

Annual Audit and Inspection Letter

March 2008



# **Annual Audit and Inspection Letter**

**Braintree District Council**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **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**

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## Key messages

- 1 Braintree District Council has taken positive steps to improve in priority areas, although the overall picture in relation to performance indicators is mixed, with just 19 per cent in the top quartile, well below the average for district councils. Performance in development control, housing benefits, waste collection and recycling – all priority areas - have improved.
- 2 Partnership working is developing well and outcomes are making a difference. A number of initiatives have been undertaken in response to public concerns about anti-social behaviour and have been well received by local people. Joint working is being actively pursued with neighbouring districts, as well as with Essex County Council.
- 3 The Council has good arrangements for managing resources and is performing well across most areas. Financial management is sound and, having successfully transferred its housing stock, the Council is now pursuing an agenda of 'Shaping up for excellence', intended to drive through further sustained improvements. A new organisation structure is being established to meet the new agenda. The Council will need to keep corporate capacity under review in order to ensure that capacity matches its ambitions.

## Action needed by the Council

- 4 The Council needs to maximise the use of its performance management to ensure that key services such as planning and benefits are improved and the number of services in top quartile increases.
- 5 The Council needs to develop mechanisms to identify and ensure appropriate service provision to some disadvantaged, vulnerable or previously excluded groups.
- 6 The Council has effectively achieved the transfer of its housing stock. It has started to review its organisational requirements post the transfer and is looking at various service delivery options. The Council will need to consider carefully its options and resources required.
- 7 The Council has revised its overview and scrutiny arrangements, based on having one Overview and Scrutiny Committee and a number of Task and Finish Groups. The revised structure is still finding its way, and will therefore need support to ensure it is fully effective and enhances the capacity of the 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 2006/07 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](http://www.audit-commission.gov.uk). In addition the Council is planning to publish it on its website.
- 11 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including 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 2006/07 audit and inspection work at the end of this letter.

## How is Braintree District Council performing?

- 14 Braintree District Council was assessed as Good 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

## The improvement since last year - our Direction of Travel report

### Summary

- 15 Braintree District Council has taken positive steps to improve in priority areas, although the overall picture in relation to performance indicators is mixed, with just 19 per cent in the top quartile, well below the average for district councils. Performance in development control, housing benefits, waste collection and recycling – all priority areas - have improved.
- 16 Partnership working is developing well and outcomes are making a difference. A number of initiatives have been undertaken in response to public concerns about anti-social behaviour and have been well received by local people. Joint working is being actively pursued with a neighbouring district, as well as with Essex County Council.

- 17 Financial management is sound and, having successfully transferred its housing stock, the Council is now pursuing an agenda of 'Shaping up for excellence', intended to drive through further sustained improvements. A new organisation structure is being established to meet the new agenda. The Council will need to keep corporate capacity under review in order to ensure that capacity matches its ambitions.

### **What evidence is there of the Council improving outcomes?**

- 18 Performance, as reported by the 2006/07 indicators, has shown improvement in priority areas but, overall, remains mixed. This is particularly the case when compared with other district councils in terms of quartile performance. Based upon the Audit Commission basket of indicators, 67 per cent have improved since 2005/06. This is above the average of 59 per cent for all district councils in England, and ranks highly at 63rd out of 388 authorities for which data is available. However, only 19 per cent are in the best quartile – well below the average for district councils in England.
- 19 Performance in the development control service continues to improve. Determination of major, minor and other applications all exceeded the Council's own targets. Performance on major applications is higher than average. Determination of minor and other applications are both still in the worst quartile, but the Council's own, more recent figures show continuing improvement. Following the appointment of new head of service and additional staff, performance has improved. The charter mark awarded to the Council for the service has been regained. Actions have been identified that should help to further improve, including the streamlining of administrative support. Indications show a positive direction of travel for development control, although further action is needed to bring performance into line with high performing councils.
- 20 The housing benefit service is showing improved performance. The Audit Commission's benefits service diagnostic undertaken during 2007 concluded that the Council had made good progress over the last year to improve processing times. Performance for each quarter in 2006/07 was better than average. In 2006/07, the percentage of cases processed correctly rose from 97 per cent to 98 per cent – moving up to better than average performance. The time for processing new claims improved from 47 days to 31 days, taking the Council out of the worst quartile. More work needs to be done to achieve top quartile performance and the Council has put in place an action plan to address the recommendations emanating from the diagnostic. The Council is taking actions to better provide an effective service to some of the vulnerable members of the community.

