

Annual Audit and Inspection Letter

July 2007



# Annual Audit and Inspection Letter

**Lancaster City Council**

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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:

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- 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.

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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.

### Council Performance

- 4 Performance in national and local priority areas is improving. Current performance levels are comparatively good with 42 per cent of indicators in the top band compared with a district council average of around 30 per cent.
- 5 The 2005 inspection of waste management judged the service to be fair with promising prospects for improvement. The service has continued to improve and exceeded its 2005/06 DEFRA recycling target.
- 6 Planning performance this year was mixed. The Council is addressing this problem area through investment in the service and figures for 2006/07 show that this is paying off in improved performance.
- 7 Access to services and information is improving with better electronic access through an enhanced website. Implementation of the customer access strategy slowed this year because of delays in decisions over locations of key service points. However, the Morecambe and Lancaster town halls have now been identified as the main customer service centres and plans are moving forward.
- 8 Business planning processes are more effective and stronger corporate leadership of performance management has led to improvement.
- 9 The Council's benefits service was reviewed by the Benefit Fraud Inspectorate and assessed as achieving an excellent performance, a significant improvement on the assessment in 2003.
- 10 A number of key challenges remain including, in particular, further developing the people management agenda, improving workforce planning, further development of the Council's approach to equality and diversity and continuing to tackle staff absence.

## **Accounts and Value for Money Conclusion**

- 11 We issued an unqualified opinion on your accounts on 29 September 2006 and we found that a number of improvements to the processes for compiling and presenting the accounts had been made since 2004/05.
- 12 This year, for the first time, we were required to issue a conclusion on whether or not the Council had in place adequate arrangements to achieve value for money. Our conclusion is that Lancaster does have adequate arrangements in place.

## **Use of Resources**

- 13 The Council scored 3 out of 4 under our assessment of the Council's use of resources this year. Whilst progress has been made in a number of the theme areas there still remains a challenge to embed and further develop the approach to value for money so as to improve it to better than adequate.

