

Annual Audit and Inspection Letter

March 2007



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**Harlow 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.

Reports prepared by appointed auditors are:

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- 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 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 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 as follows.
  - Services are improving in Harlow. In the last year 76 per cent of performance indicators have improved and 30 per cent are in the best performing 25 per cent of all district councils. Corporate priorities, based on what is important to local people, are providing an effective focus for service delivery and development. The Council's role as a community leader is increasing. Improved value for money is being delivered for example through procurement although this is not consistently embedded across the organisation. The Council has established, with partners, a Joint Venture Company to deliver street scene, parks and property services. The Council is taking action to deliver plans for improvement including the movement of resources to support priority areas. Effective action has been taken to improve councillor and officer capacity and partnerships to support the delivery of corporate plans. Performance management is established and contributing to service improvement although some areas such as target setting and benchmarking are developing. Plans are generally robust but some lack SMART targets and are not sufficiently focused on outcomes which are important for local people.
  - An inspection of the Council's Strategic Housing Services rated the service as 'fair' and with 'excellent prospects for improvement'.
  - An inspection of the Environmental Services and Sustainability also rated the service as 'fair' with 'excellent prospects for improvement'.
  - An unqualified opinion was given on the Council's accounts for 2005/06, but the value for money conclusion for 2005/06 was qualified because the Council had not met five of the criteria against which the conclusion was assessed.
  - Whilst the Council's overall Use of Resources assessment has remained at level 2, it has improved in three of the five themes (financial reporting, internal control and value for money) and it is now meeting - or exceeding - minimum requirements (level 2) in all five themes.

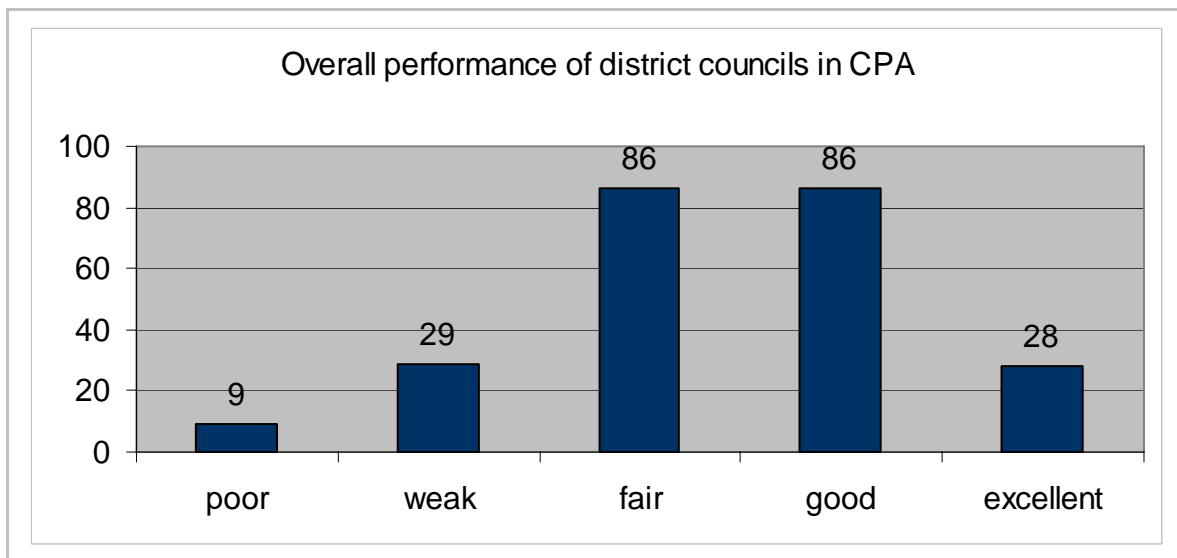
## **Action needed by the Council**

- The Council needs to improve its approach to value for money. Arrangements for monitoring and reviewing value for money and service efficiency are new and need to be embedded.
- The Council needs to improve its performance with regards to its data quality management arrangements and these need to be strengthened to ensure that issues raised are addressed in the forthcoming year.
- The Council needs to continue to develop its approach to equality and diversity, ensuring its services are responsive to all sectors of the community.

