

Annual Audit and Inspection Letter

District of Easington

Audit 2007/08

February 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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

- 1 This is our last Annual Audit and Inspection Letter before the District of Easington Council (the Council) ceases to exist on 31 March 2009. In this letter we comment upon the arrangements that are being put in place to manage the transfer of responsibilities to the new unitary council. We also draw attention to any issues specific to the Council that should be considered by the new unitary council.
- 2 The Council has marked its final year with some impressive achievements. Its transitional plan outlined ten priorities which the Council has focused on throughout the year. Good progress has been made in improving services in line with these priorities. Alongside this the Council has contributed well to the development of the new unitary council. Sixty seven per cent of its performance indicators have improved in the last year, well above the average for district councils. Housing remains a recognised area for improvement, particularly the high number of poor quality council homes, and is being actively tackled by East Durham Homes (EDH) with support from the Council.
- 3 In a period of significant change and uncertainty, with considerable additional demands on officer time, the Council has continued to maintain, and in some cases strengthen, its arrangements for preparing its accounts and ensuring value for money. This is reflected in an unqualified opinion on the accounts, an unqualified value for money conclusion and an improved use of resources assessment in 2007/08.
- 4 Over the last few months much of the Council's focus has been on maintaining services, and meeting the 2008/09 budget, in a managed way to continue to meet the needs of service users and deliver the financial commitments made to the new unitary council.
- 5 During the year we also carried out specific pieces of work on the Council's approach to access to services and absence management. We undertook these reviews on a county wide basis and both reports have identified a number of strengths and areas for improvement that need to be considered by the new unitary council.

Action needed by the Council

- 6 As the Council enters the final phase of its existence members need to maintain an appropriate focus on delivering services - particularly as key staff take up posts in the new unitary council or elsewhere. Alongside this Members and officers need to manage the financial pressures that flow from the higher than planned transition costs of local government reorganisation, the credit crunch and from meeting the challenging savings targets built into its 2008/09 budget.
- 7 In terms of service performance there are a number of key issues arising from our work on access to services and sickness absence at Easington which could usefully be considered by the new unitary council. Therefore, the Council should consider making these reports available to the new unitary council.

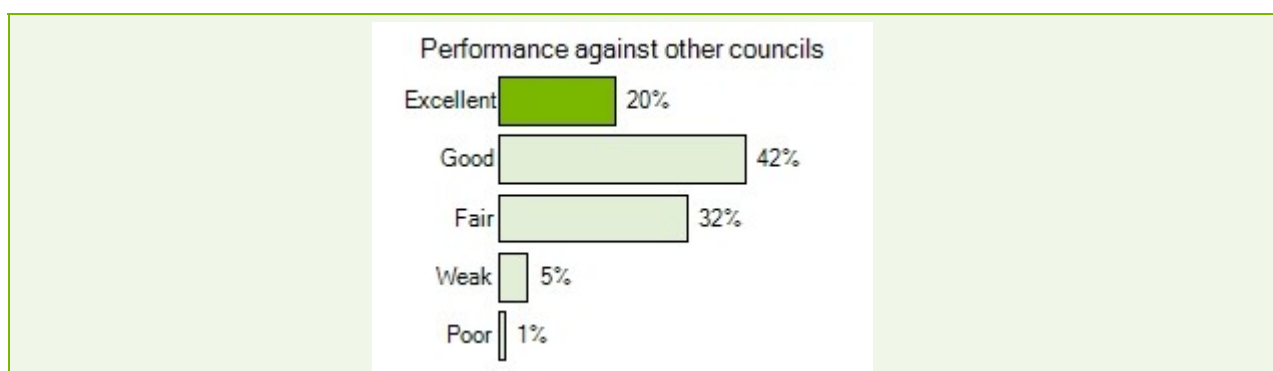
Purpose, responsibilities and scope

- 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 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 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.
- 11 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is District of Easington Council performing?

14 The District of Easington Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. 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

Direction of Travel report

Summary

15 The Council has marked its final year with some impressive achievements. It has not slowed its drive for service improvement and regeneration in the run up to LGR so leaves services in a strong position to continue under the new arrangements. Its transitional plan outlined ten priorities which it has worked on throughout the year. It has continued to make very good progress over the last year in improving services in line with its priorities, focusing on local needs, while also contributing to the development of the new unitary council. Sixty seven per cent of its performance indicators have improved in the last year, well above the average for district councils. The main improvements are in planning, environmental health and local environment, sustainable communities and transport but an area which needs to improve further is housing.

