

Annual Audit and Inspection Report

South Derbyshire District Council

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

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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	4
How is South Derbyshire District Council performing?	5
The improvement since last year - our Direction of Travel report	5
Financial management and value for money	9
Conclusion	13
Availability of this letter	13
Appendix 1 – Fee information	14

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.
 - Direction of travel - the Council's performance is improving both in relation to meeting its own targets and against key indicators, although its performance relative to other councils remains mixed. Importantly, services are improving in all the Council's priority areas. The Council's new corporate plan sets out a clear improvement programme which it has the financial capacity to deliver. The Council has a successful and prudent approach to finances and provides adequate value for money.
 - Use of Resources - you have improved your performance in three of the five themes. The Council now performs well overall in the use of its resources.

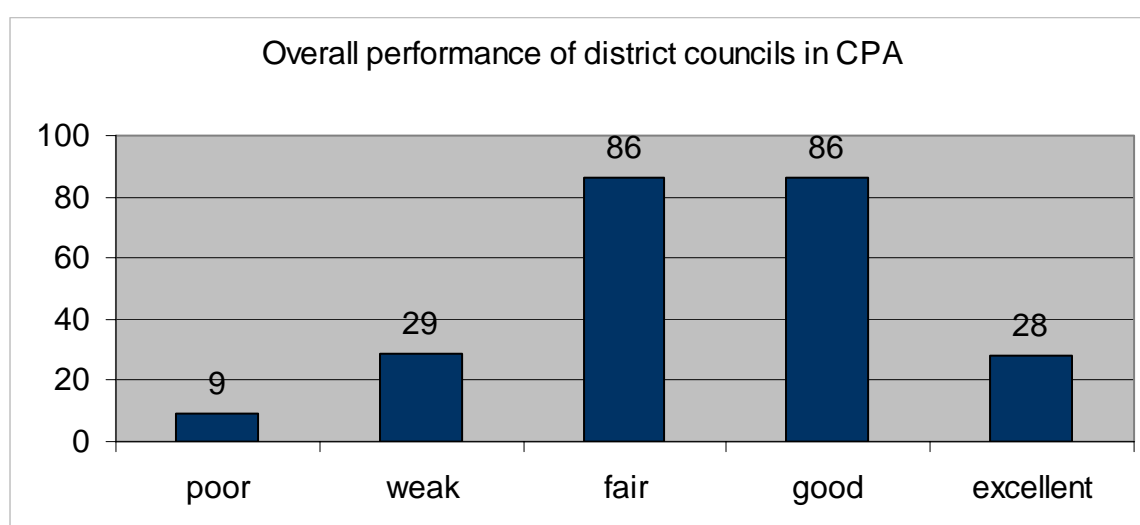
Action needed by the Council

- 4 The Audit Sub Committee monitors progress against agreed audit recommendations. We have no matters to add here which require further action by members.

How is South Derbyshire District Council performing?

- 5 South Derbyshire District Council was assessed as fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils, and we are now starting to update them, 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

- 6 The Council's performance in relation to meeting its own targets and improving against key indicators is improving, although performance relative to other councils remains mixed. Against a basket of best value performance indicators (BVPIs) selected by the Audit Commission, 63 per cent have improved from 2004/05 to 2005/06. In the same period the Council has achieved or partially achieved significantly more of its targets: 84 per cent compared with 56 per cent. However, many of the targets were modest, and other councils are making more rapid progress particularly in the Council's own priority areas. To address the improvements needed, more rigorous and challenging targets have been set for this and the next two years.

6 Annual Audit and Inspection Report | How is South Derbyshire District Council performing?

- 7 The Council's corporate plan for 2006/07 was developed in a different way from before. It was led by councillors and based on extensive consultation with residents and other stakeholders. It sets out proposed actions in six cross-cutting themes and defines its priorities, based on the consultation, as: safer and healthier communities; a cleaner and greener district; and more efficient, customer focused services.
- 8 Services are improving in all the priority areas. In community safety where the Council has a shared responsibility, burglaries and car crime have reduced and are lower than the national average. Violent crime remains among the lowest in the country although it has increased in line with national trends. In response to local people's wishes three safer neighbourhood wardens have been appointed targeting anti-social behaviour hotspots. A scheme to improve home security at low cost for older people and disabled people has fitted 41 alarms and 100 security upgrades in 2005/06.
- 9 The Council has increased opportunities to improve health. For example, it provided two new youth facilities at Midway and Gresley and is contributing to a new artificial turf pitch at Swadlincote. More young people are involved in physical activity through sport, play and dance. Parks improvements and exercise programmes in the National Forest offer increased opportunities such as walking and cycling.
- 10 Household waste recycling has improved over the last year, exceeding government targets. Extending the composting and green box recycling schemes has helped to increase recycling further this year, according to the Council's own figures. Streets are cleaner, and this area is improving more quickly when compared with other district councils. The Council has provided 20 extra litter bins in places identified by the public and has increased the frequency of road sweeping and weed treatment.
- 11 The latest unaudited satisfaction survey shows that South Derbyshire residents' satisfaction with Council services overall, handling of complaints and the Council as a landlord have all improved since the last survey three years ago. The Council's customer contact centre is now operational and is on course to answer 65 per cent of initial enquires at the first point of contact by March 2007.
- 12 The Council is on course to meet the government's decent homes standard a year ahead of the 2010 deadline. Extra investment has reduced the time taken to provide home adaptations for disabled people and reduced the length of stays in bed and breakfast accommodation for homeless people.