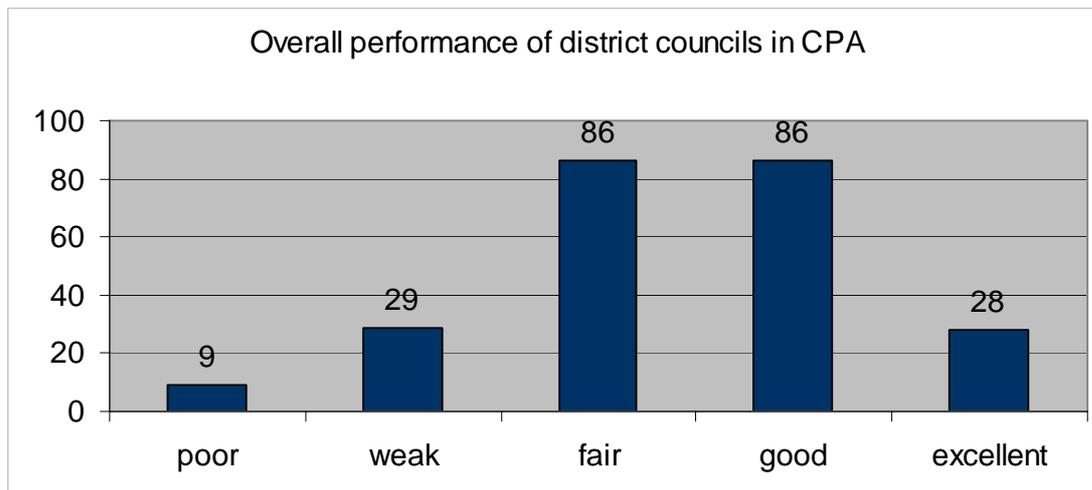
## **Action needed by the Council**

- 14 The key actions which we are recommending to the Council include the need to:
  - monitor the implementation of the recommendations arising from the waste management inspection particularly in respect of user satisfaction, effectiveness of performance management arrangements; tackling high levels of sickness absence and use of benchmarking to systematically improve value for money;
  - continue to develop and embed the approach to workforce planning, equality and diversity and the approach to tackling staff absence;
  - continue to develop the performance management approach to tackle those areas of comparative lower performance;
  - drive forward the Council's contribution in the development of the governance and accountability arrangements within the Lancashire Children and Young People Partnership to ensure responsibilities under the Children Act 2004 are met;
  - work with all the authorities in Lancashire to better integrate the approach to the Local Area Agreement and the county and district Local Strategic Partnerships and the achievement of the agreed targets;
  - further develop value for money skills to challenge the future use of Council's resources; and
  - develop robust risk management and governance arrangements within all the Council's significant partnerships, so as to maximise the outcomes from joint objectives.

## How is Lancaster City Council performing?

- 15 Lancaster City Council was assessed as fair in the Comprehensive Performance Assessment (CPA) carried out in January 2004. These assessments have now been completed in all district councils and we are starting to update CPA through new corporate assessments in councils where there is evidence of change. Lancaster City Council will be one of the first councils to receive a new corporate assessment in summer 2007.
- 16 The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

### CPA re-categorisation

- 17 The 2006 District Council CPA framework allows for district councils to apply for re-categorisation as a result of their improvement since the last assessment. In October 2006, Lancaster City Council applied to be considered for re-categorisation. An Audit Commission regional panel considered the application together with a range of evidence including service performance, progress (direction of travel) assessments, the use of resources score and other judgements from key stakeholders. The panel decided that there is a realistic prospect of a change in category following a corporate assessment inspection.

- 18 The inspection team which includes a peer Councillor from another district council will conduct their field work during the summer of 2007 and report their findings in autumn 2007. The result of the inspection will determine the Council's new CPA rating and the level of formal performance monitoring by the Department of Communities and Local Government.

## Improvement since last year

- 19 The Council continues to make improvements in service delivery for the benefit of its communities in both national and local priority areas. The rate of improvement in key national performance indicators linked to the shared priorities for local government over the past year was 46 per cent - below the district council average of 61 per cent. However performance levels overall compare well with 42 per cent of indicators in the top band compared with a district council average of around 30 per cent.
- 20 Waste management continues to improve. The Council exceeded its 2005/06 DEFRA recycling target – achieving 19 per cent recycling against a target of 18 per cent. The Council is reducing the amount of waste going to landfill. Initiatives such as 'Bulky Matters' have increased reuse and recycling of bulky waste. Kerbside collection of recyclables has been rolled out to over 30,000 households. The 2005 inspection of waste management judged the service to be fair with promising prospects for improvement. Areas of strength included ease of access for customers; consultation and communication; and, service standards. It is clear that the service to residents improved following integration into the customer service centre and the provision of a single point of contact for service requests and information. Areas for development include information about user satisfaction; cleanliness of recycling facilities; and inconsistent enforcement.
- 21 The Council is tackling local priority areas. An improved approach to enforcement and more efficient service delivery have helped the Council to exceed its 2005/06 targets for cleaner streets. The Council is sustaining a high level of performance in its benefits service and continues to improve as well as delivering efficiency savings. However, in 2005/06, 'in year' collection of council tax has fallen. The Council attributes this in part to the closure of cash offices at the start of 2005/06 requiring a change in payment methods for a large number of customers. The Council has reviewed the effectiveness of council tax collection procedures and set income collection targets for 2006/07.
- 22 Planning performance this year was mixed. Indicators show significant increases in times taken to process applications and standard searches and performance does not compare well with similar councils. However performance against the planning quality of service checklist is improving and does compare well. The Council is addressing problem areas through investment in the service and Council figures for 2006/07 show that this is paying off in improved performance.

