

Annual Audit and Inspection Letter

North Norfolk District 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 The main messages for the Council included in this Annual Audit and Inspection Letter (letter) are as follows.
 - The Council's overall performance has improved, but the rate of improvement has slowed. The percentage improvement in 2007/08 was below the average for English district councils.
 - The Council has focused on housing, benefits, planning and recycling as its core priorities for continued service improvement in 2007/08. Service improvements in these priority areas are making a difference to local people, but the Council needs to maintain focus on the provision of affordable housing, where it has been less successful in meeting community needs.
 - Performance in promoting equality remains weak, but is slowly improving.
 - The Council is increasingly supportive to vulnerable people and those impacted by the downturn in the economy. Despite a significant increase in housing benefit applications, Council data indicates that it is still managing to process these claims promptly.
 - There are clear links between corporate, community and countywide strategic plans and service improvement continues to be well planned, monitored and managed. Capacity remains stretched, although effective partnership working continues to help improve and extend services.
 - The Council was assessed as performing at level 3 in our 'use of resources' judgement, indicating that the Council is performing well. This is an improvement on the prior year assessment of 'adequate'. The improvements the Council has made enabled us to conclude that it had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 - the first time an unqualified 'value for money opinion' has been achieved by the Council. The Council's financial statements continue to receive an unqualified audit opinion.

Action needed by the Council

- 2 The Council should:
 - continue to drive forward the its improvement programme to address areas of weaker performance, including the provision of affordable housing and the promotion of equality;
 - ensure that it has sufficient capacity to deliver its improvement agenda; and
 - ensure that the recommendations made in the Appointed Auditor's Annual Governance Report are addressed.

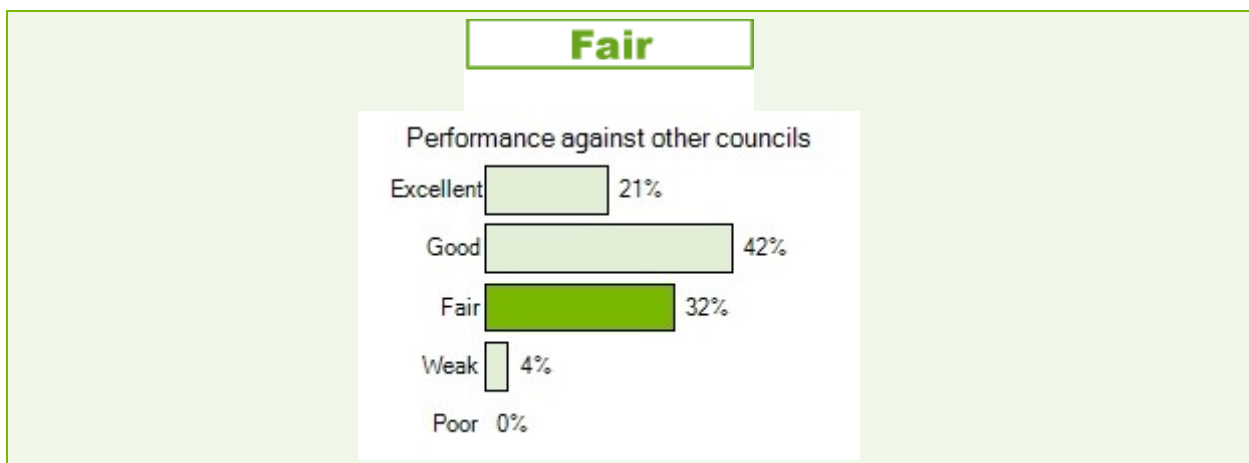
Purpose, responsibilities and scope

- 3 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.
- 4 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.
- 5 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).
- 6 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.
- 7 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.
- 8 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 North Norfolk District Council performing?

- 9 North Norfolk District Council was assessed as 'Fair' in the Comprehensive Performance Assessment carried out in 2003. 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?

- 10 The Council has focused on housing, benefits, planning and recycling as its core priorities for continued service improvement.
- 11 The Council continues to perform well in supporting people who are homeless. The Council does not use hostels for homeless families and any temporary accommodation needed is provided in self contained independent flats owned by the Council or by its social housing partners. The number of households accepted as priority homeless decreased to about the average for English district councils in 2007/08 and the number of households in temporary accommodation was lower than average.
- 12 The Council has been effective in improving the suitability of housing stock through promotion of disability adaptations grants. This resulted in 105 properties being adapted in 2007/08 and 159 in 2008/09. Vulnerable people and those with special needs are being supported to live in housing that is more suited to their needs.