- 21 The Council's investment in recycling continues to show improving results. The cost of waste collection is being addressed, but remains expensive in comparison with others. Recycling rates continue to improve, having progressed to 35.5 per cent in 2006/07. Satisfaction with waste collection is at 85 per cent, which is among the top performing Councils in England. The amount of household waste collected per household reduced from 416 kg to 410 kg, a figure which exceeded the Council's own target and moved performance out of the worst quartile. The cost of waste collected per household reduced from £69.73 to £63.24, but cost remained in the bottom quartile. An action plan is in place to further improve performance in this area. The investment in environmental services is contributing positively to the aim of a cleaner and greener district.
- 22 The Council's approach to partnership working is developing well, with a clear focus on priority areas. A number of initiatives have been undertaken in response to public concerns about anti-social behaviour (ASB) and have been well received by local people. Initiatives to address concerns about ASB have included the introduction of a dedicated CCTV vehicle; numerous projects with schools; and the introduction of community wardens, who provide increased visibility of an 'official' presence in the area.
- 23 The Council is putting in place arrangements with neighbouring district councils to pursue joint working arrangements aimed at improving efficiency and reducing costs in service delivery. A Joint Programme Board has been established, including the leaders and chief executives, supported by a joint project team of relevant officers from each Council. A joint project fund has been established for use of specialist support if needed. Areas to be reviewed include customer service centre options; central/corporate service delivery; operational services; and revenues, benefits and tax collection. Also, a 'working together' protocol has been adopted with Essex County Council to improve two-tier working. Work to date has included joint office accommodation proposals in Braintree; management of Great Notley Country Park and Discovery Centre; and locality management – a pilot to develop a model of integrated and coordinated local delivery of public services which reflects the views and choices of local people. Individual locality plans are being developed for the Braintree, Witham and Halstead areas. A senior manager from the County Council has been assigned to co-ordinate the arrangements and to oversee these key projects. The Council is demonstrating a strong commitment to partnership working for the benefit of local people.

- 24 Access to services is improving, although there is work still to do in identifying, and ensuring appropriate service provision to, some disadvantaged, vulnerable or previously excluded groups. The 'Customer First' programme includes a geographic information system on the Council's website, so that users can access on line an interactive map of the district and search for schools, doctors' surgeries, libraries and other services. The customer service centre now manages a range of services, through telephone, email and text and the Council has undertaken a revamp of the reception areas at main council offices, to co-locate the new housing association, following transfer of the housing stock. The Council's acknowledgement of the need to improve access for migrant communities led to a successful joint bid for funding with two neighbouring councils. £144k of funding has been secured for one year to train and educate at least two members of the migrant community in each district area. This is intended to enable them to mentor and coach others to be self supporting in the community and engage with public services on their needs. Some work has still to be done with some disadvantaged groups and the Council is looking to work with partners to assist small pockets of these residents, for instance in rural areas. It is working to try and ensure that these individuals can have a say in the way the Council plans and delivers its services – through clear processes for consultation and engagement.
- 25 Financial processes are sound, with resources invested in the Council's priorities. Financial management has improved and there are close links between performance and resources through the medium term financial plan (MTFP). This links the budget process to Council priorities. For example, the Council invests in priority areas such as leisure and overall costs are between lower and median quartile – an improvement on previous year. Areas of high spend, such as waste, are in line with good recycling performance and are a Council priority. The Council has been proactive in managing budgets. Emerging budgetary pressure following transfer of the housing stock has been addressed through a series of efficiency reviews.

