

Annual Audit and Inspection Letter

Stevenage Borough Council

Audit 2007/08

March 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

1 The main messages for the Council included in this report are as follows.

- Stevenage Borough Council continues to improve the services which are important to its residents. Overall performance, as measured by a sample of performance indicators, is above the district council average. Sixty-three per cent of indicators have improved over the last year, which is similar to the previous year and demonstrates the Council's sustained drive to improve services. The Council delivers good value for money.
- The Council provides strong community leadership and a commitment to partnership working to deliver community outcomes. Access to services has improved as the Council has responded to user feedback. Regeneration of Stevenage town centre is underway. In response to the current economic climate and increased unemployment and debt, the Council and its partners are working to support the community.
- The Council has the capacity to deliver its plans and sustain improvement in services. Effective processes for financial and performance management are in place. Progress against the Council's priorities and action plans is closely monitored.
- The Council's overall score for use of resources increased from two (performing adequately) to three (performing well). There were a number of improvements in performance, most notably in respect of the Council's accounts.
- There were significant improvements in the quality of the accounts and their supporting working papers. There were also improvements in the Council's capital accounting arrangements. While further improvement is possible, the Council is now well placed to build on and enhance these improved arrangements.
- The Council's medium term financial strategy forecasts available general fund reserves reducing to £0.8 million by 2010/11. However, the Council plans to increase this balance in subsequent years. The achievement of this strategy will depend on the Council continuing to identify and deliver a substantial level of savings.
- Action has been taken to strengthen the management of the Internal Audit service and the quality of its work has improved. The service delivered an effective service for the 2007/08 financial year and has built on those arrangements for 2008/09.
- We continue to identify issues in our audit work on housing benefits, which we report to the Department for Work and Pensions and which could impact on the amount of subsidy the Council can claim. We recognise that a new housing benefit system will be introduced during 2009 to try to resolve some of these problems. As part of this the Council will need to ensure that it does not carry across errors from the old system to the new system.

Action needed by the Council

2 Members need to monitor the action taken to:

- continue to improve the quality of the accounts, particularly in respect of further enhancing capital accounting arrangements;
- implement the medium term financial strategy and deliver savings targets; and
- implement the new housing benefit system and resolve the issues which are inherent in the current (old) system.

Purpose, responsibilities and scope

- 3 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 4 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.
- 5 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.
- 6 The Council's 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, he 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.
- 7 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.
- 8 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Stevenage Borough Council performing?

9 The Council was assessed as 'Good' 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

Summary

- 10 Outcomes are improving in most areas that matter to residents in Stevenage. Improvements continue to be made in environmental services and in keeping the district clean. Crime levels continue to reduce and remain low. The Council demonstrates strong community leadership and a commitment to partnership working. Access to services has improved through the Council responding to user feedback. The Council performs well in delivering value for money.
- 11 Progress is being made on sustaining improvement. The Council's plans enable focus on the delivery of local and area priorities which are effectively linked, and objectives are being achieved. Capacity is being strengthened through joint working. The Council has effective processes for financial and performance management.

How is Stevenage Borough Council performing?

What evidence is there of the Council improving outcomes?

