

Annual Audit and Inspection Letter

March 2007



Annual Audit and Inspection Letter

District of Easington

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

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 0845 056 0566.

© Audit Commission 2007

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

Contents

Our overall summary	4
Action needed by the Council	5
How is District of Easington Council performing?	6
The improvement since last year - our Direction of Travel report	6
Financial management and value for money	10
Local Government review	11
Local Area Agreement	12
Conclusion	13
Availability of this letter	13

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 our audit 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; it has been written for councillors in particular. It 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 made progress against its nine key priorities, with significant improvements in some services, but there was still some underperformance in 2005/06.
 - As measured by the Direction of Travel 2005/06 basket of best value performance indicators (BVPIs), the Council's rate of improvement was slightly below the average for district councils and it had a slightly above average number of BVPIs in the top quartile.
 - We gave an unqualified opinion on the statement of accounts. This was the first year that the Audit Code of Practice required a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion). We were able to issue an unqualified opinion that the Council has proper arrangements in place.
 - Our Use of Resources judgement shows the Council improved arrangements in a number of areas and although its overall score remains unaltered, it is working consistently above minimum requirements and performing well in the majority of areas assessed.
- 4 The Council is facing a period of uncertainty arising out of the potential offered by the Local Government White Paper for local government re-organisation. Any consultation on these proposals will present challenges in terms of compliance with the requirements of the Code of Practice on Local Authority Publicity, and any changes to the structure of local government in the county will present challenges in terms of maintaining and improving local services.

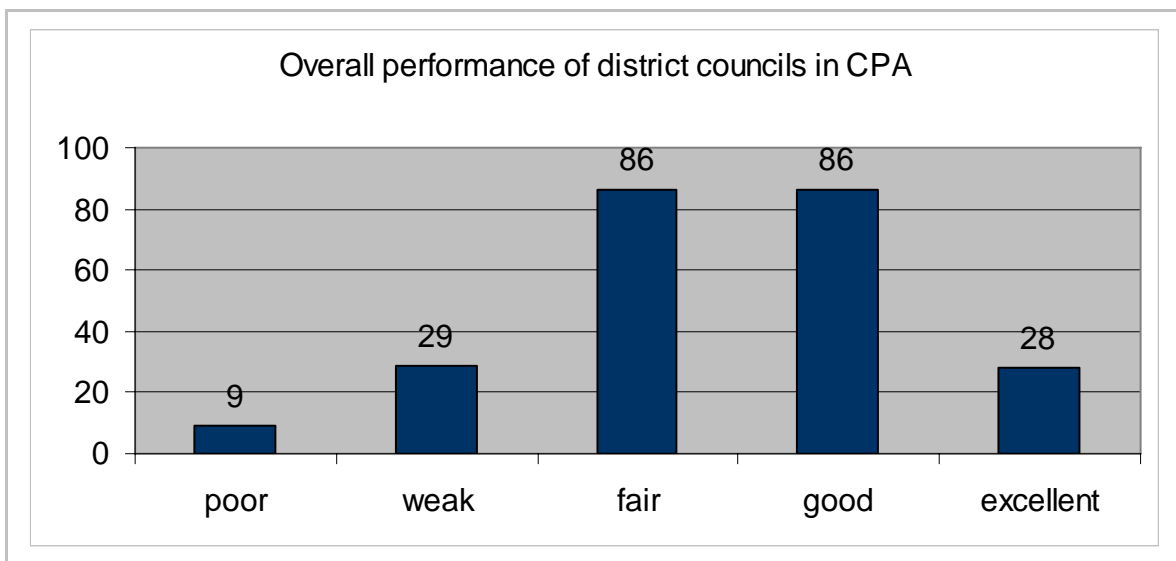
Action needed by the Council

- 5 The Council should continue to prioritise the improvement of its services by:
 - continuing to focus on underperformance;
 - ensuring that local communities are engaged in driving service improvements; and
 - ensuring that the new political arrangements and improved performance management arrangements contribute to the delivery of improved services.
- 6 The Council should continue to develop partnership arrangements.
- 7 The Council should ensure that the views of a wide range of stakeholders are considered when deciding whether to publish an annual financial report.
- 8 The Council should assess the level of maintenance backlog for its asset base, and develop a plan for its phased and prioritised reduction; this should be approved by councillors.
- 9 In the context of the potential for reorganisation of local government in the county, it is important that the Council continues to review governance arrangements and maintains its momentum in terms of performance management, including complying with the duty of best value to improve services, during a period of uncertainty. Equally it is important that the Council is seen to abide by the requirements of the Code of Practice on Local Authority Publicity throughout the consultation period and thereafter.

How is District of Easington Council performing?

- 10 District of Easington 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

- 11 The Council has made progress against its nine key priorities, with significant improvements in some services. There was still some underperformance in 2005/06. To drive improvement, the Council has given priority to improving community engagement, its leadership role and political governance arrangements. It focused on 11 low performing service areas and achieved improvement in ten of these.