- 23 The Council's regeneration plans are progressing as it secures external funding and partnerships to support delivery. Regeneration projects delivered this year include conversion of former council offices to provide workspace for new ICT businesses. Development of the Luneside East area is underway with the clean up of contaminated land and construction of new workspace and homes planned to start in 2007. In Morecambe the Council has formed a joint venture with Urban Splash to redevelop the central promenade. A successful neighbourhood management pilot scheme in Poulton is to be replicated in other regeneration priority areas in 2007. A four year programme of improvements to playgrounds across the area began this year.
- 24 Council figures and national indicators show that the Council and its partners are not on track to achieve their targets for reduction in crime and fear of crime. National performance indicators show increases in key crime areas such as domestic burglaries; robberies; thefts of motor vehicles and thefts from motor vehicles. The levels of violent crimes are reducing although performance is still in the worst band. However partnership figures show that the position improved in the final quarter of 2007. Initiatives such as Operation Clean Sweep are improving neighbourhoods and increasing community engagement. The Council secured external funds to provide extra street lighting to improve safety.
- 25 Homelessness is reducing through partnership activities. Although the number of households in temporary accommodation is increasing, the length of stay in bed and breakfast accommodation is reducing. The Council has reviewed its service level agreements with partner agencies who provide services for homeless people to strengthen the emphasis on prevention and improve performance management and value for money. The Council is focussing on providing permanent solutions for vulnerable families and as a result is reducing cases of repeat homelessness. All council housing meets the decent homes standards. Working in partnership with Adactus and English Partnerships, the Council is improving housing conditions in deprived areas such as the West End of Morecambe.
- 26 Access to services and information is improving with better electronic access through an enhanced website. Implementation of the customer access strategy slowed this year because of delays in decisions over locations of key service points. However, the Morecambe and Lancaster town halls have now been identified as the main customer service centres and plans are moving forward. Council figures show high satisfaction with its customer service centre approach. Service standards are defined and published for each service area that is integrated into the centre. Outside of the customer service centre approaches are more variable. The Council is not on track to achieve its target for 100 per cent of all customer-facing staff to have received accredited training by March 2007. A staged two year approach was introduced in January 2007.

- 27** The Council commissioned a general household survey in 2006. The questions did not match those of the previous 2003 survey which makes comparison difficult in some areas. Overall however more respondents thought that things had got better rather than worse. The results show that 51 per cent of respondents are satisfied with the way the Council runs things overall compared to 48 per cent in 2003 and 69 per cent believe the Council is making the area a better place to live. Only 37 per cent were happy with the way complaints are handled – a decline since 2003. The Council's investments in street cleaning and waste collection are having impact with 62 per cent satisfied that the Council keeps land clear of litter and refuse; 89 per cent satisfied with waste collection and 75 per cent with recycling. Respondents felt that the Council treats people fairly but 63 per cent agreed with the statement that it is 'remote and impersonal'. The main areas of concern were traffic congestion, levels of crime and dog fouling. The Council has also tested public satisfaction in specific service areas such as housing repairs and routinely monitors user's experience of the customer service centre. These show increasing levels of satisfaction over the past year. The Poulton neighbourhood survey conducted by MORI showed improvements in the perception of the Council's performance.
- 28** The Council is establishing a more coordinated, corporate approach to consultation and community engagement so that the priorities and needs of local people are more clearly reflected in Council priorities and plans. There is a revised consultation strategy and the new framework includes development of consultation finder a web based tool to help to identify and disseminated information about user's needs. The Council has also allocated funding for a new post of Consultation Officer.
- 29** Business planning processes are more effective. Corporate priorities and more clearly defined and links with service delivery plans more explicit. Service plans feed into team plans and into individual objectives where these are in place. The Council has not met its target for 100 per cent of staff to be included in the appraisal system (EDPA). In 2006/07, 77 per cent had a personal review.
- 30** Stronger corporate leadership of performance management has led to improvement. The monthly Performance Management Group includes all senior managers and is chaired by the Chief Executive. The Council has moved to a Corporate Improvement Plan which integrates development areas identified through internal and external review. This is helping to focus officers and members on driving up performance. The Council continues to roll out the Escendency performance information system and plans for it to be used in all services by June 2007.

