

Annual Audit and Inspection Letter

March 2007



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Dover District Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

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.

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.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

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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 and from any inspections that have been undertaken in the last year. The performance indicators mentioned in this letter relate to the audited 2005/06 figures which were available in December 2006. The timescales of all other performance noted in this letter is from April 2006 to March 2007. 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 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:
 - the Council is taking positive steps towards improving its performance in its three priority areas;
 - service performance is mixed against the three key priority areas so while residents are seeing high performance where it matters in some areas this is not yet universal; and
 - on value for money, there is a positive relationship between costs and the range and level of performance achieved.

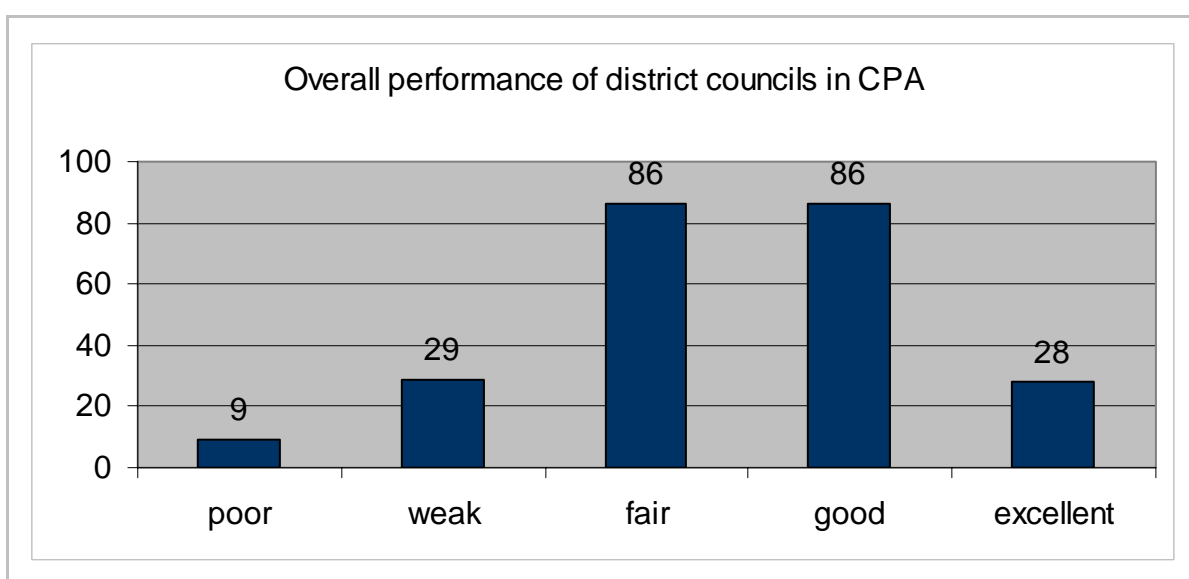
Action needed by the Council

- 4 Ensure that low service performance is tackled by setting specific improvement targets to be delivered during the coming year so as to bring performance up to a high level in all the priority areas.

How is Dover District Council performing?

- 5 Dover District Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2002. 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

- 6 Current council priorities are:
- ensure Sustainable Communities by focusing on housing and urban and community regeneration in priority areas (Dover town, North Deal and Aylesham);
 - ensure a Safer, Cleaner and Greener District by being tough on anti-social behaviour and environmental enforcement; and
 - improve Customer Services by increasing residents' satisfaction with services.

Performance against these priorities is:

- 7 On Sustainable Communities performance is mixed with representation at top quartile but also bottom quartile. On housing, top quartile performance includes customer satisfaction, dealing with repairs, energy efficient housing stock, identifying contaminated land; pollution control and dealing with racial incidents. At the same time, council performance is in the worst quartile for dealing with rent arrears and a range of matters to do with homeless people, such as the time that those people are accommodated in bed and breakfast. On the major projects, the Council is leading on the DTIZ and Aylesham redevelopment. The Council is also a major partner on master Plans are being developed for Buckland Mill and Connaught Barracks with planning proceeding with partners including KCC and English Heritage relating to design and quality issues.
- 8 On ensuring a Safer, Cleaner and Greener District, performance is again mixed. There is top quartile performance on the cost of waste collection, minimising waste collected, tackling flyposting and housing being built on previously developed land. The Council has also achieved the second highest rating nationally on Park Mark awards. Also a recent survey placed Dover as the fourth safest district in Kent, and second highest if judged for nighttime safety. On the other hand the percentage of recycling is in the lowest quartile (although unaudited figures show a recent improvement) as well as the percentage of the population served by recycling sites and kerbside collections. On antisocial behaviour, a Crime and Disorder Strategy has been produced, aided by an award of Action Area Status (only one of fifty in the country) by the Home Office, resulting in £72,000 additional funding and the appointment of a Community Engagement Officer. Environmental enforcement priorities for licensing have been identified and prosecutions undertaken in partnership with Shepway District Council's legal services.
- 9 On improving Customer Services, performance is also mixed. The Council has created a contact centre for a range of services like revenue and benefits and waste and has opened the new 'Dover District Council @ Your Service' office in Dover town. In addition, it has increased use of the website. This includes improved on-line service facilities to ease customer contact and improve service delivery. Access for some hard to reach groups is not however improving, hampered by some buildings that have listed status and where adaptations are not always possible, with the percentage of buildings accessible to disabled people being in the worst quartile nationally. (For those buildings that are able to be adapted, 82 per cent of them are now accessible to disabled people.) Also worst quartile is the speed and accuracy of Housing Benefit and Council Tax claims and overpayments recovered, which relate to the poorest sectors of the community.
- 10 The Council is contributing well towards wider community outcomes, including the delivery and implementation of the Youth Strategy and partnership, which has been confirmed as a top priority through the recent SIMALTO exercise.

- 11 Antisocial behaviour has been dealt with under the ensuring a Safer, Cleaner and Greener District priority above. On parks, the Council has undertaken play area consultation, agreed principles for delivery and a parks and open spaces and sports and recreation strategies are underway. In Dover District 18 per cent of the population have a disability or long-term illness and to recognise and focus on this, an action plan has been produced, including an overarching Diversity and Equality Policy, an equalities impact assessment checklist for all Council policies. Also the Council continues to support White Cliffs Careline, which provides an emergency response service for vulnerable people and those over retirement age. The Careline has 2,500 clients of which 1,050 are council tenants.
- 12 On the other hand, the Council's employment profile shows the need to improve equality. Based on the comparison between the Council's employment and local population, the percentage of minority ethnic employees is in the worst quartile nationally as is the number of disabled people within the top 5 per cent of jobs. Moreover, at present, the Council has achieved level 1 of the equality standard for local government. The standard has five levels from 0 to 5 and 42 per cent of all councils have achieved level 1 with 50 per cent achieving level 2 and higher. Although the Council has met its legal obligation in relation to the local government equality standard it recognises there is a need to do more.
- 13 On value for money, the Council is improving but with some priorities lagging behind. Council costs overall are low compared to other councils most like Dover. This is particularly so on the priority of environment. On the other hand, the cost of running services like housing benefit are high and has been indicated above produces relatively poor performance. The Council has a well managed capital programme linked to priorities, with most projects completed on time and within budget. There is clear information on costs and councillors and managers routinely use this information to review and challenge value for money throughout services. The Council has a sustained track record of driving improvements in services and value for money through the effective use of targets.
- 14 The Council has a wide range of robust plans for improvement that are detailed, resourced and contain explicit dates for achieving the aims. The Council adopted the 2006-2010 Corporate Plan and Medium-Term Financial Strategy in March 2006. Together, these documents provide a clear focus for the Council, clearly stating ambitions, priorities and the outcomes the Council wishes to achieve. The Local Development Framework (LDF) has continued to develop through 2006 and is designed to have a major impact on communities across the District and closely aligns to the District's ambitious regeneration agenda. The Waste Review in the early part of 2006 has also resulted in a much clearer focus with strategy for waste management now in place and is being aligned to the tender for the new contract in 2008. Acknowledging the need to achieve equality and diversity compliance, the Council, disability, gender equality and race equality issues are currently being carefully assessed through qualitative and subjective fieldwork in partnership with IPSOS MORI. In 2006, the council has also refreshed its SIMALTO consultation, to ensure that it clearly understands what the public see as priorities for Dover district communities.