How is North Norfolk District Council performing?

- 13 However, the Council has been less successful in securing the completion of new affordable homes within stated time targets. In 2007/08 the number completed decreased to 57 compared to 108 in the previous year. The aim is to secure an average of 100 a year, but in the current year only 64 are expected to be delivered, with one large proposal for 33 units being delayed on site and not being delivered during the year as programmed. The percentage of private sector homes vacant for six months or more was worse than average in 2007/08, with 848 properties standing empty according to the council tax register. Grants are available to assist landlords in bringing their empty properties back into use, but there has been no enforcement action and only two vacant dwellings were returned to occupation or demolished during the year as a direct result of action by the Council. This was one of the lowest figures nationally. This means that local people are not getting the affordable housing choices they need.
- 14 Improved performance overall, is still being achieved but the rate of improvement has slowed. In 2007/08 the 53 per cent improvement achieved against national performance indicators was below the average of around 58 per cent for English district councils.
- 15 The Council is increasingly effective at supporting people in vulnerable circumstances. Accuracy in dealing with housing benefit claims improved in 2007/08, with new claims being quickly processed. The current number of new claims has increased by about 60 per cent compared to the same time last year, but Council data indicates that it is still managing to process these claims promptly. The Council is liaising with the Citizen's Advice Bureau to identify how best they can work in partnership, for example through debt awareness training for Council staff, to help people who are experiencing financial difficulties. Links are being developed with community groups to help support elderly people in claiming housing and other benefits. People who may be experiencing financial pressures, especially in the economic downturn, are receiving supportive service.
- 16 The Council has strengthened its planning policy framework and has established a sound Local Development Framework Core Strategy, which also includes development control policies. The balance between quality and speed of determining planning applications is important to the Council. Quality of decision making has been maintained, with the Council continuing to have amongst the lowest levels of appeals upheld against its planning determinations. There has, however, been a slower turnaround of applications, due to the time invested in establishing the local development framework, increasing workloads and several significant major applications. Government minimum targets were met for all categories of application, but the speed of determinations declined in 2007/08. This prompted investigation by the overview and scrutiny committee and visits to a neighbouring council resulting in some changes in procedures. IT improvements to increase efficiency are being made, although in the short term these will divert staff time.

How is North Norfolk District Council performing?

- 17 Waste collection performance remains good. The amount of waste generated decreased in 2007/08, although remaining higher than average. The Council attributes this to the success of its garden waste service, but has committed to promoting waste minimisation as part of its contribution to delivery of the local area agreement. The cost of waste collection remains amongst the lowest nationally and growth in the trade waste and recycling service has resulted in it moving from losses of £10 - 12,000 in 2007, to over £100,000 surplus. Local residents are receiving good value for money from waste services and, by providing competition that helps keep trade waste collection costs down, the Council is helping local businesses.
- 18 The Council remains amongst the highest performers for recycling, which increased further in 2007/08 to over 45 per cent. Current Council data indicates a further small increase in 2008/09.
- 19 The quality of the local environment is important to local people and the Council reflects this in a rigorous approach to maintaining a clean district. Fly-posting and graffiti remained amongst lowest levels in 2007/08, although the amount of litter increased to above average. The contract for litter collection imposes a financial penalty on the contractor in such circumstances, and the Council reports that this has prompted a notable increase in performance levels. An additional litter picker has been appointed and there has been an increase in prosecutions of fly tippers.
- 20 The Council has been effective in raising the national profile of coastal protection which is an increasing local priority. Work with the government and the Environment Agency is producing guidance on planning issues for coastal locations. Funding from the sale of housing stock is being used for measures to strengthen defences. Although the long term prospects are uncertain for some coastal villages, the Council's short term measures are helping to slow the rate of erosion, developers are being given practical guidance, and government awareness of coastal protection issues has been raised.
- 21 The Council works effectively with partners to protect and enhance the quality of life in North Norfolk. Crime levels remain low. There have been further reductions in most types of crime. Domestic burglaries increased very slightly, but still remain amongst the lowest levels nationally. Fear of crime was already low and generally further reduced in 2007/08, although it increased slightly with regard to burglary. Local people and visitors are able to enjoy a generally very safe environment.

How is North Norfolk District Council performing?

