

Annual Audit and Inspection Letter

April 2007



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Dartford Borough 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.

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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, carried out by Baker Tilly, the Council's Appointed Auditor, 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 of 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.
 - The Council is improving performance against many of its strategic objectives, and has introduced systems to enable continued improvement, though some of these have yet to be consolidated.
 - Overall the Council continues to perform well in its use of resources arrangements, maintaining its 3 out of 4 rating. The Council's value for money arrangements are assessed as adequate, but we do acknowledge the progress that the Council is making.

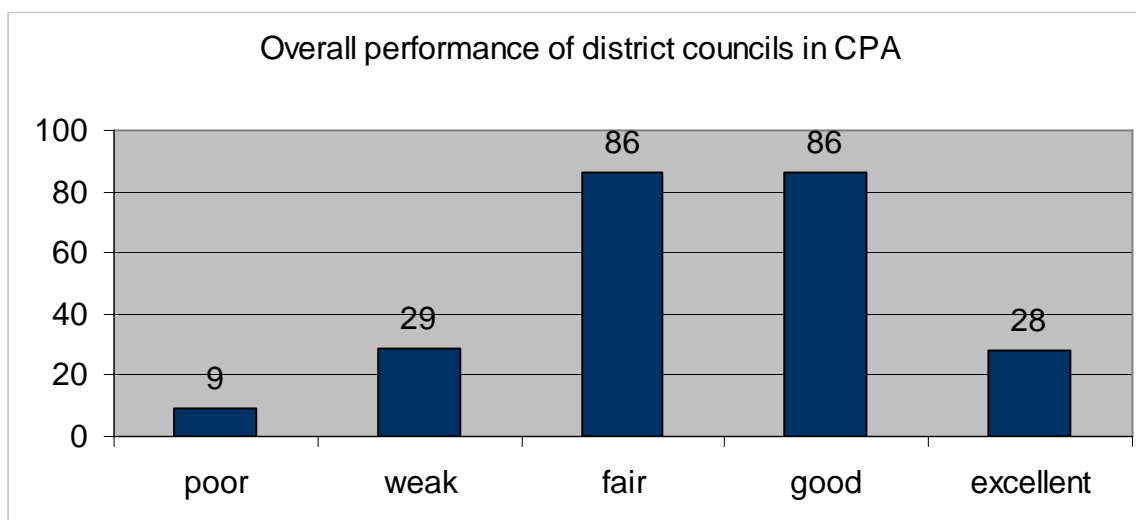
Action needed by the Council

- 4 The Council should consider the areas for improvement which we have identified as part of the use of resources work. This should include further development of its procurement function and embedding its new performance management system.

How is Dartford Council performing?

- 5 Dartford Borough 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 starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 6 The Council is improving performance in relation to many of its strategic objectives and arrangements established over the 2005-2007 period lay a foundation for further improvements.
- 7 The Audit Commission analyses council performance across a basket of performance indicators (PIs). We look at the extent of improvement, that is, the proportion of PIs selected for analysis that are improving, compared with what has been achieved for all other district councils in England. On this measure, for 2005/06, the analysis shows the extent of improvement at Dartford is 55 per cent against an average of 58 per cent for all other district councils. A second measure is the proportion of PIs where the Council is performing in the best 25 per cent. On this measure, Dartford has 14 per cent of its PIs in the best 25 per cent, against an average for other good councils of 31 per cent.

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- 8 This reflects the Council 's response to performance issues highlighted in the 2004/05 indicators which, taken together with similar feedback from CPA and other internal and external reviews, led to the Council undertaking a major reorganisation in housing and making major changes in environment, customer care and planning.
- 9 The Council has a full understanding of its performance, can clearly articulate the reasons for it, and has arrangements in place to improve over 2006/07 and the longer term.
- 10 The Council draws on a range of information sources to determine its priorities, including national and local benchmarks and comparisons, feedback from residents and users, complaints/compliments records and internal reviews. It has undertaken leisure surveys and other consultations with specific groups (eg young people) and carried out a residents' satisfaction survey in 2005 in five new developments across the Borough.
- 11 Post-implementation reviews are carried out where substantial changes have been made, for example following implementation of the Customer Contact Centre. These are used to inform further improvements.
- 12 The Council is addressing wider community issues, individually and in partnership with others. This includes:
 - co-working as part of the borough's Community Safety Partnership to launch a safety strategy designed to help co-ordinate anti-crime and anti-social behaviour measures, and improve support for victims of crime;
 - a range of community sports projects have been completed to build commitment to Dartford and encourage healthy living. This includes completion of the Dartford Judo Centre, which is already attracting interest from countries wanting to use the facility to train as part of the Olympics in 2012;
 - a community strategy has been in place since 2003 as a result of a Local Strategic Partnership between Dartford, Gravesham, Kent County Council (KCC) and other key players. This provides the central vision for the Council's corporate plan;
 - a Youth Strategy is in place, based on the 'Every Child Matters' framework. This brings together all the agencies and organisations working for young people in the area to identify key issues and work towards achieving positive outcomes;
 - the Council has secured external funding to support a range of facilities and activities such as sports clubs. Events and grants have been provided to local community groups to improve facilities;
 - a new Town Hall at Swanscombe has been built, providing a range of facilities to assist in community development and cohesion;
 - the Council is represented on both the Kent Olympic group and Tour de France group with the aim of using these events to drive regeneration across the borough;

