

Annual Audit and Inspection Letter

March 2008



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Hertsmere 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 Hertsmere Borough Council is improving in some priority areas but the overall rate of improvement is below average. The Council is actively taking forward local housing need, community safety and promoting healthy living across the district but the waste management service and planning service demonstrated poor performance in 2006/07. The Council are at level one of the Equalities Standard and value for money remains adequate.
- 2 Plans for improvement are in place and alignment between plans has been strengthened. Priorities have been effectively communicated internally and externally. Capacity to deliver the plans exists and identified weaknesses are being strengthened. There has been an improved approach to performance management, project management and scrutiny, although these investments are not yet reflected in performance outcomes.
- 3 Changes in management leadership have compounded a lack of capacity at a corporate level. Despite this, interim leadership has maintained the focus on improvement which is supported by a tangible commitment within the organisation.

Action needed by the Council

- 4 With the emerging challenges of area assessment, the Council needs to further develop its role in shaping the area, working with and supporting other agencies and public bodies whose work will impact on the quality of life within the borough. The community leadership role will be brought into sharper focus.
- 5 The Council should look to continue to improve priority services in order to address the relative decline in performance compared to similar district councils.
- 6 To improve on its current score for risk management, the Council now needs to demonstrate on-going commitment to embedding risk management processes throughout the organisation and ensuring that its risk management strategy reflects that a corporate risk register is now in place.
- 7 To improve on its Value for Money performance, the Council needs to continue to drive up performance in key services. 2007 saw some improvement but improved performance needs to be embedded across all key priority services.
- 8 The Council needs to develop its approach to understanding the needs of all sections of the community, particularly those at greater risk of disadvantage, and to continue to work at making the Council's services more accessible.

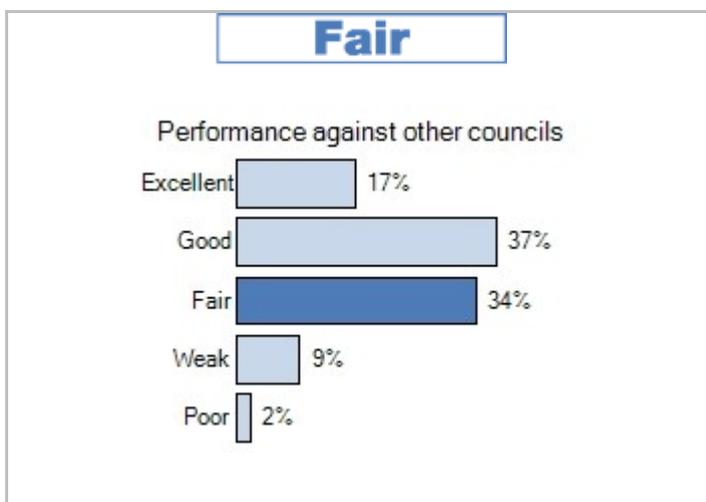
Purpose, responsibilities and scope

- 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 10 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 12 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, 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 2006/07 audit and inspection work at the end of this letter.

How is Hertsmere Borough Council performing?

- 15 Hertsmere Borough 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.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

- 16 Hertsmere Borough Council is improving in some priority areas but the overall rate of improvement is below average. The Council is actively taking forward local housing need, community safety and promoting healthy living across the district but the waste management service and planning service demonstrated poor performance in 2006/07. The Council are at level one of the Equalities Standard and value for money remains adequate.
- 17 Plans for improvement are in place and alignment between plans has been strengthened. Priorities have been effectively communicated internally and externally. Capacity to deliver the plans is in place and identified weaknesses are being strengthened. For example, robust improvements plans are in place for the waste management service and planning service. There has been an improved approach to performance management, project management and scrutiny. However, changes in leadership have compounded a lack of corporate capacity.

What evidence is there of the Council improving outcomes?

- 18** Overall performance and improvement is below average for 2006/07. Fifty-one per cent of performance indicators (PIs) improved which is below the average when compared to all district councils (56.9 – 59.1 per cent). This rate of improvement ranks the Council 333rd out of 388. Only 25 per cent of PIs are in the best 25 per cent which is below average for all district councils (33 per cent).
- 19** However, performance over the last three years is above average with 57 per cent of PIs improving compared to the average for district authorities of 54 - 56 per cent.
- 20** The Council's six corporate goals and objectives reflect those of the local strategic partnership and are set out in the Corporate Plan/Best Value Performance Plan (BVPP) 2007/08:
- create an even safer community for all;
 - sustain improvements in the quality of Hertsmere's environment;
 - continue to promote healthy living, leisure and cultural opportunities;
 - encourage economic prosperity;
 - work towards meeting local housing needs; and
 - sustain organisational improvements to meet community needs.
- 21** The Council continue to create a safe community by working effectively with the Crime and Disorder Reduction Partnership (CDRP). Performance is average in most crime categories with fear of crime remaining low. Actions such as the implementation of an alcohol free zone in Potters Bar and additional Police Community Support Officers (PCSOs) working with the neighbourhood policing teams are helping to control anti-social behaviour. Due to a strong anti-fraud culture, 95 cases of housing benefit and council tax benefit have been identified totally £121,054 in fraudulent overpayments. The Council is effectively contributing to community safety.
- 22** The Council is not adequately improving the local environment, though there are signs of improvement. The majority of waste, recycling, cleanliness and planning PIs are in the worst 25 per cent of councils. Initiatives to address this poor performance include environmental action days targeting hot spots to remove fly-tipping, graffiti and untaxed vehicles. The introduction of 'additional bin' collections for recyclables in 2007, together with published weekly information advertisements for residents is starting to improve the recycling performance and cleanliness of the borough. An Energy and Sustainability team (EAST) has been established to show staff ways to reduce waste and energy both at work and at home but it is still early days to demonstrate improved outcomes. Since the Council was designated as a planning standards authority, the Planning and Design guide was adopted by Council in December 2006 and work is progressing on the Core Strategy Development Plan document. Preferred options are currently out for public consultation. Investments in this area are beginning to deliver improvements.

