

ST&CC Annual Audit and Inspection Letter

May 2007



Annual Audit and Inspection Letter

Havant Borough Council

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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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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It 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), and draws on the findings and conclusions from the audit of the Council. These will inform 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 has improved in most areas, notably on housing, waste management and processing planning applications and housing benefits.
 - This improvement is in the context of a fairly low starting point, and a significant number of performance indicators in our set related to government priorities remain below average.

Action needed by the Council

- Improve understanding of the needs of hard to reach groups and address any inequalities of access to services they may experience.
- Ensure that delivery of housing benefits improves further through close monitoring of performance and taking action to address any problem areas.

How is Havant Borough Council performing?

Improvement since last year - our Direction of Travel report

- 4 The Council was assessed as Good in the Comprehensive Performance Assessment published in 2004. We reported last year that the Council had set in place many of the foundations for improving services. The Council is now beginning to reap the benefits of this work, showing improvement in most areas, notably on housing, waste and planning applications, although there is still more to be done to raise performance in key areas such as processing benefits applications. Partnership work is a strength and continues to develop across a range of issues and services.

What evidence is there of the Council improving outcomes?

- 5 The following commentary reviews performance in areas the Council has identified as priorities, as well as wider community impact, customer focus and value for money. Overall, the Council has improved 70 per cent of a basket of performance indicators (PIs) linked to government priorities, although some of these are from a fairly low base, with just over a quarter showing performance comparable with the top 25 per cent of councils. Over half the PIs in our basket are below average.

Economy: economy, employment, training and skills development

- 6 The Council can demonstrate some specific outcomes related to developing the economy and employment, through its Regeneration Strategy 2005/08 and the community strategy. For example it has already substantially exceeded its target to increase the number of new businesses by 2007/08, and has made progress in increasing space for further business development. New plans include a retail support plan for Havant town centre & a draft development brief for Dunsbury Hill Farm to support employment and attract knowledge based industry to the borough. The Council aims to reduce the gap between the unemployment rates for Havant and Hampshire to 1 per cent by 2009, as Havant has a higher rate than the county. In 2004 and 2005 it achieved this but a recent increase in unemployment in 2006, although also reflected at county level, means that the gap has in fact increased.

- 7 Tourism is important to the local economy and the Council can demonstrate some progress against its aim to increase visitor numbers and expenditure. Its last five yearly visitor survey, carried out in 2005, shows that expenditure from day visitors has increased but staying visitors' expenditure has decreased. This suggests that the profile of visitors is changing and the Council may need to review its strategy to achieve its target. A new tourism plan is currently under development.
- 8 The Council has recently established the foundations of a broader partnership approach to employment and skills development. The Skills and Employability Partnership involving private, public and voluntary sector partners was launched in December 2006 with an event attended by over 60 delegates from business, education and referral agencies. A panel has been established to monitor progress which will be chaired by a representative from the private sector and University of Portsmouth.

Social Inclusion: Health, Housing, Crime and Disorder, Young People/Age-Related Issues, Anti-poverty

- 9 Health is not a key priority for the Council - it sees its role as contributory through the Havant Community Partnership (HCP). However it has undertaken a range of health related initiatives such as Child Accident Prevention Week, a Sun Awareness Campaign and an event for Mental Health Week. It has set in place a cultural strategy which is intended to better co-ordinate and develop cultural activities, including leisure facilities. Initiatives include projects such as Return to Sport aimed at encouraging adults to exercise. Havant Area Sport & Physical Activity Alliance, established in 2006, aims to help those involved in delivering sports activities to access funding.
- 10 This year the Council has turned around performance on affordable homes and achieved its target of 100 by March 2006. It also significantly exceeded its Structure Plan requirement with 277 new homes completed against a target of 167. Progress has continued on the West of Waterlooville Major Development Area in partnership with Winchester City Council. Planning permission has now been achieved for a major portion of the site which will increase future housing provision in Havant.
- 11 The Council continues to work effectively in partnership with others to improve housing in the borough. A common housing register was introduced in late 2005 and this project has now evolved into a more ambitious sub-regional approach involving East Hampshire, Winchester and Portsmouth Councils to deliver choice-based letting by early 2008.
- 12 On combatting homelessness, the Council has sustained its good performance in reducing the numbers of households in temporary accommodation. It has an unusually high number of households in this situation so its ambition to reduce the number by half is particularly challenging. The Council has also continued amongst the best performers through zero use of hostel accommodation. Length of stay in bed and breakfast accommodation has also decreased to zero.