- 15 Improvement planning is being implemented well. The Council has enhanced its performance monitoring reporting by introducing a new performance report, which is more focused on key outcomes and outputs, measuring performance and risk against key corporate and service objectives. Aligned to this the Council has further updated its service planning process, highlighting the risk management process so that key objectives and associated targets are robustly risk assessed as part of the process. In addition, the Council has updated the personal appraisal system to ensure that it supports the wider performance system. The Corporate Plan also identifies the key conditions of organisational health, performance and monitoring that it sees as vital to realise Council ambitions and achieve its targets. These include Better Procurement, with the implementation of Procurement Cards – in advance of all other Kent councils – with in-house data recording ensuring transactional savings estimated to be £8,000 in 2005/06. Project management principles are being applied to all key projects and support provided to monitor targets, benefits and risks.
- 16 Council capacity is limited by a range of identified pressures. The medium-term projections, as approved in February 2006, indicate that the 2006/07 budget will have a surplus of some £447,000 and that the budgets for 2006/07 and 2007/08 are broadly in balance. However, management action will be required to balance the 2008/09 budget that is forecast to be in deficit. In the 2007 update of the medium-term financial plan, this forecast deficit has now been reassessed and a modest surplus is anticipated. The Council has a growing backlog of repairs which it cannot afford. The Asset Management Plan shows a deteriorating situation and it is planned that an officer/member working party is established in the new financial year to review assets for possible disposal. The capital programme has been financed, but it relies heavily on the continuing capital receipts from 'Right to Buy' sales. These sales have been declining in 2005/06. The capital programme also contains no headroom for additional projects and no provision for capital grants. If members choose to approve additional projects they will have to remove uncommitted projects to the same value from the capital programme.
- 17 Corporate governance is improving. In late 2005, the council completed its Employer of the Future Review (EOTF), which identified a number of key issues that complement the improvement programme, and ensure a positive direction for the Council. In particular, it identified the need for an organisational culture that ensures clear leadership direction, standards and values. A top team event was held in March 2006, where governance and leadership priorities were identified and this has provided the Council with a clear direction for its leadership development programme starting in December 2006. This plans for strong and effective leadership to seek continued improvement in its governance arrangements and performance across the Council. Both the EOTF and leadership development programme have acted upon the design and development of the new Individual Delivery Planning Process launched in December 2006 to replace the current PPR system.

- 18 Thirty seven per cent of a selection of key indicators improved since 2004/05, compared to a national district council average of 58 per cent. The proportion of PIs where the Council is performing in the best quartile is 18 per cent compared to an average of 31 per cent for all District councils.

Service inspections

- 19 An inspection of waste management and street cleaning in 2006 found a fair service with promising prospects for improvement. The area was found to be clean, meeting government cleanliness targets. People found it easy to contact the service and there was above average satisfaction with it.

Financial management and value for money

ISA 260: Report to those charged with governance

- 20 Your appointed auditor has reported separately to Governance and Audit Committee on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your VFM arrangements to say the Council's has, in all significant respects, made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited and is compliant with statutory requirements.

Data quality

- 21 Our review of the Council's arrangements for monitoring the quality of its published performance information, and reporting of results to members, was undertaken as a part of our 2006/07 work on data quality. Our final report included the following key findings:
- the Council's management arrangements for data quality are consistently above minimum requirements and its data quality systems and processes are performing well. The Council has effective arrangements for the governance, monitoring and review of data quality, although these are not formalised in an overarching data quality strategy.

Further improvements can be made by:

- a comprehensive data quality policy should be developed covering data collection, recording, analysis and reporting to be implemented and embedded in all business areas;
- a formal business continuity plan should be developed supported by detailed scenario planning; and
- those responsible for collation of PI data and calculation of performance should ensure that this data is collected on an on-going basis and that the correct guidance and methodology is followed when reporting outturns.