- 23 The Council is promoting healthy living, leisure and cultural opportunities. Following a Culture inspection in July 2007 which assessed cultural services as 'Fair' with 'Promising' prospects for improvement, further improvement has been made through a variety of initiatives. These include a dual use agreement being approved for the Community Theatre facility in Borehamwood to improve culture opportunities for residents. The Council has invested significantly in new fitness equipment across all leisure centres and contributed £180,000 for improvements to fitness, dance and car parking facilities at Bushey Grove leisure centre. A Community Sports Officer has been appointed through a S106 agreement with Arsenal Football Club to establish a new community sports network together with a comprehensive 'Football in the Community' programme.
- 24 The Council is meeting local housing needs. The Council's homelessness service has been recognised by the Department of Communities and Local Government (DCLG) as a Regional Centre of Excellence for youth homelessness for the Eastern region. Over 1,200 people attended eight public meetings to consider proposals for accommodation provision for Gypsies and Travellers. Almost 100 per cent of new dwellings continue to be provided on previously developed land which is in the best 25 per cent of councils. Work has progressed on choice based lettings in partnership with six other local authorities and registered social landlords. The Council has used new enforcement powers to implement the housing health and safety rating system to protect tenants and the public. The Council also continues to support disabled people who require home adaptations and £48,000 has been obtained from British Gas to fund the home insulation scheme for elderly residents. These initiatives are addressing local housing needs.
- 25 The Council continues to make a positive contribution to wider community outcomes. By reactivating 'Elstree Film Studios Ltd', the Council is safeguarding over 600 local jobs and rental income has increased by £200,000 to £1 million, contributing significantly to the Council's budget. Work with a variety of agencies to co-ordinate the delivery of the 'Investing in Communities' regeneration programme in Borehamwood has enabled the Council to continue to provide assistance to residents with employability needs.
- 26 The Council's approach to access to services is mixed. The Council's website has improved in the last year and now includes an accessibility section on the home page and can be translated into 20 different languages. Language cards on reception areas are also being developed. The Hertfordshire Public Engagement Partnership has contracted Opinion Research Services (ORS) to ensure the residents' panel reflects the demographic profile of the community. However, it is too early to demonstrate how services have changed to address access preferences or need. Progress on equalities issues continues to be slow. The Council are at Level one of the Equalities Standard compared to 71 per cent of councils being at level two or above. The Council may not be focusing on the needs of potentially vulnerable groups.

- 27 Value for money remains adequate. Benchmarking against similar councils shows that the Council is low cost but the quality of service provision is mixed and there are low levels of public satisfaction. The Council has not been able to maximise value for money through the implementation of its alternative weekly waste collection service due to external factors, however, the Council is proactively seeking to address this with partners. Consistent improvement of service delivery will help to further improve value for money.

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

- 28 The Council has clear plans in place for improvement. The corporate plan continues to deliver against council priorities and progress is monitored through service plans and work programmes. Progress against the 51 objectives is reported to the senior management team and to Overview, Scrutiny and Full Council. To date, 37 out of the 51 objectives have been achieved with a further 12 partially achieved, the remaining two objectives are now being progressed. This is helping the Council to sustain improvement.
- 29 Performance management arrangements are effective. The performance management framework underpins the management of performance. On a quarterly basis, performance is reviewed by the Executive Performance Management Panel (EPMP) and best value and local performance indicators that are below target are reported to the relevant Overview and Scrutiny committee for challenge. As a consequence services have improved and the Council is better placed to take corrective action to ensure targets are met.
- 30 Internal communications have improved. Following senior management team meetings, staff briefings are produced summarising key corporate issues and cascaded at service team meetings by heads of service. Upward as well as downward communication is encouraged within the Council.
- 31 The Council has plans or is developing plans to deliver improvement, particularly in areas where performance is currently poor. Consultants have been appointed to review operational elements of the Waste Management service to identify more effective working practices which will address performance issues. Actions have been taken to address issues raised following the Council's designation as a planning standards authority and the advice provided by Addison Associates on behalf of the Government Office. As a result, un-audited data demonstrates improved performance. To sustain this, a review of the scheme of delegation is being reported to the Executive in February 2008 and on to Council at its April meeting. Development Control has been the subject of a Business Process Review, which not only reviewed processes, but considered the operational effectiveness of the unit as well. Changes have been made to the service, including the development of pre-application advice procedures. The current improvement plans should support improvement in the Council's performance.

