

Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

Castle Point Borough 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.
- 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, 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 Castle Point Borough Council has made considerable improvement in the quality of services provided. In 2007 it was re-categorised from being a 'poor' to a 'good' council. Services have improved considerably, with many now being of a high standard such as the benefits service. Improvements have been made across all priority areas and are effectively tackling those issues important to the Borough. Long-term ambitions such as regeneration are already realising clear outcomes.
- 2 A comprehensive vision and priorities are in place and have been strengthened in the last year. These are shared with partners and are based upon a good understanding of local communities. The strong and effective political and officer leadership enables tough decisions to be taken. Capacity and processes, including performance management, have been strengthened to support the delivery of priorities. Key services delivered to some of the potentially most vulnerable groups are performing well. Effective partnership working is delivering clear outcomes, particularly in regeneration and in tackling health inequalities. However, scrutiny is not fully effective and project management is not consistently applied.
- 3 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.

## Action needed by the Council

- 4 The Council is in the process of externalising its housing stock and therefore needs to consider the future organisational development needs and the impact on its internal capacity.
- 5 Improvements made in performance management need to be built upon to ensure that systems are robust and support the improvement agenda. Target setting and action planning need particular focus.
- 6 The Council needs to continue to develop its approach to improving data quality.

## Purpose, responsibilities and scope

- 7 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.
- 8 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.
- 9 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].
- 10 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.
- 11 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.
- 12 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 Castle Point Borough Council performing?

- 13 Castle Point Borough Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2007. 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

- 14 Castle Point Borough Council has made considerable improvement in the quality of services provided. In 2007 it was re-categorised from being a 'poor' to a 'good' council. Services have improved considerably, with many now being of a high standard such as the benefits service. Improvements have been made across all priority areas and are effectively tackling those issues important to the Borough. Long-term ambitions such as regeneration are already realising clear outcomes.

- 15 A comprehensive vision and priorities are in place and have been strengthened in the last year. These are shared with partners and are based upon a good understanding of local communities. The strong and effective political and officer leadership enables tough decisions to be taken. Capacity and processes, including performance management, have been strengthened to support the delivery of priorities. Key services delivered to some of the potentially most vulnerable groups are performing well. Effective partnership working is delivering clear outcomes, particularly in regeneration and in tackling health inequalities. However, scrutiny is not fully effective and project management is not consistently applied.

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

- 16 There has been significant improvement across a range of services and across all priority areas in the last year. This has been recognised in a Comprehensive Performance Assessment in 2007. The Council is now rated as a 'good' Council. Some key front line services are now delivering outcomes for the community at a level comparable with the best 25 per cent of councils in the country. In 2006/07 36 per cent of performance indicators were among the best nationally; above the average of 33 per cent for all districts. In the last year 59 per cent of indicators improved which is average for similar councils.
- 17 The corporate plan sets the Council's aims and objectives for the Borough and it is explicitly linked to the sustainable community strategy. The Local Strategic Partnership and the Council have an overall vision for Castle Point as 'a community where everyone can prosper, be safe and live in a high quality environment'. The corporate plan is underpinned with four priorities.
- Environment - Civic Pride.
  - Regeneration and Homes.
  - Improving the Council, and
  - Community Safety.
- 18 In 2006/07 the Council continued its successful focus on the recovery / improvement plan agreed by the Department for Communities and Local Government. Solid progress has been made in leisure services and in 2006 QUEST accreditation was achieved for a major facility. Usage has continued to increase and the range of activities has increased to include leisure activities for older people and for those with cardiac problems referred by local GPs. Significant improvements have been achieved in the benefits service. It is now one of the highest performers nationally with satisfaction levels increasing accordingly. The average speed of processing new benefit claims has been further reduced from 26 days in 2005/06 to less than 24 days in 2006/07 and accuracy has improved. Focusing on important front line services is improving provision including to potentially vulnerable people.