## How is Harlow District Council performing?

- 4 Harlow District Council was assessed as Poor in the Comprehensive Performance Assessment carried out in 2004. The Council applied for recategorisation in February 2007 and the Audit Commission's DCPA Panel have decided that the Council can go forward for a corporate assessment re-inspection. Figure 1 shows the latest CPA position for 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

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

- 5 The Council has delivered sustained performance improvement across a range of statutory and non statutory services but the council's own data indicates that public satisfaction is variable. A comparison of performance between 2004/05 and 2005/06 covering indicators for corporate health, sustainable communities, safer and stronger communities and healthier communities shows that the extent of improvement is 76 per cent compared to the District average of 61 per cent. Harlow is performing in the best quartile for 30 per cent of these indicators compared to a District average of 31 per cent. There is a particularly strong performance in the Council's key priority area of sustainable communities. The Council's own monitoring of resident satisfaction indicates it remains low in some areas such as overall satisfaction with the Council.

- 6 The impact of customer engagement and consultation on service delivery and improvement is mixed. There is a corporate commitment to customer engagement. The Council is developing a more systematic approach to seeking customer feedback. The Council is seeking to engage housing tenants but actual impact has yet to be demonstrated. Complaints management has improved but there are few examples of improvements linked to customer complaints. The quality of feedback determines how well the Council understands whether it is meeting the needs of local residents.
- 7 The Council's role in community leadership is improving. The Council's vision is to move away from being a service provider towards community leadership. Leadership can be demonstrated through the Council's role in the growth agenda. The Harlow Local Area Agreement provides effective partnership working for example on health issues. The scrutiny function has been revised to focus on community leadership issues such as flooding. Effective leadership will ensure that corporate and community objectives are delivered effectively.
- 8 Action is being taken to address the equality and diversities agenda but progress is mixed. There is a corporate commitment to equalities and diversity. The Council has achieved level 2 of the equality standard and is performing above the median for its duty to promote race equality. However the Council's approach to equality and diversity is developing but not fully embedded across the organisation. In response to this it has appointed a social inclusion officer and it is using alternative ways to advertise and encourage the recruitment of staff from hard to reach group. Progress is limited by staff capacity and plans to develop equity and diversity performance reports have been delayed.
- 9 The Council is taking effective action to improve value for money but outcomes are mixed. The Council is introducing with partners a Joint Venture Company to deliver street scene, parks and property services. The company aims to deliver significant cost reductions together with improvements in service quality. Business process re-engineering is leading to efficiency savings such as in housing services. A value service analysis matrix is used to inform difficult budget decisions for example relating to reductions in discretionary services budgets. However; spending remains high in some areas such as culture and performance in these services is mixed. Waste collection costs continued to rise in 2005/06 and are now worst quartile although a renegotiation and extension of the contract should result in some cost reduction and performance improvements over the next two years. There has been a slight improvement in recycling performance which has enabled the Council to achieve Government set targets. The Council has taken action to improve procurement but impact is variable and new procurement activities are not fully embedded.

- 10 A Value for Money (VfM) culture is not yet embedded throughout the organisation. Arrangements for monitoring and reviewing value for money and service efficiency are new and not embedded although finance and performance are reported together in the quarterly performance reports. Systems do not easily link performance to costs. The Council is not yet systematically including VfM in strategies, plans and performance reporting. Few targets are set and applied to improve efficiency and value for money making it difficult to assess what is being achieved.

### **How much Progress is being made to implement improvement plans to sustain future improvements?**

- 11 New corporate priorities provide a focus and direction for the Council and its partners. Consultation with local people has effectively underpinned the development of corporate and community priorities. The Local Strategic Partnership (LSP) has undergone a fundamental review and now demonstrates shared objectives and priorities amongst partner organisations. The Council is focusing on the delivery of its revised priorities through corporate plans, service plans and the medium term financial strategy. Robust strategic plans enable the Council and its partners to focus on what is important to local people.
- 12 Corporate systems are improving. The Council has comprehensive action plans for the delivery of corporate and community objectives but individual actions are not costed or outcome focused. Performance improvement is an integral part of the new organisational culture. The service performance improvement team reviews performance fortnightly and poor performance leads to action. Project and Procurement management boards provide monthly reports to CMT on progress requiring follow up where milestones are not met. Action is being taken to develop target setting, local performance information and benchmarking further in order to ensure that they are consistently driving improvements in BVPIs. Changes in the appraisal process are giving staff SMART targets linked to the delivery of corporate priorities. The implementation of robust corporate systems across the organisation is contributing to the cost effective and efficient delivery of service improvement.
- 13 The Council has taken robust action to deliver its strategic plans. It has made demonstrable progress in the implementation of corporate recovery and improvement plans. It has been judged to have excellent prospects of improving in its environmental and sustainability services and its strategic housing function. Action plans supporting the delivery of the community strategy have been revised to develop further focus. Corporate and service level action planning is improving but not all actions are SMART or outcome focused. The Council can demonstrate learning from best practice to inform service improvement. The Council is investing in its priorities for example estates cleaning. Areas that are not high priority for example, Arts Development, are having funding reduced or not being funded at all. Investment in priority areas is leading to improvements for local residents.