- 31 A revised performance framework was introduced from April 2006. Service Performance Review Teams (PRTs) compile quarterly performance reports. Areas of underperformance are identified and PRTs agree actions for improvement. PRT reports are incorporated into the quarterly corporate performance report which goes to cabinet and the Budget and Performance Panel. This provides councillors with information about performance against national and local indicators; corporate priorities and financial targets. The new performance framework is helping the Council to identify the factors that contribute to deteriorating performance of or lack of progress and it is starting to use this information target remedial action. There is further scope to integrate value for money targets and efficiency goals more effectively into the framework and the Council is working on this.
- 32 The Council is embedding new, more robust systems for business and operation risk management. It is strengthening its corporate approach to project management and has invested heavily in training through the LAMP framework.
- 33 The Council has invested in its HR function building skills and increasing capacity so that managers receive a better level of support. Key policies have been revised and are having greater impact. As a result sickness absence is reducing. In 2005/06 the average was 11.6 days, down from 12.2 days in 2004/05. Council figures show that it is not on track to meet its 2006/07 target of 10.0 days with the final outturn currently predicted to be 12 days. The Council has identified an issue with long term absence and is adopting a corporate approach to tackling this.
- 34 Flexible working has been extended and a trial home working scheme has started. The Lancashire Leadership and Success through People programmes continue to build management skills and capacity. The HR service is reviewing councillors' individual development needs in order to better target training and support.
- 35 The Council has made slow progress in achieving its other targets and priorities for people management. These include achieving council wide IIP and concluding the Fair Pay Review.
- 36 The Council has not developed a robust corporate approach to workforce planning. This means that the Council does not have a clear and reliable picture of the capacity it has now and that it needs to develop in the future to deliver its ambitions and priorities. It reduces the potential to secure efficiency savings and value for money from flexible use of skills and human resources across the organisation. Recent quarterly performance reports highlight areas where lack of capacity is impacting on delivery of priorities.

- 37 The Council recognises that it needs to improve its approach to equality and diversity issues. This is a cabinet priority. Improvement has not been firmly and consistently driven and coordinated across the organisation. A corporate equalities group is chaired by the Chief Executive. Training and briefing sessions for staff and councillors are raising the profile of equalities and diversity issues. However such issues are not routinely and consistently integrated into council business. The Council has maintained level 1 of the Equality Standard for Local Government. Plans to achieve Level 2 by March 2007 are not on track because of a re-focus of investment in competing priority areas. The Council is now aiming to achieve Level 2 by November 2007.
- 38 The staff profile does not reflect the ethnic diversity of the communities which the Council serves. The overall percentage of staff from black and minority ethnic communities is low. The number of women in senior management is growing but still comparatively low. There are no firm plans to address this. The percentage of staff with a declared disability has increased following a work place survey which encouraged staff to consider declaration.
- 39 Improvements in consultation and community engagement are developing the Council's understanding of local communities and the challenges faced by minority groups and those at risk of disadvantage or exclusion. This is starting to feed into service planning. For example in the West End residents are working with local schools to design facilities.

## Service inspections and assessments

- 40 During the past year, the Audit Commission has conducted an inspection of the Council's waste management service and reported on the findings of a cross-cutting study of the Lancashire Children and Young People Partnership including the contribution by this Council. We also carried out a piece of performance work assessing the Council's people management arrangements. The Benefit Fraud Inspectorate has updated the CPA assessment of the benefits service. We now report on the key findings of these inspections and assessments.

### Waste Management Inspection

- 41 Inspectors gave the service a **'fair', one star** rating with **'promising'** prospects for improvement. The Service is a fair, one-star service because it has some strengths, including:
- a single point of telephone contact and access for users;
  - communication, consultation and engagement with users and a proactive approach to diversity, for example, in neighbourhood management areas;
  - publicised service standards and a wide range of information about street cleansing, sustainability and waste management;
  - some areas are maintained to a good level of cleanliness;
  - promotion of reuse and recycling schemes; and

## 12 Annual Audit and Inspection Letter | How is Lancaster City Council performing?

- statutory recycling/composting targets have been achieved, with comparatively low levels of waste production and reductions in landfill disposal.