- 22** Performance in promoting equality remains weak, and is only slowly improving. The Council is one of the 14 per cent of councils that have not achieved at least level 2 of the Equality Standard for local government and is amongst the poorest performers regarding its duty to promote racial equality. However, some progress is being made towards level 2 and the Council has prepared and adopted a combined equalities scheme. Equality impact assessments (EIAs) have not been carried out in all customer facing areas, for example in customer services, environmental health and development control. Where there have been EIAs these have led to some service development and improvement, for example the Council is promoting the value of making provision for people with disabilities to tourist accommodation providers. Planning of appropriate provision for vulnerable people in emergency rest centres has resulted from the EIA of civil contingencies, and attracted interest from other councils keen to learn from the findings. Effective information and consultation with local communities helped planning permission to be passed for two sites for gypsy and traveller families, with few objections being raised. It is becoming easier for people with varying needs to access services, but the Council lags behind most others in ensuring that the needs of different groups within the community have been identified and addressed.
- 23** Value for money remains adequate. A slightly higher than average proportion of performance indicators are in the top 25 per cent for councils nationally, but the speed of improvement has slowed. Modernisation and streamlining of procurement procedures has been slow, but is now underway. The Council's use of its resources has improved and is now good. However potential improvements to capacity, such as through effective tackling of sickness absence and tailoring of services to meet the needs of all groups within the community, have not yet been fully realised.

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

- 24** There are clear links between corporate, community and countywide strategic plans. The corporate strategy Changing Gear has been refreshed following consultation with local people and is aligned with the sustainable communities strategy. The chief executive chairs the Norfolk Action Team which is responsible for overseeing the implementation of the local area agreement (LAA). Senior Council managers are the indicator leads for housing and within the Safer Communities theme of the LAA. The local strategic partnership (LSP) was restructured during 2008 to align its delivery to key LAA outcomes, creating a clear link from local contributing organisations through the LSP and to the LAA. A clearer and more coherent focus on the delivery of local and countywide priorities has been secured.

How is North Norfolk District Council performing?

- 25 Service improvement continues to be well planned, monitored and managed. The performance management framework links performance targets and outcomes in individual service plans to the corporate plan and, where appropriate, the sustainable communities strategy. Specific and measurable targets are identified, such as to 'increase the number of visits to our museums to 170 per 1000 population by 2009, an increase of 74 per 1000 population'. Staff are set clear objectives to ensure delivery of the planned improvements, and their performance is regularly appraised. Progress is regularly monitored and action taken where appropriate, including the reallocation of funding to support improved performance, for example for adaptations in housing to help people with disabilities. The effectiveness of the scrutiny committee has improved, following a cross-party review. It is clear what improvements the Council is seeking, how it intends to achieve them and how underperformance will be identified and tackled.
- 26 Capacity remains a challenge for the Council and not all the issues that affect overall capacity have been successfully tackled. The already high levels of sickness absence further worsened in 2007/08 with an average of 11.63 days for each full time equivalent member of staff. This is amongst the worst nationally. However, the Council's current (unaudited) figures indicate that the attendance policy introduced last year is having some effect on reducing absence levels. The generally positive staff survey identified training and development as an area for improvement. This has been investigated further through focus groups and an action plan produced. Effective partnership working continues to help improve and extend services, for example work with partners in providing anti-social behaviour interventions achieved a success rate of 98.5 per cent where there is no further anti-social activity. The review by the Boundary Committee into the future of local government across the county is inevitably drawing on the already stretched capacity of officers, councillors and partners. There is a risk that improvement levels may not be sustained going forward.

The audit of the accounts and value for money

- 27** Your appointed auditor has reported separately to the Audit Committee on the issues arising from our 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate (16 September 2008); and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 28** 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) and
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 29** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4 (2007: 1)
Financial management	3 out of 4 (2007: 2)
Financial standing	3 out of 4 (2007: 3)
Internal control	2 out of 4 (2007: 2)
Value for money	2 out of 4 (2007: 2)
Overall assessment of the Audit Commission	3 out of 4 (2007: 2)

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

30 The overall Use of Resources score of 3 indicates that the Council is performing well overall, and is an improvement from the 'adequate' assessment in 2007. The key issues arising from the audit, as reflected in the above judgements, are set out below.

Financial reporting

31 Once again the Council produced its financial statements on time, supported by relatively comprehensive working papers, and an unqualified opinion was issued. The 2007/08 financial statements presented for audit were of a higher quality than in previous years and did not contain any material errors, resulting in an improvement in the score for financial reporting. The accounts approval process had also improved, although the process of member scrutiny of the financial statements could be better documented.

32 External accountability, a sub-theme of financial reporting, was assessed only as adequate in 2008 primarily as a result of the need to further develop and embed arrangements which comply with duties under equalities legislation regarding accessibility.

