

Annual Audit and Inspection Letter

St Albans City and District 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.

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- 1 If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

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Contents

Our overall summary	4
Action needed by the Council	5
How is St Albans City and District Council performing?	6
The improvement since last year - our Direction of Travel report	7
What evidence is there of the Council improving outcomes	8
How much progress is being made to implement improvement plans to sustain future improvements	10
Financial management and value for money	11
Conclusion	14
Availability of this letter	14

Our overall summary

- 2 This Letter 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 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 rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 3 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.
- 4 The main messages for the Council included in this report are:
 - improvements have been made in some key public facing services although the level of improvement is inconsistent;
 - good value for money continues to be provided through tight budgetary control and sound management. However, further work is required to ensure consistent consideration of value for money issues and integration of efficiency review in the performance management framework;
 - corporate planning is improving and stronger links to medium term financial planning are being developed;
 - plans for improvement are in place but there is still a need to refine target setting and be clearer about the resource requirements of key objectives in order to ensure delivery;
 - management capacity has been strengthened with the appointment of a Chief Executive and there are plans to supplement capacity further;
 - an unqualified opinion was issued on your accounts;
 - we formally concluded that your value for money arrangements are adequate;
 - an unqualified report on your Best Value Performance Plan was issued and we assessed your arrangements for ensuring data quality as adequate; and
 - arrangements for the use of resources have been strengthened and embedded made but there remain a number of key areas for improvement.

Action needed by the Council

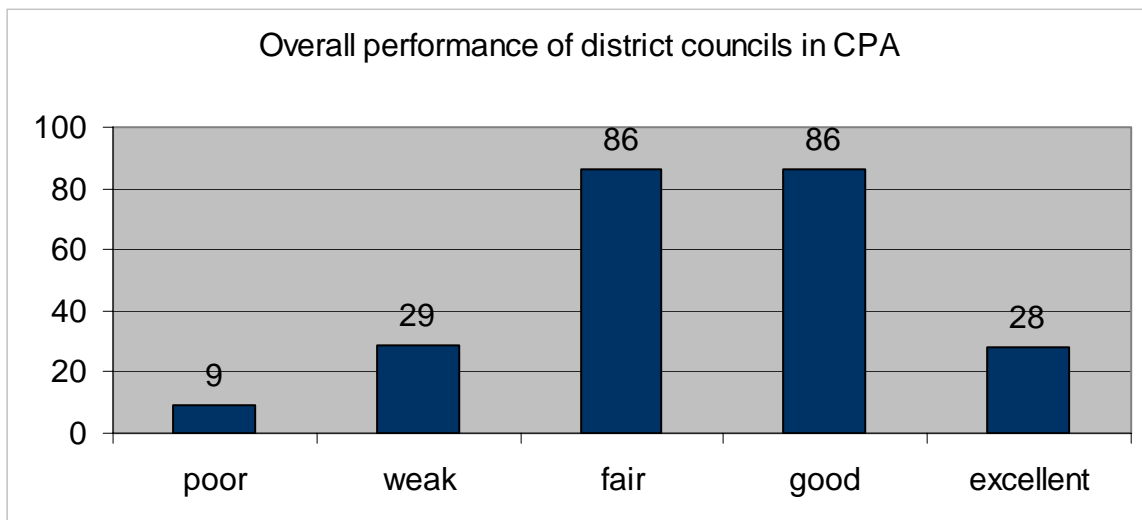
5 The Council needs to:

- ensure consistent level of performance and improvement in key services, including a focus on vulnerable and excluded groups;
- integrate efficiency review into the performance management framework and ensure consistent consideration of value for money in service delivery;
- use the Procurement Strategy to consider or develop alternative service delivery options in order to improve services; and
- develop smarter target setting in both service and corporate planning.

How is St Albans City and District Council performing?

- 6 St Albans City and District Council was assessed as 'fair' in the Comprehensive Performance Assessment (CPA) carried out in 2004. 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

- 7 Since the assessment, the Council has identified its priorities for improvement and has been working to improve further. Our findings on the Council's Direction of Travel are outlined in the following paragraphs, including the key messages from the planning service inspection, the partnership work and our review of action taken by the Council to improve its performance management following our report in 2005.
- 8 The planning service inspection reported in May 2006, concluded that the services are 'fair' with 'uncertain' prospects for improvement.