Use of Resources

- 22** The findings of the auditor are an important component of the CPA framework. 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).
- 23** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas shown in the table below.

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

(Note: 1 = lowest and 4 = highest)

- 24** Overall we assessed the use of its resources as performing well scoring 3 out of 4.
- 25** The key issues arising from the audit, as reflected in the above judgements where appropriate, are described in the following paragraphs.

Financial Reporting

- 26 The Council's overall assessment of the arrangements to produce the annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers, has remained adequate since our last assessment. However, within this assessment, the arrangements specific to the production of the annual accounts were not as robust in 2005/06. We recognise that the finance team lost a key member of staff before the start of the process with another going on maternity leave during our audit. This resulted in one of the key statements, the cash flow statement being prepared late, submitted for member scrutiny under separate cover after the formal meeting, and containing material errors. To improve its position the Council will need to strengthen its arrangements for preparing annual accounts that are free from material and non-trivial errors.

Financial Management

- 27 Our assessment of the Council's arrangements around financial management showed a significant improvement since the previous year. This was due in particular to the development of the medium-term financial strategy which was formally adopted by the Council in February 2006. At present the Council has not developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives. Although this did not impact on the 2006 assessment this is an area that will need to be addressed during 2007 to satisfy the requirements of future assessments.
- 28 To further improve in this area the Council needs to develop the medium-term financial strategy to encompass, in financial terms, joint plans agreed with partners and other stakeholders and the modelling of balances and resource requirements over a minimum of three years. The Council must also demonstrate that it identifies future developments that may impact on its financial management arrangements and proactively manages them and demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.

Financial Standing

- 29 Overall the Council's arrangements for managing its spending within the available resources also showed a significant improvement over our 2005 assessment. This was again due to the development and approval of the medium-term financial strategy which included a policy on the level of reserves to be held by the Council.
- 30 To progress further in this area the Council will need to demonstrate that members monitor key financial health indicators and set challenging targets, eg income collection, levels of variances from budget, prudential framework indicators and capital programme management, and that it has a good track record of achieving these targets. Also, where target levels for reserves and balances are exceeded, the Council will need to demonstrate that they have identified and reported to members the opportunity cost of maintaining these levels and compare this to the benefits it accrues.

Internal Control

- 31** Overall, our assessment of the Council's arrangements in respect of internal control has remained unchanged from our 2005 assessment, which was at a level of 3 out of 4. To improve further in this area the Council needs to embed its new governance arrangements in relation to partnerships. To support this, the Audit Commission will be carrying out a specific review of partnership working arrangements during 2007. The Council also needs to further embed risk management ensuring that it can demonstrate that it is fully embedded in its corporate business processes, including, strategic planning, financial planning, policy making and review and performance management. Risk management awareness training will need to be rolled out to all members.

Value for Money

- 32** The Council achieves adequate value for money. Costs are mostly in line with those of other Councils and are linked to policy choices, such as maintaining four local offices. There is a positive relationship between costs and the range, level and quality of services provided, including overheads and capital costs. It has exceeded Gershon targets and there are currently no areas of unintended high spending. The Council has a well managed capital programme linked to priorities, with projects usually completed on time and on budget. As a result, it is becoming well placed to manage its resources to achieve strategic outcomes.
- 33** The Council's approach to understanding its performance is generally strong. It publishes a Performance Report for members with clear information on comparable costs by division, and provides details of national performance indicators, risks and cost effectiveness. The Council understands the importance of whole life costing both within the procurement process and in taking investment decisions. For example maintenance plans for properties take account of lifecycles for individual material elements and investment decisions on heating systems. Achieving and improving value for money is becoming embedded in the Council's culture, supported by a more robust performance appraisal system. This means that the Council is increasingly able to use its understanding of its performance to drive value for money.

Conclusion

- 34 This letter has been discussed and agreed with the Chief Executive and the Leader of the Council. A copy of the letter will be presented at Cabinet on the 4 June and Governance Committee on 28 June 2007.
- 35 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

- 36 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 Mead
Relationship Manager