

# Annual Audit and Inspection Letter

South Northamptonshire 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 non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

- 1 The Council has made progress in achieving its headline priorities, however delivery of its sub-priorities (objectives) is mixed. Access to housing, particularly for vulnerable people is improving. Recycling rates remain amongst the best nationally and costs of delivering the service are reducing. Improvement of the planning process is slow. Economic benefits are gained from Pest Control becoming a shared service but similar plans for the elections and building control services are delayed. Services for children and young people are improving and contributing to a marked reduction in anti social behaviour. Levels of crime and residents' fear of crime are reducing following the successful merger of the South Northamptonshire and Daventry Districts' Crime and Disorder Reduction Partnerships. Partnership working on health has also improved producing health improvements and reduced health inequalities. The Council is above average in achieving value for money. However the equalities agenda remains a challenge.
- 2 Robust plans are in place to deliver future improvements and the links between corporate priorities, business plans and personal objectives are now clear. Comprehensive plans have been put in place, including with partners, to ensure the growth agenda is taken forward efficiently and effectively. Plans for community engagement and access are immature but are likely to be strengthened.
- 3 The Council is managing its capacity well. It has successfully completed the Organisational Development Review leading to a renewed focus on agreed priorities and improvements in key areas of under performance such as planning. The high levels of staff sickness are also reducing.
- 4 The Council has strengthened its overall arrangements for managing its use of resources in some areas and they remain strong, but these will be tested by pressures from the current economic climate.
- 5 Looking ahead the Council, like others, will need to ensure it is in a good position to apply new International Financial Reporting Standards (IFRS) to financial information for 2009/10 so it can be incorporated in the 2010/11 published accounts.

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## Action needed by the Council

- 6 Strengthen the focus on equality, diversity and community engagement to ensure the Council understands and is meeting the needs of all its communities.
- 7 Ensure medium term financial planning continues to reflect the likely impact of the economic downturn on services, funding and income (interest and fees).
- 8 Ensure that sufficient capacity is available to allow the Council to meet new International Financial Reporting Standards.

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# 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](http://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, 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.
- 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.

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# How is South Northamptonshire Council performing?

15 South Northamptonshire Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. 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.

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**Figure 1 Overall performance of district councils in CPA**

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**Table 1 <Table title>**

<Table lead-in>



Source: Audit Commission

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### The improvement since last year - our Direction of Travel report

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

- 16** The Council set five new three-year overarching priorities in 2007/08:
- to be a council that demonstrates strong leadership across South Northamptonshire;
  - to preserve what is special in South Northamptonshire;
  - to be known as a council that protects the vulnerable;
  - to enhance performance in South Northamptonshire; and
  - to be a council that encourages potential across the district.
- 17** In the last year the Council has demonstrated progress in delivering a number of improvements in its key priorities including areas that have been identified as important by the community.
- 18** The Council's approach to its new role as a strategic enabler of housing provision is strong. Good progress has been made by the Strategic Housing Team (SHT) and Housing Options Team in implementing the plans to: improve access to housing particularly for people who may be vulnerable; tackle homelessness; and increase the number of housing applications processed over the year. Mixed progress is demonstrated in increasing the availability of affordable housing, the failure of one 12 home application meant 48 new units were delivered against a target of 60. The local target for the reduction of households in temporary accommodation has been met following the successful transfer of the Council's housing stock and subsequent development of effective partnership arrangements. Monitoring arrangements are in place to ensure the new landlord implements the agreed improvements to the quality of housing to meet the Decent Homes Standard.
- 19** The Council has reduced the environmental impact of waste it collects and reduced costs. The recycling rate has increased from 40 to 48 per cent to place the Council amongst the best performing. Recycling collections have been extended and by April 2009 all homes should have a full kerbside recycling service. The cost of waste collection has reduced from £74 to £65 per household representing improved value for money, although costs remain among the highest nationally.
- 20** Improvement in the performance of planning services which are fundamental to delivering several key objectives, particularly the growth agenda, is slow. However intensive improvement work focused on planning processes has resulted in a significant reduction in the number of days taken to validate planning applications in the last six months from 28 to 2 days and has eradicated the validation backlog. The improvement in validation performance is leading to faster decisions which should improve on customer satisfaction.
- 21** Some economic benefits have been achieved through the shared services arrangement with Daventry District Council. Shared resources in Pest Control services have increased the value for money of the service. However the shared elections

## How is South Northamptonshire Council performing?

service and building control partnership have been slower in development than expected.