- 14 The Council is investing in its capacity to manage service improvements. It has introduced seven cross cutting capacity improvement blocks as part of its recovery. Service managers are now established in post. Improving staff capacity is impacting on the delivery of service improvements. The Council has taken effective action to improve human resource management for example in tackling sickness absence. The Council is developing and investing in partnership working to increase its capacity. A multi agency partnership, is successfully delivering the complex £42 million Gateway Scheme for the regeneration of Harlow. The performance management of partnerships is not fully embedded and requires further development. Effective partnership working is extending the capacity of the Council to achieve its corporate objectives.
- 15 Councillors are increasingly focused on the delivery of corporate priorities leading to improvements for local people. Political leadership is supporting the recovery process and there is a political will to improve. Effective action has been taken to establish a stable administration which works well with management. Councillors demonstrate a clear understanding of the role of the Council and its priorities and there is a better balance between their responsibilities as community advocates and their corporate responsibilities. Councillors are increasingly more unified, for example key strategies have the support of the three political parties and are self aware. Effective action has been taken to improve the scrutiny function. Shared political commitment is contributing to facilitate the delivery of agreed priorities.

## Service inspections

- 16 During the year we undertook two service inspections of:
- the Council's Strategic Housing Services; and
  - the Council's Environmental Services and Sustainability.
- 17 The key findings from these inspections are summarised below.

### Strategic Housing Services

- 18 The inspection focused on housing strategy and enabling, allocations and nominations, homelessness and housing advice and private sector housing services.
- 19 The inspectors assessed the Council as providing a 'fair', one-star service that has excellent prospects for improvement. The Inspectors noted that:

*'Harlow is working effectively and imaginatively to increase the number of new affordable homes in the district. In a short space of time it has greatly reduced the use of bed and breakfast for homeless people as well as increasing choice for people seeking affordable homes. It still needs to look at the poor quality of temporary accommodation it provides for homeless people and its approach to the condition of private sector homes. However, given its track record so far, I am confident that the service will improve further.'*

## 10 Annual Audit and Inspection Letter | How is Harlow District Council performing?

### 20 The inspectors praised:

- the service provided by the Contact Harlow one stop shop;
- the Council's efforts to prevent homelessness and end the use of bed and breakfast accommodation for homeless people;
- a scheme to encourage council tenants to move to smaller homes, freeing up family-sized homes for those in greater need;
- the Council's strong understanding of housing need and the local housing market; and
- the effectiveness of its partnership working to increase the supply, choice and quality of affordable homes for local people.

### 21 Areas that need attention include:

- the poor quality of temporary accommodation for homeless people;
- the telephone service provided - some telephone callers have a lengthy wait before calls are answered and a high proportion of calls are lost; and
- the Council's approach to setting and monitoring service standards - neither this nor the way customers are asked for feedback is particularly comprehensive.

## **Environmental services and sustainability**

22 The inspection assessed the Council as providing a 'fair', one-star service that has excellent prospects for improvement.

23 The services inspected included: waste collection and recycling; planning policy and building control; environmental health; street cleansing; enforcement; landscaping/open space and countryside. The Inspectors found:

- in the past two years the Council has tackled the key environmental concerns of local people. As a result the area is cleaner and greener, and the amount of waste recycled has increased significantly. Services have improved: in particular the street cleaning service. The planning service delivers good results; and the services are helping to improve community safety for residents. The Council designs its services around the needs of citizens and users and communication with residents and service users is improving;
- the Council is addressing key value for money issues. At the time of the inspection it was forming a joint venture company (JVCo) to provide a range of services, including street cleaning. The contract includes good practice requirements, such as outcome specifications and continuous improvement requirements, as well as requiring bidders to set out proposals to improve cost-effectiveness. Since the inspection the company has been formed and the contract is now operational; and