### 42 However, some matters require attention including:

- responses to service standards and user satisfaction with all activities are not routinely measured so the Service does not know if it is meeting targets and expectations;
- low level of user satisfaction with cleanliness in the district;
- some areas are heavily littered;
- enforcement is inconsistent and maximum use is not made of powers to control littering;
- bring sites are generally in poor condition and lack up to date information and signage;
- variable access to kerbside recycling facilities;
- refuse collection generates a significant number of user complaints; and
- impacts of activities to minimise the Council's environmental impacts are not measured.

### 43 The Service has promising prospects for improvement because it can evidence:

- a track record of improvement that has delivered benefits for users;
- service weaknesses are being addressed through action plans and strategies to improve environmental cleanliness and waste management;
- councillors and staff are committed to service improvements;
- the corporate framework for performance management is being strengthened;
- additional financial investment in the Service, including external funding, has improved value for money in some areas; and
- good partnership working to deliver its priorities.

### 44 However, some matters need attention:

- effective performance management arrangements are not yet in place to drive and monitor progress and review impact;
- high levels of sickness absence;
- benchmarking is not being used systematically to improve value for money; and
- information and communications technology is not being maximised to achieve efficiencies.

### 45 The inspection was completed and reported in September 2006 and the Council is now working towards implementing the agreed action plan. We will follow up progress on implementation during 2007.

## Benefits

- 46 The Benefit Fraud Inspectorate (BFI) recently reviewed and updated its assessment of the Council's benefit services as part of the CPA re-categorisation process. BFI gathered information from a range of sources including the 2005 benefits inspection, performance indicators and the Council's 2006 self-assessment against performance standards.
- 47 The self-assessment showed that the Council achieved a score of 4 representing 'excellent' performance. BFI's previous assessment in 2003 resulted in a score of 'fair towards good' for performance and 'fair towards good' for capacity to improve.

## Lancashire Children and Young People Partnership

- 48 Every Child Matters: Change for Children is a new approach to securing the wellbeing of children and young people up to the age of 19 years, underpinned by the Children Act 2004.
- 49 During the past year we conducted a review in order to evaluate the progress being made by key stakeholders, principally Lancashire County Council and the twelve district councils in Lancashire, in developing a partnership approach to improve outcomes for children and young people (CYP). The review included an appraisal of key plans and strategies developed at district and county level. We also evaluated the effectiveness of partnership working, specifically for the CYP agenda.
- 50 The review found that whilst there is a clear set of aims driving the CYP agenda nationally, local implementation within Lancashire needs greater clarity and ownership. Arrangements for partnership governance and accountability are underdeveloped and the level of engagement of all key partners responsible for this agenda is variable. The role that district councils can play in this agenda is not universally understood and as a consequence progress in developing a joint approach has been slow.
- 51 District councils and the County Council are developing awareness and capacity to ensure that the arrangements for joint working for children and young people are more effectively co-ordinated. However, to achieve the timescales set by Government for the implementation of children's trust arrangements, significant progress needs to be made in ensuring that all partners are fully contributing to this agenda.