- 12 As measured by the Direction of Travel 2005/06 basket of best value performance indicators (BVPIs), the Council's rate of improvement was slightly below the average for district councils and it had a slightly above average number of BVPIs in the top quartile:
- 56 per cent improved compared to an average for district councils of 58 per cent; and
 - 34 per cent were in the best quartile compared with an average 32 per cent.
- 13 The Council is taking action 'to improve quality services for all our people'.
- It has worked hard to improve both access and quality of services for all its citizens focussing on those who have been at risk of disadvantage. Improved access to public transport through the concessionary fares scheme has increased the number of journeys being taken which is a national target.
 - It has introduced 'Pride in Easington' which is an approach to improving the environment and community safety in a cohesive way drawing together enforcement education and engagement. It has supported this by extending the neighbourhood management pilots to other areas.
 - The range of services that can be accessed electronically has increased although the Council is not yet matching the level achieved by many other councils. As part of its priority to engage better with the public and provide speedier and more efficient access the Council has built on the opening of the customer contact centre by appointing to key posts to drive increased customer focus across the organisation. Current satisfaction with the contact centre is 85 per cent.
 - There has been significant improvement in benefit processing with all three key PIs improving and performing in the top two quartiles. The Council has increased benefit take up with an additional £1.2 million benefits being applied for and approved following successful awareness campaigns.
 - Significant progress has been made in planning performance with all but one category improving.
- 14 There has been progress in 'developing sustainable jobs for everyone'. The target for business start ups (103 since April 2005) was exceeded and the Council has supported 90 modern apprenticeship placements with local companies as well as ten in its own organisation across a number of technical and administrative functions. It played a leading role in securing £30 million (over three years) Local Enterprise Growth Initiatives to fund improvements in Neighbourhood Renewal areas within the districts in County Durham. Other initiatives to deliver further job opportunities include the Novus Business Centre in Peterlee and developments in Seaham Town Centre and Seaham Docks.

8 Annual Audit and Inspection Letter | How is District of Easington Council performing?

- 15 Some progress is being made towards achieving the Council's priority of 'decent homes for all' through East Durham Homes, the Council's Arms Length Management Organisation (ALMO) for its housing. However, 80 per cent of Council homes are still below the Decent Homes Standard. The Council continues to work to improve standards in private sector housing through the Durham Coalfields Housing Programme. One thousand and four hundred homes have been provided with free insulation measures.
- 16 Good progress has been made in tackling homelessness, with a reduction from 726 in 2004/05 to 300 in 2005/06. This has been achieved through a programme of preventative activity including a joint protocol with 16/17 year olds, mediation and working with private sector landlords to enable tenants to remain in their homes. New housing completions in the district have averaged 400 per year over the last three years (2002/04 to 2005/06), helping to widen housing choice and representing a significant increase on the annual average for the previous three years of 170 per year. Eighty five per cent of current new housing development is on brownfield sites.
- 17 There have been substantial improvements in the Council's 'clean, tidy communities' priority. Grounds maintenance, street cleansing and refuse collection services have been successfully reviewed and restructured creating four new 'clean and green' teams to raise standards of cleanliness within the district. Levels of litter have reduced and the Council exceeded its own target for graffiti removal. Recycling and composting increased and the amount of waste collected reduced. Abandoned cars were removed more quickly, in turn leading to a reduction of vehicle arson. The Council is taking positive enforcement action against dog fouling and littering.
- 18 The Council has supported 'better transport' for local people through the introduction of a concessionary fare scheme which is beyond the statutory national scheme. Take-up has increased to 14,000 residents who can travel to anywhere in the north east and the Lake District. The scheme has improved access to health care facilities.
- 19 Improving the street warden services by integrating them with police beat teams and Community Support Officers has led to progress in 'making the district safe' There are now speedier response rates to reported incidents. Five hundred and sixty five vulnerable properties have been upgraded to provide additional security. All categories of crime with the exception of domestic burglaries reduced in 2005/06. With its partners, the Council has reduced the level of anti-social behaviour by nearly 700 reported incidents. There has also been good progress in reducing offending by young people. Schemes supporting young people at risk of falling into crime have reduced arrest rates in this group by 60 per cent.
- 20 The Council is working with partners to 'build a healthy community' and to provide 'learning opportunities for all'. Through a variety of initiatives it has been successful in increasing participation in sports and arts: for example, it provided 21 art taster workshops and 360 hours of coaching in a wide range of sports to 855 participants. Free swims during schools holidays resulted in an additional 6,500 attendances. Two thousand people took part in lifelong learning and family learning events.