- the Council has also recently re-negotiated a two-year extension of the waste collection contract from 2007. A range of value-for-money improvements have been agreed, including a recycling target of 25 per cent by 2008/09 and benefits amounting to approximately 3.5 per cent of the annual contract value. The Council now needs to plan for developing a new contract for 2009.
- 24** However, the Council has yet to improve public satisfaction with these services although it has begun to communicate more effectively with local people to help turn this around. Harlow is not as good as other similar councils at reducing waste and increasing recycling. Some costs are still high and as a consequence the service does not offer particularly good value for money.
- 25** To help the service improve, inspectors recommended that the Council should, amongst other things, take steps to better evaluate and improve the value for money of the services, particularly the waste collection service.

## Financial management and value for money

- 26** Your appointed auditor reported separately to the General Purposes Committee on the issues arising from our 2005/06 audit and has provided the following.
- An unqualified opinion on your accounts.
  - A qualified opinion on the value for money conclusion because the Council failed to meet the criteria to put in place arrangements:
    - to maintain a sound system of internal control;
    - to manage its significant business risks;
    - to monitor the quality of its published performance information, and to report the results to members;
    - to manage and improve value for money; and
    - that are designed to promote and ensure probity and propriety in the conduct of its business.
  - A report on the Best Value Performance Plan confirmed that the Plan has been audited and there were no issues arising.
  - A report on the Council's data quality arrangements. This concluded that:
    - overall the Council does not have adequate governance arrangements in place for data quality;
    - The Council has adequate arrangements in place for the use of performance data; and
    - Our review and spot checks of specified performance indicators produced by the Council found them to be accurately stated.
- 27** 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).
- 28** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as shown in Table 1.

**Table 1**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

*(Note: 1 = lowest, 4 = highest)*

- 29** Whilst the Council's overall Use of Resources assessment has remained at level 2, it has improved in three of the five themes (financial reporting, internal control and value for money) and it is now meeting - or exceeding - minimum requirements (level 2) in all five themes.
- 30** The results of our UoR work, together with our assessment of the Council's arrangements for monitoring and reviewing performance will form the evidence for that conclusion.
- 31** The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- The accounts presented for audit were free from material errors and an explanatory paper was produced by officers to support the accounts when presented to members who scrutinised its contents and challenged certain entries. The Council also published the Annual Audit and Inspection Letter for 2005/06 in accordance with the statutory requirements and copies of the most recent set of accounts are now uploaded on the Council's website.
  - The Council has embedded the use of cashflow forecasting and ensured that financial planning incorporates the corporate plan priorities with links to service plans and budgets. The medium term financial strategy now takes into account future funding and savings and meaningful budget monitoring reports are now being produced on a regular basis.
  - Risk management arrangements have improved, and an Audit and Improvement Committee has also been introduced during the year, strengthening the scrutiny function of members. The Council has improved its approach to ethical standards by developing a new code of conduct for members and officers, including the implementation of a register for gifts and hospitality and introducing arrangements for monitoring compliance.

## 14 Annual Audit and Inspection Letter | Financial management and value for money

- The Council is making progress in identifying costs and improving value for money in service delivery. The Council is becoming more aware of the costs of services it provides and how these compare to others. The Council is developing and strengthening arrangements for monitoring and reviewing value for money, for example through the introduction of the Service Performance Improvement Strategy (SPIS). The Council is taking clear steps to improve procurement practices and policy.

### 32 The key issues for improvement arising from the audit include:

- the Council needs to continue to develop the Internal Audit section following weaknesses in performance and capacity identified in our report in 2005/06;
- the Council needs to develop financial management reports to ensure that there are clear links between performance and budget monitoring;
- ensure that all financial systems manuals and procedure notes are updated and reviewed on a regular basis;
- develop governance arrangements in partnerships; and
- develop its approach to value for money, for example through a better understanding of performance as well as costs of services, and embedding value for money across all service areas.

## Conclusion

- 33 This letter has been discussed and agreed with the senior management team. A copy of the letter will be circulated to all members by 31 March 2007.
- 34 The Council has taken a positive and constructive approach to our audit and inspection work and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 35 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.

**Ian Davidson**  
**Relationship Manager**

March 2007