

Annual Audit and Inspection Letter

Harrogate Borough Council

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Harrogate Borough Council performing?	5
The audit of the accounts and value for money	11
Looking ahead	13
Closing remarks	14

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.
-

Key messages

- 1 Harrogate Borough Council is a good council¹. Councillors and officers have shown a clear and focused commitment to improving the performance of the Council over the past few years. This was recognised in the Audit Commission's Corporate Assessment in 2008 which re-categorised the Council from fair. This commitment has made it more likely than ever that the residents of the area and other Council customers will get better services that more closely match their needs.
- 2 The Council can not slacken its pursuit of the plans it has for itself and the area it serves. Working successfully in partnership with others is vital to achieving its aspirations and we will be examining this as part of the new Comprehensive Area Assessment which we and our colleague Inspectorates launch in April 2009.
- 3 Residents of Harrogate and businesses in the area are dealing with the impact of the current economic downturn. The Council is already considering the impact of this changed economic environment on both itself and the communities that it serves but it will need to remain vigilant in managing risks to its plans arising from the recession.
- 4 In the meantime there are a small number of key issues which Councillors should particularly pay attention to over the coming year.

Action needed by the Council

- 5 Councillors should satisfy themselves that sound arrangements are in place to deal with the following issues.
 - 2009 is proving to be a difficult year for all councils due to the national economic downturn. Pressures will increase further as the recession starts to bite. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.
 - A number of actions are underway and planned to address the outcomes of our previous work including the Corporate Assessment. Progress should be reported to councillors and remedial action taken where plans fall significantly behind target.

¹ Audit Commission - Comprehensive Performance Assessment rating

Purpose, responsibilities and scope

- 6 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.
- 7 I 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. I have made recommendations to assist the Council in meeting its responsibilities.
- 8 This letter also communicates the significant issues to key external stakeholders, including members of the public. I 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).
- 9 The appointed auditor, John Prentice, is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 10 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.
- 11 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Harrogate Borough Council performing?

12 Harrogate Borough Council was assessed as good in the Comprehensive Performance Assessment carried out in 2008. 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

13 In our direction of travel work we consider two questions.

- What evidence is there of the council improving outcomes?
- How much progress is being made to implement improvement plans to sustain improvement?

14 The following sections report our findings in answering those questions.

What evidence is there of the council improving outcomes?

- 15 Harrogate Borough Council is improving performance in some priority areas. Overall performance on a basket of national Performance Indicators (PIs) shows that Harrogate's improvement is above the average rate for district councils nationally at 69 per cent in 2007/08. At 37 per cent, the proportion of the Council's indicators which are within the top 25 per cent of performance nationally has decreased but is still higher than the national average of 33 per cent. The Council has improved its performance in a number of indicators of 'corporate health' (how the Council performs in a basket of 20 PIs) and is in the top twenty five per cent of councils on this measure of performance. The Council did start from a low base with only two of these PIs in the top 25 per cent at the start of its improvement action.
- 16 Performance in aspects of the **caring for the environment** Council priority is mixed, with, for instance, top quartile performance for household waste generated, but bottom quartile performance for recycling and kerbside recycling collection, albeit improving. Standards of cleanliness of public spaces are showing significant improvement – down to 3.4 per cent unsatisfactory from 16.5 per cent two years ago. This has been achieved through a reconfiguration of service delivery and at a lower overall cost per resident.
- 17 Performance in relation to **housing affordability and availability** was positive in 2007/08 (although some targets are likely to be extremely challenging in 2008/09 and beyond). Average re-let time is excellent at 11 days compared with best quartile of 26 days. The number of private dwellings returned to occupation doubled year-on-year to 30, and 180 new affordable housing units were completed. However, the average length of stay in hostel accommodation deteriorated from under 18 weeks to over 30 weeks, although this indicator is showing significant improvements in 2008/09. Nationally, the Council was Sustainable Social Housing Landlord of the Year for 2008 for its work in providing council tenants with affordable and renewable energy to heat their homes.
- 18 The Council is **supporting the rural economy** by, for example, using ICT resources effectively to improve access to services. It has comfortably achieved the 2008/09 LAA target to increase the number of inaccessible parishes which have access to community transport journey opportunities, and strategic action on the Rural Community Investment Action Plan remains on target.
- 19 The Council continues to provide **access to jobs and services**. It spends, for example, nearly twice the group average on sport/leisure services and engages young people in processes such as the Council budget and service development. There is evidence of positive outcomes of your work with young people, for example on transport provision and apprenticeships where you have secured places for 20 school leavers with Housing Property Services Repairs Contractors in 2008.

How is Harrogate Borough Council performing?