How is District of Easington Council performing?

- 16 The historical problems with the Council's housing are well known and are being tackled by East Durham Homes (EDH) with support from the Council. Management arrangements have been strengthened. Action taken to stabilise the financial position includes out sourcing capital works to be followed by out sourcing of repairs. Such improvements have allowed management to reduce rent arrears and improve void turnaround. A housing re-inspection in June will need to award two stars to allow access to the supported borrowing needed to bring houses up to decent homes standard. Until this happens, the number of tenants living in non-decent accommodation will still be high, with the Council's response being limited to resources from its own capital programme.
- 17 Successful service improvement has been achieved through the new recycling arrangements, reduction in the time to process planning applications. Customer service has improved with the development of the Customer Service Centre where response times have improved over the year, making it easier to contact the Council.
- 18 The Council's progress in improving worklessness through use of regeneration funding to create jobs is impressive and was praised in the Audit Commission's national report '*A Mine of Opportunities*'. This focus needs to be maintained by the new unitary council as its position is still poor amongst coalfield areas nationally. A regeneration statement which summarises long term aims will prove useful to the new unitary council in continuing to make progress.
- 19 Local people have been involved in influencing local priorities through the neighbourhood forums which were piloted in three areas and will be evaluated for the new unitary council to inform the development of Area Action Partnerships, using this model of community engagement.
- 20 Strong partnerships have been formed with other public bodies and the voluntary sector including the police and the primary care trust, for example through developing a local alcohol misuse strategy, through the neighbourhood forums and supporting East Durham Community Development Trust to strengthen input from the community and voluntary sector. These partnerships will provide a good base for local engagement for the new unitary council.
- 21 The Council has focused its training and development on supporting staff during the transition period which has resulted in a low turnover and continuity for services, ensuring 'business as usual' and a continued focus on service delivery and improvement. However within Durham district councils a number of senior officers will leave due to LGR and there is a risk to the new unitary council because valuable local knowledge will be lost.

What evidence is there of the Council improving outcomes

- 22 The Council set out ten priorities in its transitional plan.
 - Continue the improvement trajectory on waste recycling and planning.
 - Implement planned improvements for neighbourhood working and community engagement.
 - Continue development of the customer services approach and the technology to support it.

How is District of Easington Council performing?

- Improve areas of older housing in target communities to support sustainable neighbourhoods.
 - Secure the agreement of all parties to the Peterlee Masterplan and marketing strategy.
 - Develop a more entrepreneurial culture by encouraging start-ups and supporting existing businesses.
 - Support EDH in delivering an effective housing service for tenants.
 - Further strengthen the East Durham Trust as an innovative vehicle to support a strong voluntary and community sector in East Durham.
 - Retain the skills and commitment of staff and members and support them through transition.
 - Encourage greater levels of economic participation through activities which raise educational attainment, skills and aspirations.
- 23** Over the last year the Council's performance improved very well in comparison to other councils nationally. Its performance is even more impressive considering both the historical problems of deprivation from its industrial heritage and the fact that the Council is currently running at reduced capacity due to both staff and Members being engaged in preparation for LGR.
- It is ranked 66th out of 388 (All authorities for which data is available) for the percentage of performance indicators (PIs) improved since last year. Sixty seven per cent of PIs improved since last year which is above the average range for all district authorities (56.9 - 59.1) per cent.
 - Thirty-seven per cent of PIs (average 33 per cent) were in the best 25 per cent of all councils.
 - The main improvements are in planning, environmental health and local environment, sustainable communities and transport but housing needs to improve further.
- 24** The new management arrangements within EDH are starting to have an effect and overall housing services are generally improving. The Council has targeted more investment into housing delivery including £300,000 for aids and adaptations to allow people to live independently for longer; £100,000 to support void turnaround and £183,000 to support the outsourcing of repairs and maintenance. The Council's Housing Revenue Account made a surplus of over £1.5 million in the year with over half attributable to increased rent income. Improvements have been made in void property turnaround and tenants of Council owned homes in rent arrears with notices seeking possession served moved from worst to best 25 per cent of councils, improving from 36 per cent to 12 per cent. Improvements in management are improving services for tenants.
- 25** The Council is taking action to support EDH to strengthen management and improve services following a housing inspection which awarded the Council and EDH only one-star. Eighty nine per cent of houses do not meet the decent homes standard and EDH needs to achieve a two-star inspection before the funds can be accessed to improve this situation. The planned re-inspection will be in June 2009.