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

- 26 Long-term aims are clearly set out and are driving the Council's forward planning. The Council's vision and long term aims have been confirmed during the course of the year and targets reviewed, with recognition of the need to increase the number of key performance indicators (PIs) in the best quartile. Focus for the next four years and beyond is around the theme of 'Shaping up for excellence'. Organisational focus, supported by a revised organisation structure is planned to match the four themes of:
- customer service;
  - people and performance;
  - communications and community engagement; and
  - innovation and efficiency.

- 27 There is a clear emphasis on future goals and the intention to secure further improvements in priority areas.
- 28 The Council demonstrates effective improvement planning. It has ensured the successful implementation of the housing transfer, with the new housing association now operating. Performance management is stronger, with greater challenge from councillors, although mainly at executive level. Cost and performance analysis needs strengthening. Successful implementation of the housing transfer (including the benefit for the Council of an unexpected increase in capital receipt towards the conclusion of negotiations) has been followed by proposals for restructuring the Council to deal with the residual issues from the transfer and to make the Council fit for purpose through the 'Shaping up for excellence' programme. A performance and efficiency board has been established, with a clear focus on driving forward key initiatives. Membership of the board is now being expanded to include opposition and 'backbench' councillors. It is too early to assess the effectiveness of the board, but it demonstrates a growing commitment to councillor involvement in performance management.
- 29 Reporting of performance information has been enhanced and there is some evidence of increased councillor challenge, largely from Cabinet members. All Cabinet members have been trained on Covalent – the newly introduced performance management system. The Council has indicated that improved cost and performance analysis will be developed following the restructuring. It has moved to revised overview and scrutiny arrangements, based on having one Overview and Scrutiny Committee and a number of Task and Finish Groups. The new process is still finding its way, but has developed its own work programme and is using task and finish groups, each with one topic per year, to examine topics in detail.
- 30 Capacity has been enhanced in key areas but, in the light of the ambitious agenda for the future, corporate capacity needs to be kept under review. Internal communication has improved over the last year. Enhanced capacity has been used to address poorer performing areas, such as development control. Possible improvement of capacity in the benefits service, through various partner organisations is being investigated, in line with the recommendations of the Audit Commission diagnostic. The strategic housing function remains with the Council following housing transfer and an appropriate structure has been put in place. 'Shaping up for excellence' provides an ambitious agenda and there will be a need to keep corporate capacity under review in order to ensure that capacity matches ambition. Financial planning is geared to future plans. Savings that need to be made each year for the duration of the medium term financial plan (MTFP) have been identified and work is already underway to achieve the appropriate savings in 2009/10. Internal communication in general has improved over the last year, something that is acknowledged by staff.

## Service inspections

- 31 No service inspections have been carried out during the year.

## Benefits Diagnostic

- 32 The Benefits service has made good progress over the last year to improve processing times so that customers now receive payment much more promptly. Performance for each quarter of 2006/07 was better than the average for English councils. The introduction of new IT and ways of working have contributed to this success as has better planning of change. However, more work needs to be done to achieve top quartile performance.
- 33 The Benefits service approach to understanding the needs of its customers and making the service more accessible is beginning to develop. The service has no management information on the ethnic make up of its customer base. However, it has surveyed its in-work claimants to find out if its opening hours are convenient to them.
- 34 The Council recognises the problems of those reliant on public transport can have getting to Braintree and provides services from two other locations within the district. It also provides a Welfare Rights team to help customers access the wider benefits system. Though the wording on the front of the HB and CTB claim form could discourage customers from seeking support with their claim.
- 35 The Benefits service's Business Plan 2007/08 links the work of the service to the achievement of the corporate aims. However, the targets in it need development to make them SMART. Improved target setting and monitoring can help the Benefits service continually improve.
- 36 The service has learned lessons from its implementation of its new benefits IT system. Its planning for change has improved with more involvement of staff affected at an earlier stage. Learning from the experience of other Councils, it has visited South Norfolk District Council to find out about its experiences of transfer of housing stock.

