

Annual Audit and Inspection Letter

Gedling Borough Council

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

- 1 During 2008 the Council has been reassessed as part of CPA and it has maintained its 2003 rating as a 'good' Council. The CPA corporate assessment identified that the Council is performing well in most areas. It found that services are of good quality and progress has been achieved across most priority areas. The report also highlighted areas for improvement including performance management and the Council's approach to equalities.
- 2 Gedling Borough Council has made progress over the year in improving outcomes for local residents. The Council has worked effectively with partners to reduce crime and anti-social behaviour, and to help improve facilities for children and young people. Environmental indicators such as rates of recycling are good in comparison to other councils. But recycling rates slightly deteriorated in 2007/08, and the costs of waste collection and the amount of waste collected have increased. The Council has involved a wide range of local residents and groups in its work over the year, and is working well with partners to address health inequalities.
- 3 The Council is meeting its target for efficiency savings through a number of schemes including procurement with partners, increased facility usage and generation of income. Gedling has adopted a comprehensive transformation plan to redesign service delivery, improve access, and streamline corporate support and transactional services. Some early successes in improving access and transactional services have been achieved.
- 4 The Council has a clear performance management framework and performance monitoring is integrated with financial management. However the Corporate Assessment highlighted weaknesses in the Council's approach to performance management including the consistency of action plans and targets to improve performance. A new performance review process has been developed to commence in April 2009 which will enhance existing arrangements.
- 5 Good managerial leadership is in place with a focus on delivering priorities and service improvement, whilst increasing efficiency. Effective partnership working is providing increased capacity and joint procurement is delivering efficiencies. However the capacity of councillors is underdeveloped. To support and develop individual councillors the Council is providing a range of training and development and is investing in developing community leadership capacity. The level of challenge by scrutiny councillors is not fully developed, although training is taking place in relation to this. Whilst the Council manages strategic risks well, councillor awareness of risk is limited.

- 6 In common with most areas of the economy the current economic downturn has affected local authorities. The Government has asked the Audit Commission to assess councils' responses as part of the next Use of Resources assessment. The key challenge will be to balance increasing costs and reduced income against changing service demand. As with most district councils you have:
- increasing numbers of benefit claims, a fall in demand at leisure centres and for land searches/building control searches; and
 - increased overhead costs and reduced investment income.
- 7 The other key issues facing the Council in the next 12 months are as follows.
- Completing the implementation of the Transformation Programme.
 - Gaining assurance regarding the quality of information provided by the pension fund's actuary.

Action needed by the Council

- 8 In order to address the key issues members should ensure the following recommendations are implemented.
- Review progress on the actions agreed in response to the CPA report.
 - To address the ongoing challenges of the economic downturn monitor:
 - the performance of key services (service delivery and financial performance);
 - your financial standing (medium term financial strategy and capital programme); and
 - the adequacy of key financial systems (budgetary control, treasury and asset management).
 - Define and monitor targets ensuring the Transformation Programme achieves Value for Money.
 - Obtain assurance in respect of the quality of information provided by the pension fund's actuary.

Purpose, responsibilities and scope

- 9 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 10 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.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 12 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, he reviews and reports on:
 - the Council's accounts; and
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion).
- 13 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.
- 14 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Gedling Borough Council performing?

15 Following a corporate assessment Gedling Borough Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2008. 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

What evidence is there of the Council improving outcomes?

16 Priorities for 2007/08 are set out within Gedling Borough Council's Corporate Plan 2005/08 and the Gedling Community Strategy 2006/08. Five priority areas are identified as follows.

- Safer Community.
- Children and Young People.
- A Better Local Environment.
- Involving the Community.
- Tackling Health Inequalities.

How is Gedling Borough Council performing?