The improvement since last year - our Direction of Travel report

Improvement since last year

- 9 The Council has made improvements in some key public facing services including housing benefits, planning and recycling. The overall rate of improvement is amongst the highest compared to other district councils, with 77 per cent of key performance indicators (PIs) improving compared to a district average of 58 per cent. In addition, 42 per cent of PIs are in the best quartile, which is above the district average of 31 per cent.
- 10 However, the level of performance is inconsistent; housing benefits has variable levels of performance and the length of time homeless families spend in hostel accommodation is among the worst compared to other district councils. Although the Council has worked successfully with police and other partners to reduce crime and disorder, performance is still below average in a number of areas. Access to services is improving through the Customer Service Centre and the website but progress has been weaker in relation to vulnerable and excluded groups. The 'Cleaner District' campaign has been successful in quickly removing graffiti and fly tipping.
- 11 The Council continues to provide good value for money through tight budgetary control and sound management. Overall costs are median or below and key service performance is generally above the median and continues to improve. The Council's 2005/06 annual efficiency statement reports savings of £1.048 million against a target of £0.735 million. However, value for money has not improved significantly over the last year and the efficiency review is not yet integrated into the Council's performance management framework. The need to consider value for money in the delivery of services is being strengthened but is not yet fully embedded. During 2006/07, some value for money indicators were developed and, for the 2007/08 budget round, heads of service are seeking to identify the potential for efficiencies and savings without a reduction in service as part of a "priorities" exercise. The Council's Procurement Strategy is making a contribution to improving procurement practice and achieving efficiencies but is not yet being used to consider or develop alternative service delivery options; this may mean missed opportunities for service improvement.
- 12 Corporate planning is improving and stronger links to medium term financial planning are being developed. The Council is now clarifying its non-priorities and redirecting resources to priorities. Community consultation is effective and improving. Performance management is embedded but smarter target setting needs to be further developed in both service and corporate planning. Community leadership has improved and the membership of the Local Strategic Partnership (LSP) has been streamlined to provide more of an outcome focus. Senior management capacity has been enhanced with the appointment of a Chief Executive. The Council's commitment to partnership working is recognised by partners.

What evidence is there of the Council improving outcomes

- 13 The Council has made improvements in across a range of performance indicators, including key public facing services. Overall 77 per cent of key performance indicators have improved since 2003/04, compared to a national average for district councils of 58 per cent. 42 per cent of indicators are in the top quartile for 2005/06 against a national average of 31. Improvements have been made against each of the Council's five corporate aims as outlined below.

To build a community that is open fair and inclusive.

- 14 The Council has improved access to Council services for the majority of service users, with electronic access in particular being amongst the best. Performance is weaker in respect of vulnerable and excluded groups, where there is still more to be done to achieve significant improvements in access.
- 15 The Customer Service Centre has improved telephone and personal access and there are plans to introduce customer relationship management software. The Council website is much improved and electronic access to the Council is among the best of all councils; Level 3 of the Equality Standard for local government has been achieved. Self service Information kiosks have also been introduced in St Albans and Harpenden. The Council has also supported the set up of the Disabled Go web page and a pensions benefits advisor has been appointed in partnership with the county council and other councils. A youth council is in place and there are contacts with Black and Minority Ethnic (BME) groups, for example with the Asian Women's group. The national Concessionary fares scheme providing free travel anywhere in the county for the over 65s has been introduced locally and some 11,000 people now have passes.
- 16 The average time taken to process new housing benefit claims has been reduced and the percentage processed correctly improved. However, the time that homeless families spend in hostel accommodation is amongst the worst 25 per cent.

To work in partnership for the health and well being of the community

- 17 The Council has worked in partnership to reduce the fear of crime. Five out of six crime reduction indicators have improved. The exception is sexual offences which have dropped into the worst 25 per cent nationally. Violence against the person has reduced and is now best performing and CCTV coverage has been extended. A toddlers splash pool has opened in Verulamium Park and a health improvement scheme has commenced in Sopwell.