- 13 Crime statistics show a mixed picture when compared to 2004/05. In 2005/06 domestic burglaries and theft of motor vehicles, which were already low, decreased, while the number of robberies and thefts from motor vehicles, also low, worsened slightly. Violence against the person and sexual offences are comparatively high and increasing.
- 14 The Council has given high priority to community safety, with the Leader personally taking on this portfolio. Community wardens, environmental rangers, and parking enforcement officers have increased the profile of the Council in the community and on the streets. The Crime And Disorder Reduction Partnership (CDRP) is actively looking at how to work in partnership with neighbouring CDRPs and there is already some joint work with Portsmouth City Council housing department - which owns most of the housing stock in Havant. Through the Havant Community Partnership (HCP) the Council is supporting the roll out of the successful Leigh Park "Pride of Place" initiative, which involves the community and partners in tackling youth, crime and quality of life issues) as a borough-wide project, as well as expanding neighbourhood policing.
- 15 The Council can demonstrate outcomes as a result of its own anti-poverty objectives and those it shares with partners through the HCP. For example a Benefits Take-Up Campaign conducted during 2005 resulted in £21,545 of arrears paid.
- 16 Performance on processing housing benefits claims has improved in some areas but overall remains weak. Last year we reported deteriorated performance but noted that a credible action plan was in place for improvement. In 2005/6 the average time taken to process new claims improved significantly from 50 to 35 days, but this performance remains below the median for comparable councils. The average time taken to process changes of circumstance continued to increase to 19 days in 2005/6, significantly below the median, and accuracy was comparable with the lowest performers. More recent unaudited figures for 2006/7 show improvement in speeds of processing claims and notably in changes of circumstances. The Council has recently renegotiated its contract with its service provider which now includes financial penalties for poor performance, and expects to see improvements over the coming year as a result. It will be important to monitor this closely as ongoing low performance in this area risks undermining improvements in benefits take up and impacts on the some of the most disadvantaged members of the community.
- 17 The Council has supported a number of initiatives for young people, for example a citizenship campaign aimed at children aged 11, in which the majority of Primary schools in the borough, including some special schools, participated, reaching 1300 children. Streetsport provided summer sports activities for 4500 young people aged 8-15. The Youth Council has continued to develop, running events such as careers fairs and getting involved in community boards.

- 18 Community engagement continues to strengthen with the six community boards well established, speaking and representing their communities. Examples include consultation on Landscape Character Assessment and the Statement of Community Involvement, and a visit to Somerset Travellers site. However there are challenges for both the Council and the boards ahead, to develop an appropriate role and governance arrangements for the boards, as Liveability funding has come to an end.

The Environment: Built environment, Public Space, Transport, Sustainability

- 19 The Council has a good record of progressing strategies for key development sites. A strategic framework for regenerating neighbourhoods within Leigh Park has recently been approved and work is in progress to develop business and residential plans for the disused Proctor and Gamble site.
- 20 The Council continues to make effective use of Liveability funding to enhance public open spaces and play facilities, with 13 projects on target for completion by March 2007. The Council's performance on the percentage of land littered to a significant or heavy extent worsened in 2005/6 to 28 per cent comparable with the lowest performing authorities. However its projection for 2006/7 is a much improved 17 per cent.
- 21 Last year we reported that the Council was among the lowest performers on processing planning applications. Figures for 2005/6 show improvement: for example a move to above average on the quality of service checklist. The speed of processing, although improved, is still below average but unaudited data for the current year to date shows an increased pace of improvement. Initiatives, such as the training provided to councillors last year, have helped the Council to reduce the number of appeals allowed against it.
- 22 The Council has improved its performance on waste management. Performance information for 2005/6 shows that it collected comparatively little waste per head and recycled 24 per cent, which places it among the best performing councils. However this fell short of the government target of 30 per cent set for the Council. During 2006 it completed roll out of alternate weekly collection and unaudited data for 2006/7 to date shows a projected figure for the year of 31 per cent.

Customer focus and access

- 23 Generally customer access has continued to improve. The customer service centre offers better access to the Council by telephone. The percentage of transactions with the public that can be delivered electronically has improved greatly, and in 2006 the Council introduced online submission and payment of planning applications. However the Council's performance is still only just above average, reflecting a general trend of improvement for councils in this area. The proportion of Council buildings accessible to people with disabilities has remained the same.