- the Council, in conjunction with KCC and its development partner, is introducing improved community links through the provision and funding of Fastrack routes as part of the new major development, 'The Bridge', in north Dartford;
 - participation in the Dartford Health Action Team, offering support for initiatives such as Healthy Living Centres; and
 - continued its involvement in the Deep Clean programme, which offers residents the opportunity to work with public agencies to improve their local environment.
- 13** Dartford Borough Council has a number of arrangements in place to improve equality, social inclusion and access and these cover a range of areas including:
- Council policy and strategy. There is a new equality plan and policy in place and impact assessments have been undertaken by each of the main service departments. Disability and Race Equality schemes and action plans are also in place. The authority has set itself a target of achieving Level 2 of the government's Equality standard by March 2007, and is working towards ensuring arrangements are in place to achieve that. The Council clearly understands that different groups have different needs and has arrangements in place to cater for these in the main;
 - Improved arrangements for customer care, with the implementation of a new Contact Centre and mobile benefits officers to provide a better service for claimants unable to visit the Council or who need assistance to make a claim in their own home;
 - improved online access to services and implementation of a number of e-government initiatives; and
 - improved consultation arrangements, for example a new disability reference group and forums established for both young and older people.
- 14** Processes for reviewing and improving value for money are comprehensive and linked, but are relatively new and have yet to demonstrate improvements across the board. The Council achieved savings of some £1.8 million in 2005/06, more than double that of 2004/05, which meant the Council has achieved its three year efficiency target one year early.
- 15** In 2005/06, costs were around the national average for total spend on services per head, but this masks wide variations with some costs significantly exceeding the average, and some comparatively low.

- 16 The Council has a clear understanding of why costs are as they are, and where appropriate has arrangements in place to reduce costs/improve services in line with national benchmarks. Most high costs are explained as a result of Dartford's proximity to London, the location of major communication links within the borough and its status as a growth area. National funding tends to lag behind actual growth levels. The Council faces additional costs for the Bluewater shopping centre, for example in terms of emergency planning. In some cases, project expenditure is incurred as a result of Council policy, for example extending the Fastrack bus system to underpin improved social cohesion by giving better access to services, provide equitable access to facilities and improve the environment.
- 17 A range of methods are being used to identify and achieve efficiency targets including working in partnership with other organisations, joint procurement, internal reviews and benchmarking. The Council has embarked on a corporate fitness check with an external consultancy to drive further efficiency gains and identify potential for joint working.

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

- 18 Following a review of its corporate planning processes, the Council now has robust plans for improvement supported by a new performance management and monitoring process to underpin this.
- 19 The performance management process is summarised on the Council's web site and all elements are aligned, for example:
- the Corporate Plan is aligned with the community strategy and forms the basis of the Council 's contribution to taking forward the community strategy;
 - Best Value performance indicators form the central part of the Council's Annual Performance Plan, which includes an assessment of the Council's performance for the previous year, what it intends to do in the following year and how it intends to improve;
 - service plans are aligned with the corporate plan. Some directorates, such as housing, have a separate improvement plan which is also aligned with corporate policy and monitored by the Quality Services Committee;
 - key strategies and action plans, such as the community strategy and the equalities strategy, are aligned to the corporate plan;
 - the medium term financial plan is aligned to the priorities in the corporate plan; and
 - a new monitoring system was rolled out across the Council in 2006 and reports are submitted regularly to Cabinet and the Quality Services Committee. The management team monitors progress against actions and critical success factors and service managers are held to account for slippage or deteriorating performance.