## Local Area Agreement

- 37 As part of the 2006/07 plan we agreed to undertake a piece of work to look at the effectiveness and governance arrangements of the LAA across Essex.
- 38 Local Area Agreements (LAAs) are three year agreements which set out the priorities for a local area agreed between central government and a local area. The local area is represented by the local authorities, PCTs, Fire and Police services, the Learning and Skills Council, Local Strategic Partnerships and other local partners including the community and voluntary sector. LAAs are based on delivering national outcomes in a way that reflects local priorities.
- 39 The first Essex LAA was published in March 2006. It set fourteen priorities. The aim was to focus on the needs of identified groups of service users and residents in a way that would lead to a step-change in the collective effectiveness of the whole public sector in Essex, particularly through more joint working between agencies at the front line.

- 40 As the LAA is being revised in line with recent Government guidance, including the new national indicator set we have agreed to delay this work pending the new arrangements being put in place. Partners are seeking to use the opportunity to develop a more inclusive and effective approach that better reflects local priorities and the diverse needs of Essex. The revised targets will be based on the Joint Strategic Needs Assessment. It is due to be published as LAA2 in June 2008.

## Health Inequalities in Essex audit

- 41 The purpose of this audit was to assess current arrangements across Essex to reduce health inequalities; and examine future plans to improve life chances and reduce health inequalities. The audit involved all local authorities and PCTs in Essex, as well as the Fire and Rescue Service. As well as a document review, interviews and a survey, the audit included action planning workshops, involving representatives of all the audited bodies. The main conclusions were then shared with Essex public services Chief Executives.
- 42 The audit identified four main areas to be addressed:
- strategic approach;
  - information and joint planning;
  - delivery and monitoring performance; and
  - political involvement.
- 43 Partners recognised that a range of approaches to health inequalities is likely to be the most effective. Many health inequalities are local issues, needing local solutions. However, without a common overall strategic approach, with agreed local and Essex-wide priorities and a shared view of the importance of the agenda, joint planning will remain problematic, accountability unclear and difficult to performance manage.
- 44 Elected members need to have information and an understanding of the issues involved in health inequalities in order to provide the necessary political leadership. Elected members will need to make difficult political decisions on the focus and allocation of resources.

## **The audit of the accounts and value for money**

**45** Your appointed auditor has reported separately to the Audit Committee on the issues arising from their 2006/07 audit and have issued:

- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 28 September 2007;
- an executive summary report on Use of Resources (key lines of enquiry) assessments and a report on data quality arrangements and performance indicator spot checks; and
- a report on the best value performance plan confirming that the Plan has been audited.

### **Use of resources**

**46** 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).

- 47 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

(Note: 1 = lowest, 4 = highest)

### **The key issues arising from the audit**

- 48 The overall Use of Resources assessment of Level 3 ('performing well') is consistent with the previous year, but represents a net improvement in arrangements because the criteria applied this year are harder than applied previously. Changes in theme scores represent the impact of criteria that had not previously been 'mandatory' becoming so and arrangements that had been put in place by the time of the previous assessment becoming embedded.
- 49 For value for money, performance improved significantly in the 2006/07 financial year and savings made to reduce the Council's costs when compared with its nearest neighbour group. The Council needs to continue with this trajectory of progress and continue with its programme of efficiency reviews to demonstrate improved value for money.
- 50 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows:
- the Council has good arrangements for managing resources and is performing well across most areas;
  - there has been an improvement in financial information provided to the public with summary accounts published before the start of the audit with the public day of rights advert. Retention of the Level 3 score for financial reporting is commendable given the challenges that have been faced nationally by local authorities in implementing the new reporting requirements, this including restating previous years' reported figures in the new format; and
  - data quality arrangements continue to be adequate as the Council continues to embed the performance management culture across all services.

## Looking ahead

- 51 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 52 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 53 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

## Closing remarks

- 54 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the appropriate committee in 2008. Copies need to be provided to all Council members.
- 55 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.

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**Table 2      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	March 2006
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	September 2007
Annual audit and inspection letter	March 2008

- 56 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

## Availability of this letter

- 57 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.

**Ian Davidson**  
**Relationship Manager**

31 March 2008