How is District of Easington Council performing?

- 26 Improvements in planning procedures meant that planning performance improved. Major planning applications processing (within 13 weeks) improved from 63.9 per cent to 69.44 per cent.
- 27 The Council has achieved national recognition in its approach to fuel poverty and energy efficiency. The Council is one of the few local authorities nationally to have a whole-stock energy database; essentially a property-specific record of energy information for all of the areas 38,000 Council and private dwellings.
- 28 There has been a 0.8 per cent reduction in the collection rate for business rates between 2007/08 and 2006/07, due to a number of late assessments from the Valuation Office in 2007/08. These were due to the completion of the Byron Place shopping centre, Seaham and a high number of company liquidations in 2007/08; some of these have resulted from the removal of enterprise zone status in 2005.
- 29 The Council has successfully driven job creation using regeneration funding, meaning that worklessness has fallen substantially. Indeed Easington is actually the best performing of 59 coalfield areas on this indicator. Nevertheless this will remain a key issue for the new unitary council given that Easington remains amongst the worst areas in the country. The new unitary council will need to continue to use regeneration to create new jobs and maintain this improvement.
- 30 Recycling and composting rates have improved significantly over the last year but there is a temporary problem. During 2006/07 the Council achieved 34 per cent, the third best in the North East and above national targets. However in 2007/08 this reduced to 20.19 per cent because the anaerobic digester operated by Premier Waste was not working to specification, which resulted in the Council being unable to include composted waste in the figures. The volume of recycled materials collected has been double that expected and this success has been attributable to a number of factors, including the introduction of kerbside plastics and cardboard recycling throughout the whole of the District, doubling the green waste collection service, the introduction of a "no side waste" policy and the increased use of 'bring sites'. Rates are expected to increase once the anaerobic digester is working properly.
- 31 The Council's approach to managing sickness absence shows many strengths in comparison to other authorities and in 2006/07 their sickness absence rates were second best in Durham at 8.59 days. Good practice includes analysis of costs, a league table approach and poster campaigns of the effect of sickness on colleagues. In the year to December 2008 sickness absence rates were 8.47 days, which is impressive given the uncertainty due to LGR and means the Council is well placed to provide good services to local people.
- 32 The introduction of neighbourhood forums is a genuine attempt to improve local engagement with the public to produce action plans based on their local priorities. The pilot in three areas has been extended and will be evaluated for the new unitary council to inform the development of Area Action Partnerships, using this model of community engagement.

How is District of Easington Council performing?

- 33** The customer service centre (CSC) is an example of the Council's work to improve the front end of services and the quality of service to the public. A high proportion of services now use the CSC. Service quality monitoring shows there have been big improvements in call answering times during the last year, service satisfaction is within the target. Complaints and Ombudsman complaints turnaround times have improved during the year due to an increased focus from the Council.
- 34** The Council has supported the development of East Durham Community Development Trust (EDCDT) which shows commitment to working in partnership with the community. It offers a Voluntary and Community Sector (VCS) One Stop Shop, has rentable office space, which will generate income for EDCDT and runs a Community Loan Scheme offering interest free loans to VCS organisations. This has strengthened the communities ability to influence things that are important to it.
- 35** The Council is improving services in line with community views. Community engagement has been demonstrated through the consultation on the future development of Thornley/ Wheatley Hill. A consultation with the public was held regarding green waste collection and they wished to extend the service. As a result the Council has doubled the number of households covered by the scheme to 33,700.
- 36** Partnership working is improving outcomes for local people. The Council has:
- worked in partnership with the police the PCT and others, to develop an alcohol strategy and pilot a community alcohol service which is being rolled out through County Durham;
 - established a parenting team to support parents who are experiencing problems with their children. Three workers run structured programmes to help parents improve their skills in areas including communication, discipline, and dealing with stress; and
 - supported a youth outreach team which has contributed to a reduction in crime and youth related antisocial behaviour. The fear of crime has reduced; the percentage people who perceive there is a high level of antisocial behaviour figure reduced from 21.92 per cent in 2006/07 to 19.75 per cent in 2007/08.
- 37** The Council is contributing towards improving the health of the community through developing a community sports network, a £900,000 funding package for play, including play rangers and coordinators, increasing swimming opportunities for young people and a holiday activity programme for 7,000 young people.
- 38** Efforts to develop services to meet the needs of hard to reach or disadvantaged groups have delivered changes. Examples include youth forums and a migrant workers forum, and equality impact assessments to help understand needs and some changes have been made for instance adapting the refuse collection service and redesigning the strategic housing function. It has worked with the East Durham Positive Inclusion Partnership to champion disabled people and improve physical accessibility. The benefits service has successfully increased the take up of benefits. The homelessness section has changed the way staff work to concentrate on prevention of homelessness. These initiatives will help to reduce the inequalities within Easington, by targeting disadvantaged and hard to reach groups.