## 8 Annual Audit and Inspection Letter | How is Castle Point Borough Council performing?

- 19 Progress has been made in delivering improved environment services. Street cleaning is effective, with performance matching the best nationally. Although steady progress is being achieved in increasing the overall rate of recycling, the Council is clear of the need for improvement. In 2006/07, 26 per cent of household waste was recycled. This was below average. Targeted awareness raising and education has successfully increased participation in the kerbside collection scheme. The current (unaudited) recycling rate has improved to just over 30 per cent. The Council is securing improved outcomes and is putting in place the building blocks to deliver against this local and key national priority.
- 20 The Council is delivering quality housing in the Borough. It has managed its own housing stock of 1,500 houses well. During 2006/07 the Council has undertaken a comprehensive consultation process with tenants with a view to seek their approval for transfer of the stock of 1,500 homes to a social landlord. The Council is on track to deliver the East of England targets for new homes. The needs of elderly people and those with disabilities (one in five households in the Borough have a disabled resident) are being successfully targeted through the provision of specially adapted homes. However the Council is not delivering sufficient affordable housing. It is aware of the need to focus on this area and has robust planning policies to increase the supply in place. A number of recent planning decisions will deliver a significant increase in the supply of affordable homes. Those agreed to date include 18 homes in 2007/08 and a further 76 in 2008/09.
- 21 The clear focus on regeneration activity is already having a positive impact on the local community. From a position where there were no clear plans and little regeneration having taken place, the Council and its partners are delivering some ambitious schemes against a clear regeneration agenda. The new Paddocks primary care centre is a good example of effective partnership work. Together with the primary care trust, a health facility is under construction. This will bring together GPs on Canvey Island and also offer district nursing, a pharmacy and blood/X-ray services. Patients will no longer need to travel to Southend hospital for these services. Although a long term ambition, the clear focus on regeneration is already having an impact on the local community both to tackle areas of deprivation and health inequalities.
- 22 The comprehensive focus on equalities and diversity is improving services to vulnerable groups. All staff receive extensive training in diversity to ensure services do not disadvantage anyone. Services are responsive to users' needs. For example as a result of consultation during 2006/07, opening hours have been extended in the benefits service, additional phone lines provided and increased numbers of staff made available at peak times. The Council has also provided training for taxi drivers covering a range of disabilities to ensure vehicles and drivers supplied meet customer needs. The Council secured Level 3 of the Local Government Equality Standard in March 2007 placing it in the top 25 per cent of councils nationally. The external assessment awarded an excellent rating for the wide range of equality action plans across all departments. The Council has a clear customer focus in the delivery of services to all communities.

- 23 The Council's approach to securing value for money (VfM) is adequate. All services have completed assessments to identify those areas where a more detailed VfM study is required, for instance parks and open spaces. Specific VfM indicators are now in place. This work has highlighted that benchmarking of costs and of service quality is insufficiently refined to give a comprehensive picture. VfM now has high prominence but there is currently little evidence of clear outcomes and tangible improvements.

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

- 24 Significant improvements have been made in clarifying the strategic aims of the Council, and its role within partnerships have continued to strengthen over the last year. Appropriate plans are in place to support the vision and priorities. The Council and its partners have a clear shared long-term vision for the Borough including a long-term challenging vision for regeneration. Priorities have been revised following effective consultation and engagement with the community and key stakeholders. The priorities are closely aligned to meet local and national demands covering both the short and long-term.
- 25 Links are strong between the local area agreement, the sustainable community strategy and the corporate plan. The corporate plan contains medium-term targets up to 2012 and shorter term more focused annual objectives. There are strong links from high level strategies through to service plans. In addition there are good links with the medium term financial strategy. However, despite underpinning plans having challenging targets these are not consistently clearly reflected in high-level strategies. For example the street scene service plan has an annual target to increase the rate of recycling to 45 per cent by 2012 but the corporate plan only refers to a target to 'increase recycling and composting'. This makes it difficult for partners and local people to fully understand what the Council is aiming to achieve.
- 26 The Council has made a significant investment in developing a comprehensive performance management system, including the further development of a comprehensive service planning template introduced in the current year. This has been instrumental in delivering improved services. Clear links between high level strategies through to individual personal development plans are in place. Councillors are actively involved in challenging and managing performance. The Council responds well to external challenge and uses this, and learning from others, to improve services. New performance management arrangements for some partnerships are in place but have yet to demonstrate outcomes and some important weaknesses remain such as inconsistent target setting and action planning. Effective project management is not consistently applied.