- 12** Performance in priority services has improved from the previous year. The overall rate of improvement continues to be above average, with 63 per cent of performance indicators (PIs) improving in the last year (compared to the average range for all district authorities of 57 to 59 per cent). The Council is also above average in terms of PIs in best quartile achieving 37 per cent compared to the district average of 33 per cent. Improved performance has been sustained over the past three years with the Council having 69 per cent of PIs improved in the last three years which is above the average range for all district authorities of 54 to 56 per cent.
- 13** Improvements in services and outcomes are in line with corporate ambitions and priorities. The Council has identified a number of ambitions supported by various priorities. Ambitions identified include:
- create Sustainable Communities;
 - regenerate Stevenage; and
 - move towards Excellence.
- 14** The Council continues to contribute to creating sustainable communities for local residents. They have increased the number of affordable homes by 10 per cent from 42 per cent in 2006/07 to 52 per cent in 2007/08 and a total of 641 homes were made decent in 2007/08 through the major works programme, compared to a target of 400 homes. The Council implemented a new Homelessness strategy in 2008 taking a multi-agency approach to homeless prevention and support resulting in a reduction in the number of families in temporary accommodation by 38 per cent (from 202 to 125 in 2007/08). In addition; to address community priorities, the Council has refurbished the lakes at Fairlands Valley Park and replaced the paddling pools with a 'free' state-of-the-art aqua park. Work is due to be completed by the summer of 2009. The Council is effective in creating sustainable communities.
- 15** Stevenage Borough Council is actively engaged in the regeneration of the area. The Council has a clear vision to re-vitalise Stevenage Town Centre with cross-member support, and strong leadership. They are providing 'move on' accommodation and incubation facilities for growing small businesses and a £7.2 million extension to the Council's Business and Technology Centre will be completed in early 2009 which will double the floor space available. Working in partnership with Hertfordshire County Council the Council is delivering a new vision for education in the town as part of the Building Schools for the Future initiative. Agreement has been reached for the transfer of areas of Council-owned land to the County Council and planning permission has been granted for the first refurbished and extended schools proposals. The Council is an effective contributor to the regeneration of Stevenage.

- 16** The Council is making sound progress towards achieving its ambition of 'Move towards Excellence'. During 2008, the Council improved performance in the customer service centre with 89 per cent of calls received being answered within 30 seconds against a target of 80 per cent. They also reduced the number of abandoned calls to 3 per cent against a target of 5 per cent. In addition, the Council has improved a number of internal processes that support service delivery including improving staff training and induction; implementing a monitoring system for customer satisfaction / feedback; and strengthen its partnership governance to ensure their participation in various partnerships is as effective as possible.
- 17** The Council continues to provide strong community leadership and a commitment to partnership working to deliver community outcomes. In response to the current economic climate and increased unemployment and debt, the Council is supporting the community by working with the local Citizens Advice Bureau (CAB) in providing debt counselling; and with Stevenage Business Initiative and North Herts College providing advice and counselling to those who have lost their job or are under threat of redundancy. Other examples of partnership working include working with North Herts District Council and North Quadrant Homelessness Forum to produce their current Homelessness Strategy; completed a strategic review of temporary accommodation provision with Stevenage Homes Limited, and with other partners, as part of the local Crime and Disorder Reduction Partnership, making an effective contribution to reducing crime and anti social behaviour in Stevenage. The Council through local and regional partnerships is improving service for the wider community
- 18** The Council is improving both access and the quality of service for its residents. The Council is currently at Level 2 of the Local Government Equality Standard and an assessment for Level 3 is scheduled for the end of April 2009. During 2008, the Council reviewed its equality impact assessment (EIA) process and timetable resulting in EIAs being undertaken on all new and existing functions rather than just services, in a prioritised manner making the process more efficient and effective and ensuring that equality considerations are a component part of the function and not an addition. The Council's own magazine 'The Chronicle' now includes a Neighbourhood news section to inform people what is happening in their area, such as Neighbourhood Fun Days and changes to council provided services. The Council supports a high level of discretionary services to support community cohesion, including concessionary bus fares and meals on wheels. At the annual Community Conference, residents told the Council what they think the Council should do to look after the local environment, and whether their services provided value for money. Examples of how the Council listens and responds to local need include - residents wanting to keep weekly waste collection service; have a kitchen waste recycling service; include plastic bottles in recycling boxes; more litter bins on school routes; more positive action against dog fouling and against fast food outlets. The Council implemented action in response to all these views The Council and its partners have agreed a vision for all the town's community buildings - 'to ensure that they are all welcoming, accessible, well-managed and providing services that reflect the needs of all members of our community 'A community buildings review has taken place and options to progress this vision will be submitted to the Council's Executive in April 2009. Together with its partners, the Council is ensuring all elements of the community are afforded the same level and access to improved services.

How is Stevenage Borough Council performing?