How is District of Easington Council performing?

- 39** Travelling to Council offices in Easington can be difficult, mainly because of inadequate transport links in east Durham and the location of the main Council offices in Easington village, away from main centres of population. However, the Council makes active attempts to overcome this problem. It uses other venues, including community centres, as a base, for example, for outreach for the benefits service and officers across all departments undertake home visits. The Audit Commission's county-wide access to services review highlighted the need across County Durham to improve less positive aspects: the need to develop e-government, for instance on line payments, online access to services; using the potential of the Customer Relationship Management system to improve access and increasing Members use of electronic communication.
- 40** Despite LGR, value for money and quality of service are both improving. High spend areas are in priority areas and are matched by improving performance. The programme of value for money reviews continued during the early part of the year and resulted in improved PIs, although it has now been suspended to concentrate on preparation for the new Council. The Council achieved double its three year efficiency targets with savings of £4 million and uses procurement practices that achieve savings, for example savings of £24,000 were made from using Office of Government Commerce frameworks in 2007/08.

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

- 41** The Council is maintaining its focus on improvement. It produced a transitional plan in February 2008 and revised it in September 2008. This clearly sets out priorities and progress made on them to ensure focus on these whilst playing significant resource into developing the new Council. It also notes progress made on other corporate plan activities and many have been achieved, or moved into LGR workstreams. As a result services are in a good position to continue delivery and manage any changes following LGR.
- 42** Service improvement remains a priority for the Council. It has not reduced its drive to improve services and maintain high levels of services during its final year and PIs reflect this with a high proportion of PIs improving over the 2007/08 year.
- 43** A successful partnership with Durham County Council, Wear Valley District Council and Sedgefield Borough Council has recently successfully applied for Growth Point status for South and East Durham to accelerate future housing growth with the delivery of 14,500 net additional homes between 2004 and 2016, improving 370 homes through the Coalfield Housing Market Renewal Programme, and the establishment of key employment corridors between the three main conurbations of the region.

How is District of Easington Council performing?

- 44 The Council produced a regeneration statement in 2008 which sets out a long term vision and provides a good basis for planning for the future and transforming Easington into a vibrant and successful place. Successes include the further development of Seaham Hall Spa, the revitalisation of housing in Seaham with East Shore Village and Parkside schemes complete, development of Dalton Park retail and leisure, development of Spectrum Business Park, the relocation and expansion of Seaham Harbour Dock, creating tourism opportunities. The regeneration statement clearly links plans for the future to economic indicators in the Local Area Agreement and the Tyne and Wear Multi Area Agreement and summarises action to take forward to the new Council.
- 45 A three year capital programme was agreed in February 2008 to support economic regeneration, bringing homes up to decent homes standard and neighbourhood renewal totals £16,099,000 for 2008/09 and similar amounts for the following two years totalling £46 million. Some reliance is placed on capital receipts with the acknowledgement that some borrowing might be required due to the economic downturn but this will need to be reviewed by the new unitary council to reflect the current climate.
- 46 Despite LGR, the Council has the capacity to deliver on its priorities in the transition plan and continues to contribute to workstreams for the new Council. Until recently the Council's management team has been relatively stable and where change has occurred immediate interim arrangements have been successfully put in place. The existing management team are expected to be in place until handover. The Council has focused its training and development on supporting staff during the transition period which has resulted in a low turnover and continuity for services, ensuring 'business as usual' and a continued focus on service delivery and improvement. However a number of senior officers will leave due to LGR and there is a risk to the new unitary council because valuable local knowledge will be lost.