- 17** During 2008 the Council has been reassessed as part of CPA and it has maintained its previous rating as a 'good' Council. The CPA inspection identified that the Council is performing well in most areas. It found that services are of good quality and progress has been achieved across most priority areas. The report also highlighted areas for improvement including performance management and the Council's approach to equalities.
- 18** Gedling is delivering improvements with partners against its 'Safer Community' priority. Actual crime figures have improved and fear of crime is lessening within the District. The Council has worked with partners to reduce anti-social behaviour. The Council's leadership on town centre management in Arnold has been recognised by the Home Office as good practice.
- 19** The Council has invested through its capital programme in facilities for children and young people. This has included additional sports and leisure facilities including playgrounds, skate parks and gym facilities specifically designed for young people. Local community profiling has identified sites for outdoor facilities and young people have been consulted and involved in the planning of the developments.
- 20** Progress on the Council's 'Better Local Environment' priority is mixed. Recycling rates continue to be good with 99.4 per cent of households now having a kerbside collection. But recycling rates slightly deteriorated in 2007/08, whilst other councils continued to improve. Costs of waste collection and the amount of waste collected have increased. Housing management service performance improved, whilst stock transfer has also been agreed over the year.
- 21** The Council has involved a wide range of local residents and groups in its work over the year. Results of its annual satisfaction survey feed into the corporate priority setting process. Consultation on budget setting has led to a decision to stop funding Police Community Support Officers and the introduction of a weekly waste collection in the summer. The Council has consulted and worked with key partners and residents on the 'State of the Borough' profile which contributes to the Sustainable Community Strategy. The Council actively contributes to work around community cohesion. This has included consultation with young people and service users around leisure facilities, and work with tenants on the transfer of housing stock through a large scale voluntary transfer arrangement (LSVT).
- 22** The Council works effectively with partners to develop work around the 'Tackling Health Inequalities' priority. The Council has demonstrated leadership and commitment to partnership working and has contributed to wider community outcomes. Progress on Local Area Agreement target areas, particularly the health and well being programme, has been evident in work with the local Primary Care Trust. For example, through sport and leisure initiatives and work with young people. Local community profiles identify local areas for action and these have been supported by specific funding from the Council to improve facilities for local people.
- 23** The Council has improved 58 per cent of performance indicators (PIs) over the last three years which is just above average for all local authorities. In the last year 55 per cent of PIs show improvement which is below the average for all local authorities. Gedling has a slightly higher than average number of PIs among the best performing 25 per cent, when compared with other councils.

- 24** Access for residents is improving but equalities and diversity are not fully integrated throughout the Council. Access has improved through the development of the transformation plan where early successes include increased access to the Council via the telephone and face to face access at the Customer Service Centre. Access to leisure services has increased with young people being encouraged to use facilities during summer holidays. However the Council is only achieving Level One of the Equality Standard for local government, which is poor when compared to other councils. The recent Corporate Assessment found that a strategic and integrated approach to equalities is not embedded. Whilst there are examples of good practice in relation to diversity, action plans do not systematically meet the needs of black and minority ethnic communities and other groups at risk of disadvantage.
- 25** The Council achieves value for money for tax payers through the implementation of its efficiency plan. It has achieved its efficiency target through careful cost management across all service areas. The Council is supportive of joint working and procurement. This includes work on a county-wide waste collection vehicle tendering exercise, which is providing savings and increased environmental benefit. There are a number of joint posts and co-operative working with other councils including work in planning and on housing needs assessment.

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

- 26** The Council and its partners have a shared vision for the Borough, based on a range of data and information gathered through consultation and partnership working. There is clear alignment between the community strategy and Local Area Agreement (LAA) themes and these themes link to Council ambitions. There are clear links between the community strategy, the LAA and the strategic corporate plan.
- 27** The Council has a clear performance management framework and performance monitoring is integrated with financial management, but it is difficult to see how the framework is used to track progress against corporate priorities. Action plans do not consistently use SMART¹ targets and the cascade of priorities through some plans to implementation is not explicit. There are examples of action being taken to address weaker performing areas, with improvements being made in planning and housing benefits, although action to improve sickness levels has only had limited impact. The Council uses benchmarking and learns from external review to improve performance. The Council is now seeking to introduce a new performance framework to enhance monitoring and review in order to improve service outcomes for local residents. This will commence in April 2009.

¹ Specific, Measurable Achievable Realistic and Timed.

How is Gedling Borough Council performing?

- 28** The Council has delivered against many of its priorities. Many of these achievements have been delivered through good partnership working, such as achieving community safety targets. The Council has a transformation plan for the development of the Council's services and service user access called 'Shaping Future Service Delivery'. The delivery of the Plan's milestones is through three main developments underpinning future service delivery, as follows.
- A customer services centre;
 - Integrated operational delivery including service teams with a neighbourhood delivery focus.
 - A corporate shared services centre providing support to front line staff.
- 29** There are some early successes in increased access for local residents through the customer service centre. The development of the corporate shared services centre is in progress.
- 30** Capacity is adequate. Good managerial leadership is in place with a focus on delivering priorities and service improvement, whilst increasing efficiency. Although now filled, a long standing vacancy at a strategic level has had an impact on the delivery of some strategic improvements. Effective investment and use of ICT is delivering improved access to services. Development of the Council's website has increased self-service facilities, including booking leisure facilities and making payments. Effective partnership working is providing increased capacity and joint procurement is delivering efficiencies.
- 31** The capacity of councillors is underdeveloped. To support and develop individual councillors the Council is providing a range of training and development and is investing in developing community leadership capacity. The level of challenge by scrutiny councillors is not fully developed, although training is taking place in relation to this. Whilst the Council manages strategic risks well, councillor awareness of risk is limited.