- 21 The Council's efforts on its 'striving for excellence in the work place' priority resulted in progress during the year. Sickness levels reduced significantly. The best value review of support services concluded that services are low cost and good quality; an action plan has been developed to deliver further efficiencies. The Council successfully achieved £1.6m of efficiencies, exceeding the Government's target and allowing it to release £1.5m from reserves to invest in front line services.
- 22 The Council's has good arrangements for future improvement. It continues to invest in its priority services and in the areas of poorest performance. Performance management and service planning have improved with the continued development of service improvement teams, robust scrutiny, service reviews and delivery of improvement through robust action plans. The Corporate Plan is now more focussed on outcomes for local people and provides a clearer statement of what the Council wants to achieve in its priorities over the next three years.
- 23 The review of the Council's political governance arrangements has led to greater focus on outcomes for communities, providing better leadership at neighbourhood and Council level. Neighbourhood charters allow more involvement of local people in decision making. The Council has agreed a local Council Charter with the town and parish councils and the County Council to co-ordinate and collaborate on a range of services at local level increasing the flexibility of and access to services. In collaboration with partners and the community, the Council is working to introduce a new 'menu' of community engagement activities including routine involvement in service design and more locally based forums, to offer residents a clearer choice of opportunities.
- 24 The Council has now achieved level 2 of the Equality Standard for Local Government. Specific initiatives have been developed to engage with young people, families and older people, disabled people and black and minority ethnic communities. A Leisure Card scheme has been introduced to encourage participation in physical activity by targeted groups including young people, low income families, people who are registered disabled and registered carers, and the Council has formed an Improving Services for Disabled People group which has worked with the Council in developing its Disability Equality Scheme. The proportion of people from black and ethnic minority communities employed by the Council rose in 2005/06. While the proportion of people with disabilities employed by the Council declined and was lowest quartile in 2005/06, the proportion of top earners with disabilities rose.
- 25 The Council has sufficient financial capacity to deliver its plans. It is very successful in attracting external funding and puts this to good use to address its priorities.

Financial management and value for money

- 26 We reported separately to the Council on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 27 Audit findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from audit assessments made 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).
- 28 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	2 out of 4
Financial standing	3 out of 4
Internal control	3 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)

- 29 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- The Council's arrangements have improved in a number of areas compared to last year's assessment. However, the extent of these improvements has not been sufficient to increase the overall use of resources score of '3'.
 - The Council scored '3' for the majority of the five categories assessed, showing that it is 'working consistently above minimum requirements and performing well' in most areas.
 - Areas of improvement include:
 - *financial management arrangements*; the medium term financial strategy, budgets and capital programme are soundly based and designed to deliver strategic priorities. In particular the medium term financial strategy incorporates a modelling of the balance sheet and cash flows over a three year horizon and is linked to business plans;
 - *internal control arrangements*: risk management arrangements have been strengthened and developed including an annual review of the risk management process, and training provided for officers and those members with risk management responsibilities; and
 - arrangements to manage and improve *value for money* were also strengthened. The Council has a much clearer and complete picture of its costs and performance and can evidence action to address service improvements in targeted priority areas. It also has an integrated approach to efficiency and performance review, and service and financial management, all of which are focused on future improvements.
- 30 The key actions needed to further strengthen arrangements are as follows.
- Continue to develop partnership arrangements. This area will assume increased importance in future area working.
 - Ensure that the views of a wide range of stakeholders are considered when deciding whether to publish an annual report.
 - Assess the level of backlog maintenance to the Council's asset base, and develop a plan for its phased and prioritised reduction which should be approved by members.

Local Government review

- 31 Perhaps one of the most significant issues facing the Council at this point is the potential re-organisation following the Local Government White Paper of last year.

- 32 It is important that the Council continues to review governance arrangements and maintains its momentum in terms of performance management, including complying with the duty of best value to improve services, during this period of uncertainty. Equally it is important that the Council is seen to abide by the requirements of the Code of Practice on Local Authority Publicity throughout the consultation period and thereafter.

Local Area Agreement

- 33 The Council is a member of the Durham Local Area Agreement covering the period 2006/07 to 2008/09.
- 34 Monitoring of expenditure during 2006/07 indicated, even at the six month stage, that there was a strong possibility of a significant underspend. However, by the year end it is envisaged that £5.247m or 95.53 per cent of the total allocation will be spent, with just under 5 per cent of funding being carried forward to the next year. The possibility of an underspend remains an issue for the future as funding allocations increase substantially for 2007/08 to approximately £25m. As a signatory to the LAA, the Council should monitor developments; in particular the risk of any significant underspends given that only a maximum of 5 per cent could be carried forward from 2006/07.
- 35 The Government Office recently carried out a six monthly review of the Durham LAA assessing overall progress as 'amber' and the direction of travel of the agreement as 'green'. The most recent performance report to the LAA board (Programme Report No. 7) refers to work continuing on 'developing a strategic approach to commissioning of funds in 2008/09' and an agreement to take 'an incremental approach to change in the use of LAA pooled funds'.

Conclusion

- 36 This letter has been discussed and agreed with Chief Executive and Director of Finance and Corporate Services. A copy of the letter will be presented to Council on 25 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, and also on the Council's website.

Sarah Diggle
Relationship Manager