- 22** The Council has improved services for children and young people through: the appointment of a Play Project Officer, implementing the Big Lottery projects and complementing the projects from the national funding of the Youth Opportunity Fund and Youth Capital Fund, supporting the acquisition of Play Builder to support the acquisition of Play Builder money for Brackley Town Council; increased participation in the summer sports programme from 1600 to 1744 whilst reducing the level of subsidy; and additional and improved activities for children and young people, reducing concerns about anti-social behaviour.
- 23** The Council continues to improve its overall performance, although at a slower rate than previous years. Sixty-two per cent of performance indicators (PIs) improved in 2007/08 which is above average for district councils. The proportion of PIs in the 'best performing' range, however, has fallen from 36 per cent in 2006/07 to 29 per cent in 2007/08 compared to the district average of 33 per cent.

## How is South Northamptonshire Council performing?

- 24** The Council with its partners is taking an active role in improving community safety. Crime and fear of crime have reduced. A successful merger of the South Northamptonshire and Daventry Districts' CDRPs is now complete resulting in better outcomes for the public. Joint targeted interventions such as diversionary tactics, and other improvements such as increased lighting have contributed to the reduction in crime. Incidents of anti social behaviour have reduced by an average of 32 per cent from the previous year. There is increased public confidence in the way minor crimes are dealt with and a reduced perception that anti social behaviour is a problem. South Northamptonshire is a safer place to live.
- 25** The Council is making positive contributions to wider community outcomes. In partnership with other authorities in the County, Anglian Water and Agri-energy waste fat from waste food is being turned into fuel, reducing the amount in waste water and damage to the environment.
- 26** Capacity to improve the Council's approach to climate change and the development of green travel plans has been enhanced by the creation of two new posts to take this and other agendas forward.
- 27** Access to leisure facilities has improved through partnership working with the Leisure Trust to secure funding to provide multi use football pitches.
- 28** An effective contribution is being made to the reduction of health inequalities and improvements to the health of individuals and communities through a health improvement post jointly funded with the PCT.
- 29** The Council is improving its approach to ensuring equality, but has been slow in moving from level one of the equality standard. The Equalities Group has mapped out the improvements required to prepare an action plan; equalities training has been provided to members and officers; and a small number of impact assessments have been completed. A disability group with representatives from the local community and disability organisations has made positive contributions to the development of the Council website and policies, including the Equality Policy. New monitoring arrangements for dealing with hate incidents/crimes (which have been maintained at a low number) have been agreed to ensure a more coordinated response.
- 30** The Council is making above average progress in improving value for money. Spending is targeted towards service improvement priorities while maintaining good or adequate quality of services. It has exceeded efficiency targets over the last three years by saving £2.15 million against a target of £0.94 million with notable success in reducing the cost of waste management services. The excess in savings is being carried forward so that the 2008/09 target is already met.

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

- 31** Robust plans are in place to deliver improvements. Corporate priorities have been reviewed in 2008 to ensure they still reflect the improvement areas identified as important to the Council. The strategic approach to long term service delivery and known areas of underperformance have been strengthened with the production of improvement plans for key areas. The Council has developed key new supporting strategies and plans such as the Homeless Strategy, Customer Access Strategy and Customer Service Framework. Priorities, goals and activities have been distinguished, and the top priorities and the links between corporate priorities, business plans and personal objectives are now clear.
- 32** Council priorities are clearly related to those of the wider area and community and appropriately aligned to those of key partnerships. Corporate priorities and key local performance indicators reflect the priorities of the Local Area Agreement and the draft Sustainable Community Strategy. Comprehensive plans have been developed to ensure the growth agenda is progressed. Improvement plans and business plans are agreed and aligned to corporate priorities. The Improvement Planning Group (IPG) monitors performance and manages service improvement projects such as the Complaints process review and Sickness Absence review.
- 33** However plans for community engagement are not currently robust although they are being comprehensively reviewed to ensure a clear focus on corporate priorities. The Council plans to produce an Engagement Framework and consultation policy.
- 34** The Council is effectively managing and developing capacity to deliver improvement. The completion of the Organisational Development Review has provided a renewed focus on priorities and improvements in key areas of under performance. Capacity has improved with a reduction in the days lost to sickness absence from an average 12.1 days in 2006/07 to 10.6 days in 2007/08 with a further significant reduction reported in 2008/09 to date.
- 35** The Council has strengthened the performance management framework. The Performance Plus management system is being implemented to plan, a corporate data information management team has been established, and a database has been established to enable effective tracking and management of contracts.
- 36** The economic downturn and budget growth pressures will impact on the final phases of the Organisational Development Review. However the impact is being managed through temporary workforce management measures and the revision of the medium term financial strategy, to ensure a balanced budget in 2009/10.