- 27 Management capacity has improved and is now a strength. The Council acknowledges that during a period of rapid improvement this capacity has been a limiting factor. For example delays were experienced in developing the asset management plan. This has been addressed through new posts and effective internal appointments. External expertise is appropriately used to address gaps, as in the successful interim management of leisure services by consultants. Effective management capacity is making a positive contribution to the delivery of priorities.
- 28 Human resource management is effectively managed although succession planning is undeveloped. The Council has effectively tackled high sickness absence through robust yet supportive systems. This has included successfully outsourcing some aspects of sickness management. There has been a 28 per cent reduction in 2006/07 from the 13.39 days lost per employee in 2005/06, to an (unaudited) 7.75 days up to December 2007. Recruitment and retention is supported through market supplements and incentives to encourage strategically important staff to stay. Although a workforce development plan is in place and skills development is undertaken, there is no succession planning targeted at all high-risk areas within the Council. The Council is ensuring that it has the necessary capacity to deliver priorities but remains vulnerable should some key staff leave in areas that are not heavily resourced.
- 29 Overview and scrutiny is not sufficiently effective and has had only limited impact. Decisions and policies are not being robustly and routinely challenged. Changes have been made to address recognised weaknesses in scrutiny. These include the introduction of exception reporting in March 2007 to increase the focus on performance. Training has been delivered to councillors, some externally from Improvement and Development Agency. Although overview and scrutiny has focused on specific issues, such as the swimming pool admission policy, the overall impact on services delivered to the community has been limited. Scrutiny has yet to demonstrate impact on improving outcomes for local people.
- 30 Decision-making arrangements are generally sound. In January 2008 the Council moved to a leader and scrutiny model to enhance decision making processes. The Council has also enhanced the effectiveness of the committee structure through changes made to the planning committee. Strategic planning has been separated from development control enabling a speedier decision making process. Strategic planning has been placed with regeneration which is a key corporate and partnership priority. Increasing the effectiveness of decision making supports the Council to achieve its ambitions and priorities.

## Corporate Assessment Inspection - 2007

- 31 Castle Point Borough Council successfully applied for and underwent a Corporate Assessment during 2007. The inspection found that Castle Point Borough Council has made significant progress since being categorised as 'poor' in 2004 turning many areas of weakness into corporate strengths. It is now a 'good' Council. This has been possible through strong and effective political and officer leadership. The rate of improvement has compelled tough decisions. These have been taken despite, on occasions, being locally unpopular. Key services delivered to some of the potentially most vulnerable groups are performing well. Effective partnership working is delivering clear outcomes, particularly in areas of regeneration and in tackling health inequalities. This demonstrates the progress achieved in providing good and reliable services to the community.

## Local Area Agreement

- 32 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.
- 33 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 & Police services, the Learning & Skills Council, Local Strategic Partnerships and other local partners including the community & voluntary sector. LAAs are based on delivering national outcomes in a way that reflects local priorities.
- 34 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.
- 35 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.

## Service inspections

- 36 No service inspections were undertaken in this period.

## Health Inequalities in Essex audit

- 37** 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 & 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.
- 38** The audit identified four main areas to be addressed:
- strategic approach;
  - information and joint planning;
  - delivery and monitoring performance; and
  - political involvement.
- 39** 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.
- 40** 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

- 41** Your appointed auditor has reported separately to the Overview and Scrutiny Committee on the issues arising from our 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 20 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

- 42** 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).

- 43 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	4 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

*(Note: 1 = lowest, 4 = highest)*

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

- 44 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.
- 45 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.
  - Retention of the Level 4 score ('performing strongly') 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. The Council continues to work proactively to identify and resolve national-level issues, and provides support and training to other authorities.
  - The Council has been assessed as performing adequately in achieving value for money and has continued development of the improvement plan and VFM profiling and benchmarking.
  - Data quality arrangements continue to be adequate as the Council continues to embed the performance management culture across all services.

## Looking ahead

- 46 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.
- 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 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.
- 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 Local Area Agreements.

## Closing remarks

- 49 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.
- 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.

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**Table 2      Reports issued**

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

- 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](http://www.audit-commission.gov.uk), and also on the Council's website.

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

31 March 2008