- 19** The Council provides good value for money. The Council recent use of resources assessment scored the Council's arrangements for delivering economy, efficiency and effectiveness in its use of resources as level three (consistently above minimum requirements / performing well).
- 20** Overall costs for key services are marginally higher than similar councils, albeit areas of high spending are in line with corporate objectives and priorities and reflect Stevenage's New Town status. The phasing out of a negative housing subsidy left the Council with an annual £3.5 million revenue deficit. With reserves of only £5 million, the Council had to achieve efficiencies to remain solvent. A select committee style review of council services prioritised outputs and ranked savings measures generating a fully balanced budget to be tabled in January 2009. In addition, the backward looking 2007/08 efficiency statement identified further gains of £556,000 of which all were cashable. The cumulative gains as at the end of 2007/08 were £2.3 million of which £2.2 million were cashable. By improving its management of value for money the Council is able to make better use of its financial resources.

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

- 21** The Council has a number of robust improvement plans. The Community Strategy - developed by the Local Strategic Partnership - sets out a vision for Stevenage. The Council's Corporate Plan explicitly links to this strategy and supports this vision and a number of priorities which reflect the LAA (Local Area Agreement) themes have been developed. For example: Encourage community involvement; Bring communities together and Improve the image of Stevenage are three priorities that contribute to the Council's ambition of 'Shape our Community' and directly link to the Community Strategy priority 'A Stronger Community' and the LAA block - Safer and Stronger Communities. The Council Corporate Plan is clearly aligned to the local strategic area plan and supports the long term vision for the area.
- 22** The Council has clear plans to improve neighbourhoods. The Council has implemented six Neighbourhood Plans developed through local consultation which will be reviewed following the annual Neighbourhood Conference in January 2009. A new Customer Focus Strategy will be agreed in February 2009 identifying future customer focus priorities to meet the Cabinet Office Customer Excellence Standard. These plans ensure that the Council deliver locally based services that residents have identified as priorities in their respective neighbourhoods.

- 23** The Council has an effective financial and performance management framework. To ensure council priorities are achieved and under-performance addressed, the Council use bi-monthly strategic director led Programme Monitoring Groups. Projects are monitored to make sure they are properly agreed, resourced, managed and implemented. In addition, a working group has been set up to monitor progress against the corporate and service-based governance action plans and a Member seminar has been scheduled under the Modern Member Development Programme to raise awareness of Member's individual responsibilities. The Council's medium term financial strategy (MTFS) is linked to other internal strategies and plans and is integrated with business planning and with corporate objectives and priorities. As a result of these arrangements the Council's progress against priorities is effectively monitored and reported.
- 24** The Council has the capacity to deliver its plans. During 2008, the Council agreed the development for the joint provision of human resources with the County Council. This approach has resulted in the engagement of a seconded Head of HR and OD, shared officer and member training and development opportunities, and the shared development of new HR policies and procedures. Various budget savings exercises have been undertaken to ensure a sustainable budget balance including a review of all council services. In addition, the Council reviewed its usage of temporary staff to ensure appropriate staffing levels were maintained and they were providing value for money. Other action to build capacity include the introduction of a staff Vacancy Management Policy, reviewed and improved induction training, improved its data quality handling and implemented an ICT Strategy which delivered significant reductions in power usage and reduced energy costs. The Council continues to use good practice and working with neighbours on joint procurement, placing achievement of value for money at the heart of procurement decisions. It has developed a strategic approach to seeking external funding and is using it to deliver required outcomes and increase its capacity to deliver services. The action that the Council has taken internally and its work with partners ensures the Council has the necessary capacity to deliver priorities.

Service inspections

- 25** No service inspections have been undertaken in the last year. However an inspection of Stevenage Homes Ltd is currently taking place.

The audit of the accounts and value for money

26 Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:

- an audit report, providing an unqualified opinion on your accounts and an unqualified conclusion on your value for money arrangements on 30 September 2008; and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

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 follows.

Table 1

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

Note: 1 = lowest, 4 = highest

29 The Council is performing well across the majority of the areas assessed under use of resources and has demonstrated improvement in the last year, particularly in respect of the quality of its financial reporting. This has impacted on the Council's overall use of resources score, which has increased from 2 to 3.