Service inspections

Access to services

- 47 An inspection of access to services in County Durham covering all eight local councils in the county was undertaken in 2008. The inspection was not a detailed review of the approach taken by each individual district or the county council and therefore does not make judgements about individual councils or have scored judgements. The purpose of the inspection was to gain a county wide perspective on access to services and identify key issues for the new unitary council.
- 48 Overall the review found that all councils in County Durham have a strong commitment to improve the way in which local people can access their services and they have taken a broad range of approaches. There is strong leadership across the county which is championing customer care, together with a genuine commitment and positive attitude to developing new approaches. All of the councils have had an explicit vision or priority to improve customer services for some time. However several councils have halted their improvement programmes due to LGR.

How is District of Easington Council performing?

- 49 The final report was published in July 2008 and the key findings for the Council have been incorporated into our Direction of Travel report.

The audit of the accounts and value for money

- 50 As your appointed auditor I have reported separately to the Council on the issues arising from our 2007/08 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

The key issues arising

- 51 The Council's overall arrangements for financial reporting remain strong. Good quality working papers were provided to support the entries in the accounts and very few amendments were required following our audit. This is recognised in the score of three for the financial reporting element of this year's use of resources assessment, highlighted below. This is particularly notable given the:
- introduction of a number of complex new accounting requirements this year; and
 - significant demands placed on key officers due to LGR, including involvement in the workstream dealing with finance related issues.
- 52 While improvements have been made to the approach to overall management arrangements for ensuring data quality there is scope for further improvement. We have therefore assessed the Council as performing adequately. Our testing of two national performance indicators for the speed of processing of housing and council tax benefit claims and the speed of processing of housing and council tax benefit changes found that they were fairly stated.

Use of Resources

- 53 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).

54 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 Use of resources scores

Despite the additional demands placed upon the Council due to the implementation of LGR, the Council has continued to maintain and, in some areas, strengthen its arrangements

Element	2007/08 assessment	2006/07 assessment
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	2 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

Note: 1 – lowest and 4 = highest

- 55 The Use of Resources assessment continues to be a harder test with new KLOEs to be met. We found that despite the additional pressures and uncertainties created in the demising period before LGR the Council has improved or maintained its performance in the areas assessed.
- 56 In two areas, management of the asset base and current achievement of good value for money, the Council has consolidated improvements made in previous years and this has been reflected in increased scores for these areas.

Local Risk Work

Managing absence

- 57 During the year we under took a review across the councils in Durham and Tees Valley on the management of absence from work, especially sickness absence. Across the councils in Durham we found that there were clear policies and procedures in place and comprehensive data available to monitor and improve sickness absence levels, but the application of the polices and procedures were not always applied consistently within all the Durham districts.

The audit of the accounts and value for money

- 58 We found however that the Council has a number of good practices in place that could usefully be shared with the new unitary council including the way management information is provided. The officers in Easington were very positive about the simplicity of the systems operated which enables a consistent approach and promotes good team work and ownership of issues such as sickness absence.
- 59 Other good practices included the embedding of roles and responsibilities with refreshed training and guidance, the range of health and well being initiatives in place, and a flexible approach to individual solutions. The final report was issued in May 2008 and included a number of overall findings relevant to the operation of the new unitary council.

Looking ahead

- 60 For the 2008/09 financial year we will not carry out an assessment of the Council's use of resources arrangements. We will audit your financial statements for 2008/09 and also give our conclusion on the adequacy of your arrangements for securing economy, efficiency and effectiveness of the Council's use of its resources. We expect to report our value for money conclusion and opinion on the 2008/09 accounts along with our 2009 Annual Audit Letter to the new unitary council in September 2009.
- 61 In the final months of the Council's existence we will continue to work closely with officers to ensure that any remaining audit work is completed and reported efficiently.

Closing remarks

- 62 This letter has been discussed and agreed with the Chief Executive and the Director of Finance and Corporate Services. A copy of the letter will be presented at the full council meeting on 5 March 2009. Copies also need to be provided to all Council members.
- 63 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	June 2007
Annual Governance Report	September 2008
Opinion on Financial Statements	September 2008
Value for Money Conclusion	September 2008
Final Accounts Memorandum	December 2008
Access to Services	October 2008
Managing Sickness Absence	May 2008
Annual Audit and Inspection Letter	February 2009

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- 64 In a period of significant change, we remain grateful for the Council's continuing positive and constructive approach to audit and inspection work. With this in mind we wish to thank the Council's staff for their support and cooperation during the audit. We would also like to take this opportunity to wish the staff and members of the Council well for the future.

Availability of this letter

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

Marion Talbot
Corporate Area Assessment Lead

February 2009

Cameron Waddell
District Auditor

The Audit Commission

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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.

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