- 32 Capacity to improve access to services is being enhanced. A new Customer Service Strategy has been developed which identifies how customer service objectives will be achieved. For example, all customer service staff are undergoing NVQ Customer Care training. Changes have also been introduced in the telephony system enabling customers to make payments via an automated service. Customers have also been encouraged to use the website, and the self-service kiosk in the Civic Offices reception brings access to the internet directly to customers. The Council has produced an updated generic Equalities scheme to address changes in diversity laws. In addition, policies have been reviewed to ensure compliance with new legislation, for example, age discrimination and retirement.
- 33 Capacity to deliver plans is being enhanced. The senior management team has been restructured to realign services to better meet the challenges ahead and the corporate centre has been strengthened through the creation of a Corporate Support Unit. Capacity is strengthened through shared resources with other district councils in procurement, audit, benefit fraud, risk management and human resources. Councillor training has been reviewed with a new programme being developed to provide specific training on key topics. A strong approach to staff appraisal scheme is in place which has resulted in 372 staff receiving skill checks, guidance or training. The Council is investing in equalities training for officers and councillors to support further improvement. However, sickness levels remain in the worst 25 per cent of councils despite the Council having a range of sickness management initiatives in place. Enhancing skills ensures the Council has the necessary capacity to deliver priorities.

- 34 The Council has been subject to changes regarding political and managerial leadership. The Chief Executive resigned in October 2007. This post is currently being advertised in February 2008 with the Director of Resources currently fulfilling the role of acting chief executive. In addition, in September 2007 the administration elected a new political leader. There is no evidence that this has significantly hindered the performance of the Council. Despite the absence of a Chief Executive for part of the year, staff and management remain motivated and focused. Staff feel confident that their views are listened to and are clear regarding how their personal objectives contribute to the achievement of corporate priorities. As a consequence, there is palpable commitment to improve as an organisation.

Service inspections

- 35 We carried out an inspection of the Council's cultural services in June 2007. We assessed cultural services as 'fair' services that have 'promising' prospects for further improvement.
- 36 The inspection identified a wide variety of provision of cultural services and events across the borough that help improve the quality of life for service users. These include sports and leisure facilities, parks and open spaces and museums and programmes targeted at children, young people and at older residents.
- 37 The overall strategic approach to delivery of cultural services is firmly based on wide consultation. The themes identified within the cultural strategy reflect broad residents' priorities. Users help shape service delivery and services are responsive to customer feedback.
- 38 The Council has not ensured that cultural services are meeting the more specific needs of all the different groups within the community. Equality and diversity issues are not taken into account consistently in the planning and development of services. This means that, while services are tailored to meet the needs of current users, the Council cannot be sure that services are fully accessible to all Hertsmere residents.
- 39 The Council cannot demonstrate the overall effectiveness of cultural services because it does not consistently measure what impact its services are having on local people and their quality of life. Effectiveness can, however, be demonstrated in some areas. The 'Be There! Do it!' programme of events for young people has had a demonstrable impact on reducing the incidence of anti-social behaviour, and contributes to the quality of life for residents.

Health inequalities

- 40 During 2007/08, we have undertaken a project examining the approach to tackling health inequalities across the east of England, including Hertfordshire. This has involved a survey, interviews and workshops with a wide range of agencies engaged in tackling health inequalities. The work is reaching its conclusion, and indications are that partners have begun working together to tackle this challenging, cross-cutting agenda. We anticipate issuing our report in Spring 2008.

The audit of the accounts and value for money

- 41** Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2006/7 audit and has provided:
- 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 25 September 2007; 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

| Element | Assessment |
|--|------------|
| Financial reporting | 4 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 3 out of 4 |
| Internal control | 2 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 key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- The Council has improved its performance against the financial reporting KLOE, moving from performing well to performing strongly.
 - The Council needs to improve on its current score of Level 1 to a Level 2 for risk management. The Council now needs to demonstrate on-going commitment to embedding risk management processes throughout the Council and ensuring that its risk management strategy reflects that a corporate risk register is now in place.
- 45 To improve on its Value for Money performance, the Council needs to continue to drive up performance in key services, 2007 saw some improvement but improved performance needs to be embedded across all key priority services.

Additional services

- 46 No additional audit or non-audit services were provided to the Council in the year.

Looking ahead

- 47 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.
- 48 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.
- 49 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

- 50 A copy of this letter will be presented and discussed at the audit committee on 8 April 2008. Copies need to be provided to all Council members by 31 March 2008.
- 51 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 2006 |
| Interim audit memorandum | June 2007 |
| Annual Governance Report | September 2007 |
| Opinion on financial statements | September 2007 |
| Value for money conclusion | September 2007 |
| Cultural Services Inspection Report | August 2007 |
| Annual audit and inspection letter | March 2008 |

- 52 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

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

Gary Hammersley
Relationship Manager

25 March 2008