- 13 The Council contributes to wider community outcomes as a leading member of the local strategic partnership. The Council is on course to deliver its own share of agreed actions in the partnership's community strategy. A healthy and warm scheme has helped 434 vulnerable households with home repairs, energy efficiency improvements and advice. Security patrols in parks were introduced in 2006. A system to help businesses bring more high skilled jobs to the district has been implemented which will provide tailored reports on sites and premises for potential inward investors. Recent investors include engineering and manufacturing firms and a new supermarket in Swadlincote that has created nearly 500 extra car parking spaces and doubled retail turnover in the town.
- 14 The Council has made some progress in improving access to and the quality of services for all its citizens. For example, two projects to prevent homelessness are in place, additional pitches on travellers' sites have been provided and an equalities policy officer has been appointed. However, the Council does not gather information on equality in a systematic way and so it does not know whether its services are meeting the needs of all the community.
- 15 The Council's new corporate plan sets out a clear improvement programme. The Council has identified its objectives and set clear priorities. Recognising that other councils are improving at a faster rate, the Council has set ambitious targets for its priorities. It intends that all priority services will be performing in the top 25 per cent nationally and none of its services will be in the bottom 25 per cent by 2009. It has budgeted an additional £1.1 million over three years for these developments as well a further £0.65 million of capital investment over five years. The Council's plans align well with the community strategy and the Derbyshire-wide Local Area Agreement. The plans were developed with extensive consultation with partners and the public and are well publicised.
- 16 The Council has a successful and prudent approach to finances and provides adequate value for money (VFM). The Council has firm plans to improve VFM. A programme of VFM reviews is planned and a number of mini reviews have already led to improved services. For example, delays in planning were reduced by appointing a specialist to handle the high number of conservation area applications rather than seek external opinion.
- 17 Efficiency savings are well ahead of government targets achieving over £0.5 million in the last two years and on course for a further £0.8 million in the next two years. Savings are re-directed into improving services. Significant improvements have been made in procurement, and plans are in place to review all contracts and in-house delivered services. The Council's performance management framework is working well, and the Council's own figures for this year indicate that the Council is on course to meet its performance targets for the first year of its three year programme.

8 Annual Audit and Inspection Report | How is South Derbyshire District Council performing?

- 18 The Council has the financial capacity to deliver planned improvements, and its leadership and management is delivering the recent improvements. It successfully supplements this with outside support, for example in re-designing the planning service. The Council plans to use similar help to improve service quality, improve productivity and streamline services throughout the Council. The resulting savings and additional resources are planned to be re-directed into priority services.

Financial management and value for money

- 19** As your appointed auditor I have reported separately on 27 September 2006 to the Audit Sub Committee (as those charged with the Council's governance) 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.
- 20** 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).
- 21** 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 scored judgement

Element	Assessment
Financial reporting	2 out of 4
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=inadequate performance, 2=adequate performance, 3=performing well, 4=performing strongly)

- 22 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- 23 The Council's performance has improved in three of the five Use of Resources themes. In particular the following procedures have been put in place.
- Financial reporting - you have published summary accounts with relevant supporting information on your web site.
 - Financial Management - asset management arrangements have developed, for example a new asset register, revised property maintenance arrangements and developed cost appraisal and local performance indicators have been introduced).
 - Financial standing - you have developed and applied a credit control policy for sundry debtors.
 - Internal Control - risk management arrangements have developed, in particular members now receive quarterly risk management reports.
 - Internal control - arrangements to promote probity and propriety have been strengthened, in particular the Council has reviewed and publicised its whistle-blowing policy.
 - Internal Control - an Audit Sub Committee was established in May 2006.
 - Value for Money - increased involvement of members, improved corporate planning, challenging target setting in priority services and significant improvements in procurement. The Council has developed a value for money framework which includes a programme of value for money service reviews.
- 24 We are also able to continue to place reliance, where appropriate, on the work of Internal Audit.
- 25 Although you perform well overall there is scope for further improvement in some areas.
- Financial reporting - produce accounts that are free from material, non trivial and presentational errors. Our Governance Report recorded errors in capital accounting (which this year resulted in material changes to the accounts) and problems with the bank reconciliation. Similar weaknesses had previously been reported in 2004/05.
 - Financial reporting - develop a more structured approach to member scrutiny of the accounts including consideration of compliance with professional and regulatory standards.
 - Financial management - introduce a training programme for members and non finance staff on financial issues.
 - Internal control - review the Finance and Management and Audit Sub Committees' Terms of Reference to ensure there is no overlap of responsibilities in respect of risk management.
 - Value for money - complete the planned programme of value for money reviews and review of procurement practices and contracts.