# The audit of the accounts and value for money

**37** 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 vfm arrangements to say that these arrangements are adequate on 24 September 2008: and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Use of Resources

**38** 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).

## The audit of the accounts and value for money

39 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 2**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 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
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 = lowest, 4 = highest

### The key issues arising from the audit

40 Our assessment of the Council's overall arrangements for use of resources remained at 'performing well' (level 3) although there was an improvement in the score for the value for money theme.

41 We presented a detailed report on our findings to the Audit Committee on 14 January. The key issues arising from the audit, as reflected in the above judgements, are as follows.

- The Council's arrangements for producing and approving its annual financial statements remain sound despite further changes in recommended accounting practice and the additional accounting complexities associated with transfer of the housing stock in 2007/08.
- The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and are designed to deliver strategic priorities. Revenue spending has remained within budget in recent years and the level of slippage in the capital programme continues to fall. Further work is required to incorporate sensitivity analysis into the MTFS and the Asset Management Plan is due for review and updating following LSVT.
- Systems of internal control are sound including appropriate risk management arrangements, an effective internal audit function and active promotion of probity and propriety. The Council has an effective scrutiny function to ensure constructive challenge and enhance overall performance. Members of the standards committee have prepared effectively for their role in local investigations and determinations.

- The corporate approach to monitoring and improving value for money (VFM) has been notably strengthened during the year and is now embedded within corporate procedures. The Council has improved its understanding of its relative costs and is strengthening its benchmarking activity to drive further improvement in VFM. Performance in key services is improving and investment in service costs is generally being reflected in improved outcomes although the planning function has not yet fully responded to the additional investment made and the customer contact centre implementation is ongoing. Overall, the rate of improvement is above average when compared to other district councils.

**42** A separate report has been issued setting out our detailed findings and areas for improvement.

**43** In common with most areas of the economy the current economic downturn has affected local authorities and will continue to do so. Demand for certain services such as benefits are likely to increase and certain key income sources are likely to reduce. The Council is taking these into account in the current budget round. A key challenge in managing use of resources will be to continue to balance these competing pressures within the MTFs and future plans.

### Data quality

**44** The Council's overall management arrangements for ensuring data quality remain adequate. The Council has taken action to strengthen some areas particularly in governance and leadership and promoting the responsibilities of staff. The use of performance information generally to inform developments and improvements is a strength.

**45** Further work is necessary to ensure that data quality is a recognisable thread through strategic and business plans. There has been some enhancement to the security of business critical systems but regular testing is not yet in place. There also needs to be clarity on the sharing of data with third parties to ensure security of information.

**46** Our spot checks on three specified PIs concluded that two were fairly stated. The third was qualified due to failure to fully comply with the PI's definition. We also raised concerns about the quality of supporting records in respect of stays in hostel accommodation following LSVT.

### Grant claims and returns

**47** The overall control environment for the compilation of grants and returns has not improved since last year. We certified seven claims and returns, six of which were either amended, qualified or both. In addition, three claims were again submitted late and there remains scope to improve the quality of working papers submitted for audit.

**48** All matters arising were discussed with officers in detail during the course of the work and a detailed report summarising our findings has been issued to officers.

# Looking ahead

- 49** 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.
- 50** 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.
- 51** 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.

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## International Financial Reporting Standards (IFRS)

- 52** As noted in last year's letter, International Financial Reporting Standards (IFRSs) will be applied to local government for the 2010/11 published accounts which will include comparative figures for 2009/10. This means that the Council needs to be in a position to provide the necessary financial and operational information from 1 April 2009. It is therefore essential that the Council has adequate arrangements in place to comply with the new requirements in a timely manner. Preparation for this change will be considered as part of the 2009 Use of Resources assessments.

# Closing remarks

- 53** This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit Committee and Cabinet on the 8 and 14 April respectively. Copies need to be provided to all Council members.
- 54** 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	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts report	December 2008
Data Quality report	December 2008
Use of Resources report	January 2009
Grant claims report (draft)	February 2009
Annual audit and inspection letter	March 2009

- 55** 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

- 56** 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.

**Nigel Toms**  
**Comprehensive Area Assessment Lead**

March 2009

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# 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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