- 20** A workforce development plan is in place and incorporated within the Pay and Workforce Strategy. All Service Plans include workforce and capacity issues as a key element, for both short and longer term. Resourcing is considered as an integral part of making changes and improvements. However the Council has some capacity issues, and many of its improvement arrangements are intended to help it manage these gaps. For example:
- it is progressing an apprenticeship scheme for areas of key skills shortages such as grounds maintenance; and
 - the recently let housing contract includes a requirement for apprenticeships to be used and employment of local labour to support sustainable communities.
- 21** There are no significant weaknesses in arrangements for securing continuous improvement and work done by Baker Tilly and the Council's internal audit team indicate no failures in corporate governance that have been identified. However, it should be noted that some of these arrangements, such as those for identifying and managing risks, are relatively new and not yet embedded.

Service inspections

- 22** No service inspections were carried out in 2005/06.

Financial management and value for money

- 23 Your Appointed Auditor has reported separately to the Audit and Standards Board on the issues arising from the 2005/06 audit and provided:
- an unqualified opinion on your accounts on 7 September 2006;
 - 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 and that it met the relevant requirements.

Use of Resources

- 24 The Use of Resources assessment is an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by Baker Tilly 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).
- 25 The Auditor has assessed the Council's arrangements for use of resources across five themes (refer table 1). The scored judgement on each of the above five themes has been based on key lines of enquiry. Each key line of enquiry has been scored by reference to descriptions of performance according to the following scale:
- 1 = below minimum requirements – inadequate performance
 - 2 = only at minimum requirements – adequate performance
 - 3 = consistently above minimum requirements – performing well
 - 4 = well above minimum requirements – performing strongly
- 26 The Council's overall use of resources score has been determined by combining the separate scores for each of the themes covered.

Table 1

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

27 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

- The Council has adequate arrangements in place for its financial reporting. The score for this theme represents a fall from the previous assessment when the Council scored 3. This is because an error discovered during the audit required amendment of the accounts and re-approval by Members, which prevented a level three score being attained. The error meant that council house assets were valued £29.6 million too high. Although this is a large number it is purely an ‘accounting’ error and has no impact on council tax or rent levels or council decision making.
- Financial management arrangements (including medium term financial strategy, budgetary control and asset management) are strong overall. The annual budget and medium term financial strategy provide a solid foundation for strategic financial planning processes which are underpinned by sound budgetary control mechanisms.
- We have assessed the Council’s management of its financial standing as strong. During 2005/06 the Council generated surpluses on its general fund expenditure, housing revenue account and collection fund. It was able to add £1.76 million to the revenue reserves and therefore increase the resources available as working capital and contingency funds.
- Overall, the Council has robust internal control and governance arrangements and it scored 3 for this theme. However, its arrangements for managing significant business risks need further work. Specifically, a detailed review of partnership/contractual risks needs to be completed and risk management training made available to all elected members.
- In relation to the value for money (VfM) assessment performance has again been assessed as adequate. The Council has improved its VfM arrangements during the year, notably by the use of the Covalent system, but does need to maintain that improvement.

Other issues arising from audit work

Grant claims

- 28 During 2005/06 the Auditor certified nine grant claims on behalf of the Council. Four of these claims were subject to amendment arising from our audit and in one case (Final Housing Subsidy) a qualification was issued. The qualification was a minor issue in relation to service charges and we understand that no further action has been taken by the relevant government department.
- 29 For grant claims in relating to 2006/07 and beyond, the Audit Commission has increased the audit threshold from £50,000 to £100,000, ie claims below that value will no longer require an audit. In addition, claims falling between £100,000 and £500,000 in value will only require a limited audit. This change should see the volume of this work and audit fees decline.

Audit fees

- 30 The planned audit fee for 2005/06 core audit was set at £80,000. No additional fees were billed during 2005/06 and therefore the outturn fee was £80,000.

Audit reports

- 31 The audit reports that were issued during the year are shown in Table 2.

Table 2 Audit reports

Report	Date issued
Annual Audit and Inspection Plan for 2006/07	May 2006
Report on the 2005/06 audit	September 2006
Use of Resources Report (2006)	March 2007
Annual Audit and Inspection Letter	March 2007

Conclusion

- 32 This letter has been discussed and agreed with the Council Leader and Managing Director. A copy of the letter will be presented at the audit committee on 26 June 2007.
- 33 The Council has taken a positive and constructive approach to the audit and inspection work and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Paul Chambers
Relationship Manager