The accounts

- 30** We reported last year that there had been a number of issues with the quality of the accounts and working papers supporting them and in particular that we had continued to identify weaknesses in the area of capital accounting.
- 31** We are pleased to report that there was a significant improvement in the quality of the 2007/08 accounts and associated working papers and also in arrangements for capital accounting. There are some areas of the working papers which could be further improved, for example in respect of capital accounting and the housing revenue account.
- 32** We recognise the considerable additional work undertaken by the Finance staff in reaching this improved position and believe that the Council is now well positioned to build on the arrangements it has put into place for 2008/09 and beyond.

Financial management

- 33** The Council has sound arrangements for financial management as reflected in its use of resources scores and is well aware of the importance of achieving a balanced budget and adequate reserve levels on an ongoing basis. However, over recent years the Council has set budgets where expenditure exceeds income and has needed to use its reserves in order to balance the budget.
- 34** The table below shows how the general fund balance is reducing.

Table 2 General fund balance

Year	Actual/expected general fund balance £m
March 2007 (actual)	7.4
March 2008 (actual)	5.0
March 2009 (projected)	3.0
March 2010 (projected)	1.2
March 2011 (projected)	0.8

Source: annual accounts/MTFS January 2009

- 35** The Council's medium term financial planning process had indicated that reserves would be exhausted unless action was taken to address the position. The Council has reviewed and prioritised all services and identified savings in order to work towards a balanced budget. Savings of £2.1 million have been budgeted for 2009/10 taking into account the impact of the economic climate, with income reductions and higher costs also expected. In light of these factors the Council will need to take a further £1.8 million from its reserves to support the 2009/10 budget.
- 36** Savings targets have also been set for future years but the medium term strategy shows that the Council will continue to use reserves to support the budget until 2010/11. From 2011/12 the Council expects to be able to build up reserves. The Council will continue to need to identify and deliver further savings in order to achieve this target.

Internal Audit

37 We reported last year that there was a risk that the Council may not have an effective Internal Audit service during 2007/08, as delivery of Internal Audit's planned work was affected by changes to the management and staffing of the Internal Audit section during the year. We revisited our assessment of Internal Audit taking into account these factors. We noted that there had been improvement in the quality of Internal Audit work and compliance with the code of practice for Internal Audit had improved. We also noted that a full time Chief Internal Auditor was appointed in May 2008 and that Internal Audit had delivered its 2007/08 work by June 2008. We therefore concluded that Internal Audit remained effective.

Housing benefit grant claim

- 38** Our work on the Council's housing benefit grant claim has continued to identify a number of issues which we have reported to the Department of Work and Pensions. While there has been some improvement since the previous year, for example a reconciliation of the housing benefits system to other key systems has been achieved, other weaknesses such as the misclassification of overpayments remain.
- 39** Some of the issues identified are the result of weaknesses within the Pericles housing benefit system used by the Council and a decision has been taken to replace the system during 2009. In order to avoid carrying over errors from the old to the new system it is important that the Council carries out a data cleansing exercise as part of data migration.
- 40** The Council may also wish to consider undertaking some pre-audit testing of its 2008/09 return to identify whether the errors identified in previous years continue.

Looking ahead

- 41** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 42** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 43** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 44** This letter has been discussed and agreed with Chief Executive, the Strategic Director of Resources and the Executive Member for Resources. A copy of the letter will be presented at the Audit Committee in June 2009. Copies are provided to all Council members.
- 45** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	June 2007
BVPP report	December 2007
Supplementary audit plan	April 2008
Tackling health inequalities	July 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Town centre regeneration project	October 2008
Data quality	January 2009 (draft)
Use of resources	January 2009
Annual audit and inspection letter	March 2009

- 46** 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.

Closing remarks

Availability of this letter

47 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
Comprehensive Area Assessment Lead

Mark Hodgson
Appointed Auditor

March 2009

The Audit Commission

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Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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