housing benefit staff are trained to meet data quality requirements.

Looking ahead

- 40** The public service inspectorates have developed 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.
- 41** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 42** The first results of my 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 National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 43** This letter has been discussed and agreed with management. A copy of the letter will be presented at the audit committee on 7 April 2009. Copies need to be provided to all Council members.
- 44** 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 2007
Control environment and material systems	July 2008
Supplementary audit opinion plan letter	July 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	December 2008
Data quality	December 2008
Use of resources	December 2008
Annual audit and inspection letter	March 2009

- 45** 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

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

Martin Green
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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