## People Management

- 52 The Council is developing a more strategic approach to people management but has some way to go. Organisational changes are being implemented that have important implications for the existing and future shape of the workforce but business planning is not yet integrated with a robust and clearly defined people management strategy. Discussions with staff and councillors show that there is uncertainty about who is leading on people management issues. Corporate strategies for workforce planning and workforce development are not in place with a reliance on planning at service level. This means that the Council does not have a clear and reliable picture of the capacity it has now and that it needs to develop in the future to deliver its ambitions and priorities. It reduces the potential to secure efficiency savings and value for money from flexible use of skills and human resources across the organisation.
- 53 Approaches in important areas such as addressing issues of equalities and diversity are not consistent or well co-ordinated across the organisation. Training is helping to raise awareness but equality and diversity issues are not routinely and consistently integrated into council business.
- 54 There has been slow progress in delivering the Council's main HR priorities. For example it is not on track to achieve two of the three HR priorities for 2006/07 - achieving Level 2 of the Equality Standard for Local Government and completion of the Fair Pay review. Elements of the Corporate Improvement Plan priority actions for organisational change and workforce development are also not on track. Ambitions to achieve the Investors In people award have been revised.
- 55 The Council recognises the importance of a modern HR function to provide professional support for managers and deliver and improve employment procedures and practices. It has invested in this area. After a period of instability the HR team is up to strength and the Council has taken opportunities to improve their skills base. This is improving support for managers and councillors. More robust policies and procedures are developing and having greater impact. For example clearer procedures for managing absence are reducing sickness levels. Issues remain with the quality of HR information. Recording systems do not support efficient service delivery. They are based on a range of approaches that are not compatible. Information can be unreliable and this reduces confidence.

## Local Area Agreements and partnership working

- 56 The Council and its partners have successfully negotiated the Local Area Agreement (LAA) with delivery and performance management arrangements being established. The LAA aims to deliver 53 per cent of Ambition Lancashire targets. The Council and its partners are working to build a delivery framework for the remaining 47 per cent. Overall, there is a need to better integrate the approach to the LAA and the county and district Local Strategic Partnerships (LSPs). In recognition of this the County Council has appointed an LSP manager to develop and support the delivery of change.

# Financial management and value for money

## Annual Governance Report

- 57 As your appointed auditor I have reported separately to the Audit Committee acting as those charged with governance on 20 September 2006, on the issues arising from the 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 with four except for qualifications; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 58 The VFM conclusion has been reached by assessing whether the Council meets twelve specified VFM criteria for the 2005/2006 financial year. The Council has met the minimum standard for all twelve criteria.

## Use of resources

- 59 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.
- 60 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

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**Table 1**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4

<b>Element</b>	<b>Assessment</b>
Financial management	3 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)*

- 61 In reaching these judgements we have drawn on the above work and supplemented this with a review against specified Key Lines of Enquiry. A separate Use of Resources report has been agreed with the Management Team with the most significant areas where further development is needed outlined below.

### **Financial reporting**

- 62 Accounts were produced within tighter deadlines, were presented fairly and only contained a small number of non-trivial errors. The accounts were subject to member scrutiny and an unqualified opinion was issued. There continues to be good practice with the use of electronic hyperlinked working papers which provides a clear audit trail for items within the accounts. Specific improvements since the 2005 assessment include, publication of summarised financial information; and further improvements in the speed of dealing with auditors queries.

### **Financial management**

- 63 The Council has a strong approach to financial management and can demonstrate that its approach is helping to deliver improvement priorities. Financial planning has been strengthened in recent years and is now more clearly linked to corporate plan objectives, service developments (including those of partners) and supports the identification of efficiency savings to help make the best use of resources. A revised reporting and monitoring framework means that issues can be identified in a more structured and consistent way and the MTFS updated at regular intervals throughout the year.
- 64 Further development of action plans is needed to better support the AES and its scrutiny by members in conjunction with better integration of AES efficiencies within Escendency/PRT reports.
- 65 The approach to asset management has improved in recent years with the Council now taking a more strategic view of its corporate assets and how these can support the achievement of objectives. A five year planned maintenance programme (which includes the extent of backlog maintenance) has been agreed with members and resources identified to deliver it.

## Financial standing

- 66 The Council has continued to manage its spending within budget and has effective budget monitoring processes in place. The approach to monitoring debt collection performance and costs has been improved. The Council has undertaken a review of the effectiveness of collection and recovery methods for material income sources this year, which included a review of Council Tax collection procedures and Council housing rents. Income collection targets are included in the 2006/07 budget book along with projected savings targets over the next three years. Targets have now been set for sundry debts.