Financial management

33 The Council continues to perform well regarding financial planning. The Council's medium term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities. Areas that should be strengthened include the consideration of issues arising from equalities impact assessments on the Council's medium term financial planning, and further considering stakeholder and partner views in corporate business planning.

- 34** We consider that the Council performs well in terms of managing its performance against budget. Regular budget monitoring takes place and the outcomes are shared with members. Overall annual efficiency savings (AES) have been met, but, whilst the requirements in terms of the AES are well understood, evidence of developed action plans for achieving projected savings and the evidenced monitoring thereof by the Performance and Risk Management Board (PRMB) should be improved.
- 35** Management of the asset base remains adequate. Areas for continued attention include:
- updating the asset register during the course of the year;
 - providing more information to members to enable them to fulfil their role in improving asset usage. Performance indicators have yet to be used in practice and, as yet, there are no clear, forward-looking strategic goals for property assets in the Asset Management Plan (AMP);
 - formalising a rolling programme of property surveys; and
 - improving the Access property database to include accurate data, including running costs, to support councillors' decision making regarding investment and disinvestment.

Financial standing

- 36** The Council's arrangements for ensuring sound financial standing continue to operate well, although this must remain an area of continued focus in the current economic environment.

Internal control

- 37** Risk management remains adequate, although the 2003 risk management strategy should be revisited and updated as necessary. Other areas for focus include:
- further development of the consideration of risks in relation to significant partnerships; the use of the partnership toolkit may be useful in this;
 - ensuring that all appropriate staff have been given relevant training and guidance to enable them to take responsibility for risk management; and
 - more regular review of the Risk Register by the Audit Committee and the PRMB.
- 38** The further development of the business continuity plan has enabled us to assess that arrangements to maintain a sound system of internal control are now adequate. There remain a number of areas for continued focus:
- formalising and monitoring the action plan for matters included in the Council's Annual Governance Statement;
 - embedding the process of keeping procedure notes up to date for key financial systems; and
 - producing formal guidelines which define what governance arrangements need to be put in place when new partnerships are entered into.

The audit of the accounts and value for money

- 39 Additionally, Internal Audit delivery was behind schedule during 2007/08. The Council has become part of a local outsourced Internal Audit partnership for 2008/09.
- 40 The Council's arrangements to promote and ensure probity and propriety in the conduct of its business remain adequate although consideration should be given to implementing a consistent approach to monitoring compliance with the IT Code of Conduct, and recording/monitoring complaints about the Council centrally. Other areas for improvement would need to be addressed before the Council could be considered to be 'performing well' in this area, particularly around pro-activity of counter fraud and corruption work.

Value for money

- 41 Our Direction of Travel assessment, earlier in this letter, includes comments relevant to the value for money theme.

Data quality arrangements

- 42 We concluded that the Council's overall management arrangements for ensuring data quality remain adequate.
- 43 Our detailed report, recently issued to officers for agreement, includes a number of recommendations to secure improvement in data quality arrangements. Monitoring and implementing outstanding actions from the Council's own data quality action plan, together with our current and previous recommendations where currently outstanding will be key to progress with regard to:
- governance and leadership on data quality;
 - data quality policies;
 - the systems and processes in place to secure the quality of data;
 - the skills that the Council's people have in ensuring quality of data; and
 - the use of data and its reporting.
- 44 We carried out spot checks on three specific indicators.
- BVPI 78a (speed of processing new claims to housing benefit/council tax benefit) - assessed as fairly stated.
 - BVPI 78b (speed of processing changes of circumstance to housing benefit/council tax benefit) - assessed as not fairly stated following the extrapolation of errors detected as part of our testing.
 - Non-BVPI H18 (Percentage of total private sector homes vacant for more than six months) - assessed as not fairly stated as the Council were unable to provide an audit trail to support the vacant dwellings figure used in the calculation of this performance indicator.

Looking ahead

- 45 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.
- 46 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.
- 47 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

- 48 This letter has been discussed and agreed with the Chief Executive and Deputy Chief Executive. A copy of the letter will be presented to the cabinet on 5 May 2009. Copies need to be provided to all Council members.
- 49 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 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Best Value Performance Plan Report	December 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Regularity Report (Final accounts and interim audit memorandum) - draft	February 2009
Data Quality Report - draft	March 2009
Annual audit and inspection letter	March 2009

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- 50 The audit has been rotated by the Audit Commission to PricewaterhouseCoopers LLP from 2008/09. The Council has always taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation during recent years.

Availability of this letter

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

Sue Jewkes
Relationship Manager and 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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