- 24 The Council is starting to make progress in the area of social inclusion but acknowledges that there is more to do, for example in engaging with hard-to-reach groups. Social inclusion and diversity have been integrated into the service reviews, for example in a review of subsidised travel. An equalities officer will be recruited in the coming year. The Council recognised that its access officer role was focused on internal issues and physical access. The new post will have a broader remit to include how the Council engages with the public and service delivery.
- 25 The Council's performance on race equality as measured by PIs remains a weaker area, although improved since last year. It is now at Equality Standard Level One with plans to adopt Level Two by March 2007 delayed. Its score against a checklist of progress in promoting race equality, while doubled to 42 per cent from 21 per cent last year, remains among the worst performers.
- 26 Due to limited staff resources, the Council missed the December 2006 deadline for adopting the Disability Equality Standard, although a draft has now been approved.

Value for money

- 27 Over the last year the Council has increased focus on efficiency and improvement, with the objective to reduce the Council's running costs by 10 per cent by 2008/09. It has undertaken 20 service reviews which have identified £1.2 million in savings, of which £800,000 was already achieved by the end of 2005/06, as well as performance improvements in priority areas. The auditors' assessment is that the Council is performing well on delivering value for money. There are some examples of linking performance and costs in services, for example in planning, but an ongoing comprehensive process is not in place. Generally costs are in line with priorities - for example the cost of introducing alternate weekly refuse collection is reflected in higher than average service costs in 2005/06.

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

- 28 The Council has a clear strategic framework with three overarching priorities underpinned by a set of borough-wide and local strategies, as well as organisational strategies to support efficiency and performance improvement. Over the last year it has revised its corporate and medium term financial strategies, increasing focus on service reviews, income generation possibilities and strategic service partnerships. The Council is generally meeting the milestones set out in the Corporate Strategy Improvement Action Plan (CSIAP), although some have been delayed as noted elsewhere in this report.

- 29 The Council continues to improve its performance management arrangements and plans to introduce performance management software for 2007/08. Members are receiving training in performance management and report improved access to performance information which provides better support for scrutiny.
- 30 The Council maximises its capacity through its key partnerships. It is clear what the HCP is aiming to achieve and milestones are effectively monitored. There are clear links between the community strategy and the corporate framework, and community strategy objectives for which the Council is the lead partner are monitored through the CSIAP. The Council is also an active member of the Partnership for Urban South Hampshire a key partnership for regeneration in the region.
- 31 The Council also aims to maximise capacity through partnerships with other councils. It is currently investigating opportunities for shared services and partnership working with Southampton City Council on various corporate functions, with Fareham on glass collection and with Chichester on vehicle maintenance.
- 32 Staff absence due to sickness is high and has increased: at an average of 13.6 days, the Council is well within the lowest performing 25 per cent of districts. The cost to the Council in terms of lost staff capacity is significant and failure to reduce absence could impact on its ability to deliver corporate objectives. Some steps have already been taken to tackle the problem: robust procedures for the management of sickness absence have recently been developed and the management team regularly reviews data. However these have not led to improvements in the short term. In late 2006, the Council volunteered to participate in a pilot study conducted by the Audit Commission. The report made a number of recommendations including widening the circulation of absence data to middle managers and supporting them to identify and tackle problems in their service areas, and raising the profile of sickness absence within the Council so that staff understand the significant cost and risk to delivery that it entails.

Other performance work

- 33 The Hampshire Local Area Agreement (LAA) is progressing well with good engagement and cooperation from all partners. The LAA has 8 clear priority outcomes and 4 'flagship' initiatives each detailed in a shared 3 year LAA Action Plan (April 2006 to April 2009). Steering groups to oversee the development of each project are now in place and the first six monthly (April to Sep 2006) performance LAA report and a prioritised action plan was produced and shared with partners and GOSE in November 2006. It is too early to draw conclusions on the progress except for some targets which are well established. The LAA will be subject to an annual refresh with GOSE to take effect from April 2007. The partners are taking this opportunity to assess performance and revisit some targets.

Financial management and value for money

- 34** Mazars LLP, as your appointed auditors, have reported separately to the Standards Committee on 28 September 2006 on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your VFM arrangements to say that these arrangements are adequate;
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 35** The findings of the auditors are an important element of our understanding of a council. 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).
- 36** We have updated our assessment of the Council's arrangements for use of resources in these five areas as follows, based on an assessment carried out in early 2007.