- 26 An action plan will be drafted to develop your arrangements further based upon our Use of Resources feedback report. This will be approved and monitored by members.

Data Quality

- 27 Our data quality audit included a detailed review of your overall arrangements for data management. Our findings were that you are 'performing adequately' although we did identify a number of areas where further progress is required. Your Audit Sub Committee is monitoring progress against the action plan that has been agreed in response to this report.

Payment of allowances to members

- 28 In our last Annual Audit and Inspection Letter we drew your attention to Internal Audit's report on the payment of allowances to members issued in September 2005. The report concluded that there was no evidence of irregularity but did contain a number of recommendations to strengthen arrangements, A new policy is due to be approved by the Council in April 2007 and will be in place for the next Civic year.

Performance Management Arrangements

- 29 The Council's last Annual Audit and Inspection Letter (March 2006) reported the Council needed to further develop its performance management system to enable more consistent performance across services. As part of our latest audit and inspection plan we have reviewed the effectiveness of the Council's performance management system to enable us to track progress.
- 30 We concluded that the Council is making good progress and we agreed four recommendations which will be followed up during our current audit. Our main findings are as follows.
- Performance Management System - the Council is making good progress in implementing a strong, corporate approach to performance management. The approach sits within the context of a clear and succinct corporate plan which sets out key themes and priorities which are effectively reinforced by investment in key areas. The use of challenging targets provides a focus for improvement work. The Council has clearly defined its priorities and works well to ensure that these are the core of its improvement work.
 - Member and officer commitment - councillors and senior officers are committed to performance management. The implementation of the new performance management framework is proving more successful with middle to higher levels of staff, and within frontline rather than back office services. The Council is taking positive steps to shift the culture of the organisation and to further embed performance management across the whole of the organisation.

- Target setting - target setting is underpinned by clear principles and a systematic approach. An ambitious and challenging range of targets has been established aimed at improving performance in general and specifically in relation to identified priorities.
- Partnerships - partners have a positive view of the Council and its approach to partnership working and delivery against the Community Plan. Partners report that senior officers and councillors give strong and effective leadership to partnership projects. This strengthens the Council's capacity to deliver against shared priorities and targets.

Local Area Agreement

- 31 We have carried out a review with KPMG of the Local Area Agreement (LAA) across Derbyshire. Our findings were reported to the Safer Communities Board (SCB) in November 2006.
- 32 The main benefits of the LAA, so far, have been to provide greater impetus to established partnership working and to improve dialogue on cross-cutting issues. Good progress has been made in aligning partners' budgets with LAA targets and the LAA has begun to move resources to address areas of underperformance. Performance management is developing as seen through the introduction of more effective monitoring arrangements within the SCB.
- 33 Further work is needed by the LAA to respond to a number of issues raised in the report including:
 - clarification on the role of District Local Strategic Partnerships in the LAA;
 - the establishment of partnership level risk management arrangements; and
 - the development of a financial management framework including minimum financial governance standards and established reporting arrangements.

Conclusion

- 34 This Letter has been discussed and agreed with the Chief Executive. A copy of the Letter will be presented to the full Council on 24 May 2007.
- 35 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

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

Andrew Blackburn
District Auditor and Relationship Manager
March 2007

Appendix 1 – Fee information

37 The following table presents the out-turn fee compared with the planned fee.

Table 2 Out-turn fee compared with estimate

	Plan 2005/06	Actual 2005/06
Accounts	60,615	68,615
Use of resources	23,534	23,534
Total audit fee	84,149	92,149

38 The increase in the accounts fee is due to:

- extra work required to perform an audit which complies with the additional requirements of the International Standards on Auditing; and
- extra work to resolve the significant issues identified during the financial statements audit (noted above).

39 The cost of the certification work in respect of 2005/06 was £18,282 (estimated fee £24,000).

40 We are due to complete our inspection work for 2006/07 shortly - the inspection fee for 2006/07 was £11,900 (2005/06 £4,770).