To cherish and promote out heritage arts and culture

- 18 The Council has signed a contract for the development of a new cinema, but planning considerations and changes to design mean that work has not yet started. Proposals for the replacement of Westminster Lodge Leisure centre have been approved, subject to funding, and a £1.5 million improvement programme for Batchwood and Harpenden Leisure Centres has been agreed with Leisure Connections. These investments aim to address the recognised dissatisfaction with Leisure facilities in the district.

To safeguard our environment

- 19 The Council is providing strong and visible community visible leadership with regards to the 'green agenda'. It is continuing to expand recycling while also promoting energy conservation and green travel plans, and recycling and composting rates have improved, but are still below the national average. However, the amount of waste collected is increasing and it is a relatively expensive service. The Council has held a climate change conference, signed up to the Nottingham Declaration on sustainability and developed a pilot eco-home.
- 20 Previous tensions with the county council over highways and pavement maintenance have been eased with the set up of a joint team based at the district council offices with a formal service level agreement. A more responsive service is being delivered.

To ensure the District is a desirable place to live and work

- 21 The Council has continued with the 'Cleaner District' hotline and improved action on the ground by setting up a rapid response team to deal with reports of graffiti or fly tipping, which has been successful in quickly removing graffiti and fly tipping. Mobile CCTV cameras have also been introduced to gather evidence at fly tipping hot spots. There have also been joint street cleaning events with the county council to deep clean one hundred target streets on an area basis. Clarence Park has achieved a second Green Flag award and park rangers are to be reintroduced to Clarence, Verulamium and Rothamstead Parks. There has been a £1.5 million investment in upgrading multi-storey car parks. The Council has also committed over £2 million of its own funding for affordable housing over the next two years to supplement a Housing Corporation allocation of £5.5 million. Planning performance has improved significantly and the service has received the highest award of Planning Development Grant in the county.

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

- 22 The Council has plans for improvement. The Corporate Plan, Improvement Plan, and service and financial planning have been better aligned and have a three year perspective. There is still a need to refine target setting and be clearer about the resource requirements, particularly staffing, of key objectives in order to ensure they can be delivered.
- 23 The Council is now revisiting its ambitions annually and is committed to redirect resources from non-priorities to priorities as part of the 2007/08 budget round. Communication of, and consultation, on plans and priorities has improved. The Council has used its 'Community News' to seek views on both spending levels and service priorities during the last year. There have also been public meetings and conferences, for example on the sustainable Development Strategy and the local Development framework. Professional survey specialists are also used as appropriate.
- 24 Key objectives are being achieved as a result of robust improvement planning, for example the extension of recycling, recovery of the planning service and improvements to electronic access. There is clear leadership from both senior management and members. Service heads meet with portfolio holders to monitor service and improvement plans on a monthly basis and there is a quarterly review by Cabinet. The corporate calendar provides a focus for managing improvement planning. The Council has a robust performance management framework in place and has acted to strengthen arrangements this year following our audit report.
- 25 The Council has good capacity to deliver its plans for the District. Senior management capacity has been strengthened with the appointment of a Chief Executive and there are firm plans to supplement capacity further. There are good working relationships between members and officers. Information technology has been strengthened and the Council has Investors in People status. Sickness absence levels are closely and proactively monitored, and remain below the district council average, although they have increased in 2005/06 due to a number of long term absences. Recruitment and retention problems, which hampered planning, engineers and environmental, have been addressed through initiatives such as recruitment of undergraduate planners and 'growing their own'.
- 26 There is effective performance and budget monitoring and good overall control of finances. Key contracts including leisure and grounds maintenance have been re-specified and re-tendered this year, with a better focus on the client role and robust contract management to deliver key objectives. It is as yet too early to determine whether the new contracts will deliver improved services and value for money.