## Internal Control

- 67 Adequate risk management processes are in place covering both corporate and operational risks, which is supported by training for both officers and members. Additional progress is required to monitor progress and to ensure risk management is fully embedded in the Council's management processes.
- 68 Appropriate arrangements exist to support the production of the statement on internal control and to ensure effective systems of internal financial control are in place. The Council's assurance framework maps the Council's strategic objectives to its risks. The Audit Committee core function is in line with CIPFA guidance and is considered to be effectively delivering its role and challenging the executive when appropriate. Reports are regularly presented to the Audit Committee with service managers/officers being held to account. Further development of the challenge process is currently underway.
- 69 Arrangements for monitoring compliance with adopted codes of conduct are in place across the organisation. Staff and officers are aware of the need to make appropriate disclosures for gifts, hospitality and pecuniary interest and some examples of good practice were identified. However, there has been limited evidence to support the use of the members register for gifts and hospitality.

## Value for Money

- 70 Overall costs for key services are not significantly higher than other council's providing similar levels and standards of service, allowing for the local context. However, the Council does not yet have sufficient information on unit costs to be able to consistently demonstrate that unit costs for key services are also in line with quality and level of service being delivered.
- 71 External factors that have an impact on costs are understood and backed up by evidence that demonstrates the impact of those costs on spending. There is generally a positive relationship between overall costs and the range, level and quality of services achieved.

- 72 The Council delivers a range of services in line with statutory duties and local needs, and demonstrates high quality standards in some key priority areas. Areas of higher spending are in line with stated priorities and there is evidence that investment is resulting in service improvement. Inspections have assessed services as 'fair' in those areas reviewed. The new performance framework is helping the Council to identify areas of weaker performance and it is starting to use this information target remedial action.
- 73 The Council has taken effective action to address emerging areas of budgetary pressure and unintended high spending.
- 74 New investment is supported by clear targets and timescales for measuring improvements in key areas but the approach is not yet firmly embedded throughout all services and corporately. A new LAMP project management approach has recently been developed but the Council's self assessment update recognises that this is not yet fully embedded throughout all services.
- 75 A corporate VFM Strategy has been in place since November 2005 setting out the approach to vfm and the wider efficiency agenda. It is recognised that there is a need to re-launch the Strategy so that officers and members are aware and confident about putting it into practice. An Innovation and Best Practice Forum was established in 2006 to better support the vfm agenda and a number of pieces of work have been completed.
- 76 The Council does not yet have comprehensive cost information across all its key areas which can be used alongside performance information by managers and members to challenge and review vfm. It is recognised that financial accounting systems are not yet providing service activity costing information. A new financial system is planned for 2007/08.
- 77 Cost and performance information is being used to review and challenge vfm in some areas although the Council has yet to comprehensively integrate regular vfm monitoring into day to day management. Cost information is not yet being used consistently alongside performance information by managers and members to challenge and review vfm, throughout all services and corporately.
- 78 There remains an absence of a track record of benchmarking costs and quality to actively manage performance and improve vfm. There is evidence of the developing use of targets with the potential for improvement both within Directorates and to support priority areas. However efficiency targets are not yet fully integrated into business planning and vfm targets and indicators are not consistently evident in the new Performance Review Team Reports (PRTs).

## **Data quality and Best Value Performance Plan**

- 79 The Council's data quality arrangements for people and skills, together with data use are performing well. The BVPP complied with statutory guidance, and consequently we have no recommendations to make on procedures in relation to the plan in our statutory report.

## Conclusion

- 80 This letter has been discussed and agreed with the Chief Executive and Corporate Director (Finance and Performance). A copy of the letter will be presented at the Audit Committee on 27 June 2007.
- 81 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

- 82 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.

**Michael Thomas**  
**Relationship Manager and District Auditor**