Inspections

Corporate Assessment

- 32** Key findings from the corporate assessment are included within our Direction of Travel report above. Recommendations from the corporate assessment are summarised below.
- The Council should develop a strategic approach to diversity and equality. It needs to do this so that priorities and action plans systematically meet the needs of black and minority ethnic (BME) groups and other groups at risk of disadvantage.

How is Gedling Borough Council performing?

- The Council should develop clear outcome-based measures and targets for each of its priorities. Performance monitoring should be realigned to priorities so that it is easy for the Council to check whether it is achieving what it set out to do. The work of the performance review scrutiny committee should be reviewed to ensure effective challenge of performance and formal scrutiny of complaints, strategies and progress against key action plans. The policy review committee should link its work more closely to strategic priorities and to the cabinet's forward plan.
- The Council needs to help develop councillors to enable them to provide vision, challenge and support. It should analyse the needs of all individual councillors and deliver appropriate training so that they have the necessary leadership and organisational skills to drive the future challenging agenda of the Borough. Councillors need to be supported to further improve the scrutiny function and to encourage scrutiny members to be more challenging to the Executive. Councillors need to fully understand risk.

The audit of the accounts and value for money

- 33** Your appointed auditor has reported separately to the Audit Sub Committee on the issues arising from our 2007/08 audit and has issued his audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 24 September 2008.
- 34** The audit of the pension fund at the administering body, Nottinghamshire County Council, identified that Gedling's share of the pension fund's asset as estimated by the actuary had been overstated by £0.793 million. The value of your pension liability was amended reducing it from £23.755 million to £22.962 million. The final year of the actuary's contract was 2007/08 and the fund's administering body have appointed new actuaries for 2008/09.

Use of Resources

- 35** 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).
- 36** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as outlined in Table 1.

Table 1

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

Note: 1 – lowest, 4 = highest

- 37** The Council continues to perform well on financial management, financial standing, internal control and value for money.
- 38** The Council now performs strongly on financial reporting and we reported notable practice on your approach to the preparation of the accounts and external reporting.
- 39** We scored the 'manages and improves value for money' sub element of value for money as 3; it had previously been 4. The reasons have been reported in our 'use of resources scored judgement 2008' report' and relate mostly to your comparative rate of performance improvement. The overall score for this element did not change.
- 40** In common with most areas of the economy the current economic downturn has affected local authorities. The Government has asked the Audit Commission to assess councils' responses as part of the next Use of Resources assessment. The key challenge will be to balance increasing costs and reduced income against changing service demand. As with most district councils you have:
- increasing numbers of benefit claims, a fall in demand at leisure centres and for land searches/building control searches; and
 - increased overhead costs and reduced investment income.
- 41** The Council did not hold any investments in the institutions hit by the banking crises.
- 42** Routine budget monitoring during 2008/09 identified significant variances which would lead to an end of year deficit. In response you agreed, in September 2008, a £0.498 million supplementary budget. The current forecast is a year surplus of £0.250 million indicating effective budgetary control.
- 43** To address the ongoing challenges of the economic downturn you should monitor:
- the performance of key services (service delivery and financial performance);
 - your financial standing (medium term financial strategy and capital programme); and
 - the adequacy of key financial systems (budgetary control, treasury and asset management).

The audit of the accounts and value for money

Data Quality

- 44 We issued our report on data quality in November 2008, this concluded that the Council's overall management arrangements for ensuring data quality were adequate. The report included seven recommendations. These mostly relate to:
- the provision of focussed training to members and officers who are responsible for data quality; and
 - improving arrangements for data shared with third parties.

Audit fee update

- 45 In our governance report, issued last September, we included details of the audit fee. The following table updates this information showing the actual fee for the 'other work' relating to the large scale voluntary transfer (LSVT) of your housing stock and grant certification.

Table 2 Audit fee 2007/08

	Plan 2007/08 £	Actual 2007/08 £
Financial statements (including Whole of Government Accounts)	59,848	59,848
Use of Resources (including Data Quality)	20,153	20,153
Total Audit Fees	80,001	80,001
Grants certification work	26,000	24,935
Other work (LSVT)	To be advised	3,620

Looking ahead

- 46** The public service inspectorates have developed 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.
- 47** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 48** 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 National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 49 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the audit committee on 16 June 2009. Copies need to be provided to all Council members.
- 50 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	May 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	September 2008
Use of resources scored judgement 2008	November 2008
Data quality report	November 2008
Corporate Assessment Report	November 2008
Annual audit and inspection letter	March 2009

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- 51 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

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

Stephen Barnett

Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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