Financial management and value for money

- 27** As your appointed auditor, I have reported separately to the Overview and Scrutiny (O&S) Committee (Corporate Services) on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your value for money arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 28** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas:
- financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public);
 - financial management (including how the financial management is integrated with strategy to support council priorities);
 - financial standing (including the strength of the Council's financial position);
 - internal control (including how effectively the Council maintains proper stewardship and control of its finances); and
 - value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 29** Judgements are made for each theme on the following scale which has been standardised by the Audit Commission across inspection and performance assessment frameworks.

Table 1 - Standard scale used for assessments and inspections

Assessment	Score
Below minimum requirements – inadequate performance	1
Only at minimum requirements – adequate performance	2
Consistently above minimum requirements – performing well	3
Well above minimum requirements – performing strongly	4

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

Table 1

Element	Score 2006	Score 2005
Financial reporting	2	1
Financial management	2	2
Financial standing	2	2
Internal control	2	2
Value for money	3	3
Overall assessment of the Audit Commission	2	2

- 31** This is the second year in which we have assessed the Council's use of resources, and we found that progress had been made to strengthen and embed arrangements. In particular, improvements have been made in relation to:
- arrangements for the production of the annual accounts and the supporting working papers;
 - the medium term financial management processes to provide clearer links between the Council's corporate plan and service and financial planning, and an assessment of funding linked to priorities;
 - risk management arrangements, through the formation of the Risk Management Group in January 2007, and allocation of risk management responsibilities at Councillor level;
 - internal control arrangements; procedure notes for key financial systems are now in place, controls in place following implementation of the new financial management information system and there has been an increased level of internal audit activity;
 - increased focus on performance management; and
 - consideration of value for money issues as part of service planning and procurement processes.
- 32** The key areas for improvement identified from the audit, as reflected in the above judgements where appropriate, are as follows:
- ensuring the accounts are complete when approved, have been properly proof read and are subject to robust Councillor challenge;
 - publishing an annual report or similar document, which includes the summary financial statements and an explanation of key financial information, following consultation with stakeholders;
 - incorporating capital investment plans, risk assessments and sensitivity analysis in the corporate plan;

- strengthening arrangements for investigating budget variances through establishing pre-set tolerances and base budget monitoring on risk assessments;
 - finalising and embedding performance measures for assets and ensuring linkage to corporate objectives;
 - determining the level of reserves and balances required on the basis of a thorough understanding of the Council's needs and risks;
 - continuing to embed risk management throughout the organisation, including reporting thereon to Councillors;
 - demonstrating that the O&S Committee (Corporate Services) effectively discharges the responsibilities of an audit committee;
 - continuing to promote a strong counter fraud culture and undertaking a formal risk assessment to identify areas for proactive counter fraud and corruption work which is adequately resourced;
 - ensuring robust challenge is provided by O&S Committees in relation to budget monitoring and value for money issues;
 - embedding consideration of value for money and indicators in service planning, including equity across the community;
 - developing targets to improve efficiency and value for money, linked to an overall efficiency plan; and
 - developing corporate and strategic procurement and put in place robust mechanisms to routinely assess and report the impact of all procurement activity.
- 33** The 2007 use of resources assessment will be a harder test for the Council as a number of criteria at both level 2 and 3 will change to 'must have' status. Consequently, in order for the Council to sustain or improve upon its current performance at the next assessment, it will need to meet these criteria. Furthermore, in order to achieve scores of 3 and above, arrangements must be 'embedded'; that is have been operating consistently with clear outputs and impact. The assessment will also, for the first time, be aligned to the financial year and will therefore only take into consideration arrangements in place as at 31 March 2007, although information up to the date of the actual assessment can be taken into account in assessing embeddedness.
- 34** Our audit of the Council's arrangements for ensuring data quality, which fed into our value for money conclusion, concluded that the arrangements meet minimum requirements, and in some cases exceed these, with evidence of strengths in particular in the way that the Council uses data and assigns responsibility for data quality.

Conclusion

- 35 This letter has been discussed and agreed at the Chief Executive's Board on 1 March 2007. A copy of the letter will be available at the Overview and Scrutiny Committee (Corporate Services) Committee on 27 March 2007, and formally presented in June 2007.
- 36 The Council has taken a positive and constructive approach to our audit and inspection and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Debbie Hanson
Relationship Manager