Table 1 Use of resources assessment 2006/07 (provisional)

Element	2006/07 Assessment	2005/06 Assessment
Financial reporting	3 out of 4	2 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	3 out of 4	2 out of 4
Value for money	3 out of 4	3 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

(Note: 1=lowest, 4=highest)

- 37 A summary of findings and conclusions by theme is set out in table 2.

Table 2 Summary of findings and conclusions by theme

<p>Financial reporting</p> <p>Theme score 3</p>
<p>The accounts for the year ended 31 March 2006 were prepared in accordance with statutory requirements and timetables and complied with relevant accounting and reporting standards. Some amendments were required to the draft accounts presented for audit, but none of these were material in nature. We received comprehensive working papers in CD format at the start of our work, which greatly assisted the efficiency of the audit. We have reported this to the Audit Commission as an example of notable practice.</p> <p>One area which the Council might wish to give further consideration to is the production of an Annual Report including summary accounts.</p>
<p>Financial management</p> <p>Theme score 3</p>
<p>The Council's revenue budget and capital programme are soundly based and there is effective performance monitoring which ensures that action is taken on a timely basis to address any issues that arise. There are some potential areas for the development of financial monitoring could be further developed, such as the inclusion of a "traffic light" system (or similar) in budgetary control reports to members to focus attention on key variances.</p> <p>The Council's business planning and financial planning are fully integrated, with the corporate strategy driving the medium term financial strategy (MTFS). The MTFS is comprehensive, but there is scope for including greater use of sensitivity analysis and information on the financial aspects of any joint plans agreed with partners and other stakeholders.</p> <p>Appropriate arrangements are in place for managing the asset base. The Council does not currently have local performance measures in relation to assets and these will help in the evaluation of how asset use contributes to the achievement of corporate and service objectives. We understand that these are currently being developed, in conjunction with other Hampshire authorities.</p>
<p>Financial standing</p> <p>Theme score 3</p>
<p>The Council sets a balanced budget that takes account of cost pressures and the impact on council tax. Spending has been consistently maintained within budget without significant under or overspends.</p> <p>The Council's policy for reserves and balances is subject to regular review based on an understanding of needs and risks, and is properly and clearly reported to members.</p>

Targets for income recovery and levels of debt and debt recovery are monitored on a regular basis. The re-entering of the revenues and benefits service has enabled the Council to evaluate the cost effectiveness of recovery action.

Internal control

Theme score 3

Last year we drew attention to a number of weaknesses in risk management arrangements, in particular, the lack of a specific link between the risk list and strategic business objectives or individual service objectives and of specific risk assessments in relation to partnership working, which has been identified as a key risk area. We were pleased to note that these matters have been addressed and effective risk management arrangements are now in place.

The Council continues to maintain a sound system of internal control, mainly led by the work of internal audit, with regular reporting and follow-up of internal audit recommendations. There has been significant developments in the assurance framework arrangements in the year, with corporate ownership of the arrangements evidenced by the requirement for directors and heads of service to provide signed assurance statements in support of the Statement on Internal Control. There will be a need to ensure these become fully embedded.

Sound arrangements remain in place for promoting and ensuring probity and propriety in the conduct of the Council's business and there is a strong anti-fraud culture.

Value for money

Theme score 3

Senior management and members continue to review financial and non-financial performance on a regular basis and there is a clear focus on key performance indicators and Council priorities. There is a good understanding of costs and key performance indicators, and of the external factors which impact on spending. External audit work on the arrangements for ensuring data quality, found that these were sound, with a high level of ownership amongst managers and staff.

Council tax remains just below the average Band D level for district councils. There are a few areas where costs are relatively high in comparison to other districts, in particular waste collection and the planning service, but action has been taken to address these issues, as part of a wide ranging strategy for achieving service improvements and improving value for money.

As noted in the direction of travel report, BVPI performance has shown a significant improvement from the previous year. However, the number of PIs in the top quartile in the Commission's selection of indicators was just below the district average, emphasising the importance of ensuring that target setting continues to be robust and challenging.

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The Council is able to demonstrate effective delivery of efficiency gains. Savings resulting from service reviews, including reorganisation, together with additional income generation, will enable it to exceed the 3-year efficiency target of just under £1.5m by 2007/08. A number of initiatives are taking place during 2006/07, including further work on income generation, which will leave the Council well placed to achieve significant efficiency gains and further improvements in value for money future years.

Conclusion

- 38 This letter has been discussed and agreed with the Council. A copy of the letter will be presented to Cabinet members on 28 March 2007.
- 39 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

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

Linda Krywald
Relationship Manager