- 20 The recent CPA (Comprehensive Performance Assessment) report identified strong **community leadership** but with some inconsistency at regional and sub-regional partnership level. The Council is a key partner on the Harrogate District Strategic Partnership Sustainable Community Strategy, supporting the vision and strategic aims which focus on creating a quality environment, a prosperous economy and a healthy and active society. However, the plan is weak in terms of outcomes but the Council and its partners are working together to revise the Strategy to develop a more effective and inclusive action plan, and are working with the Improvement and Development Agency (IDeA) to develop the Partnership's governance arrangements.
- 21 The Council is working well with partners to support members of the community whose circumstances make them vulnerable and put them most at risk of disadvantage. For example, it is working with Ripon Council of Voluntary Service to provide/facilitate support to families and parents who need additional help, such as bereavement counselling, one-parent family support, post natal groups and a free play session for children with special needs. The 'Community Chest' set up by the Council in 2007/2008 provides small grants to local organisations to help them address local challenges on deprivation, health inequality, rural isolation and exclusion. Grants have been provided for a variety of community projects including bowling club boards, storage cupboards, equipment to promote bee-keeping, a toy library and coaching courses. The Council met the 31 March 2008 deadline for issuing new passes under the national concessionary fares scheme.
- 22 The Council provides good **value for money** across a number of service areas including street cleaning. Efficiency targets have been exceeded, with savings used to fund priority areas, such as recycling. The focus on improving value for money has informed initiatives such as energy conservation schemes within leisure centres which have identified ongoing efficiency savings, and the Cultural Services Resource Reallocation Review which has identified efficiency savings of £290,000 per year through a range of income generation and cost reduction initiatives which, over the next ten years, has been earmarked to be used to cover the backlog of maintenance work required.
- 23 The Council has achieved Level 2 Equality Standard but real outcomes are slow to be realised. The Harrogate District Strategic Partnership's Minority Ethnic Forum Action Plan is still in draft (as at January 2009), and whilst the Diversity Action Plan is a rolling plan which considers the needs of minority and other disadvantaged groups, specific outcomes are hard to identify.

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

- 24 The Council's Medium-Term Financial Strategy provides clear, effective links between financial resources, corporate priorities and the way resources are allocated to deliver those priorities. Plans are in place to improve performance management arrangements still further by moving to a scorecard approach which will link PIs, improvement actions and risk in one monitoring report.

How is Harrogate Borough Council performing?

- 25 Where half-yearly figures are available, the Council and its partners are on track to meet 16 out of the 19 measurable targets, with only smoking during pregnancy, the number of affordable homes and percentage of young people not in education or training showing under-performance. The Council and its partners have reduced the average length of stay in hostel accommodation from over 30 weeks at the start of the year to under 15 weeks at June and below eight weeks by September 2008.
- 26 Ambitious plans (subject to Council approval) have been developed to expand recycling services to meet the future needs of the area through planned investment of £1.5m (capital) and £454,000 revenue in this service over the next three years. Whilst spending on waste management rose by £1.76/head in 2007/2008, other priority areas have not seen a shift in resources. This has the potential to restrict improvements in future performance in areas identified as important to the residents of the District.
- 27 The Council has developed the capacity to achieve its ambitions. It systematically addressed a range of weakness identified in the previous corporate assessment. Financial capacity is sufficient to meet current priorities and there are good arrangements in place to improve capacity through partnership working. Capacity is enhanced through leadership and management development programmes including involvement in a North Yorkshire partnership project.
- 28 Plans are in place to establish training and development plans for all councillors, linked to the delivery of their different roles and responsibilities. Councillors are being urged to complete the personal learning and development questionnaire which is seen as an important mechanism for helping to identify their learning and development needs, but response to date has been slow.
- 29 Workforce planning and development is good and has effectively addressed problems such as sickness absence although the position on retirements (both ill-health and others) has marginally deteriorated. Risk management is effective. There has been slower progress in implementing an approach to diversity and equalities.
- 30 The economic downturn, especially in the housing sector is likely to limit your capacity to deliver your affordable housing targets which the Council has revised down from 150 to 75 per year.
- 31 The Council has taken positive steps to mitigate the housing 'crunch' including the introduction of a Homelessness Prevention Fund to give financial assistance to help families prevent or resolve their housing difficulties. To date, 24 grants have been given, averaging £493 per household compared with an estimated cost of placing these households in temporary accommodation of £4,634 per week.
- 32 The Council has appointed a Homelessness Move-On Officer to liaise with private landlords and lettings agents and this proactive work has meant that a number of households have been able to avoid homelessness. The 2008/09 target to prevent homelessness through advice and pro-active intervention (300 against an actual performance of 79 in 2007/08) has already been exceeded by September 2008.
- 33 Our work this year has not identified any significant weaknesses in your arrangements for securing continuous improvement, or failures in corporate governance, that would prevent you from sustaining or exceeding your current rate of improvement.

How is Harrogate Borough Council performing?

Service inspections and follow up of previous assessments

Corporate assessment

- 34 The outcomes from our corporate assessment published in October 2008 have been reflected in the detailed improvement report above.

Waste management follow up

- 35 In 2005 the Audit Commission carried out an inspection of the Council's waste management service. The Commission judged the Service to be 'good' with 'promising prospects for improvement'. We carried out a review of progress using Council documents and telephone interviews.
- 36 The Council has overall made good progress in implementing the recommendations and improving outcomes. It has taken action to address issues that were found in 2005. In particular good progress can be demonstrated by:
- less household waste being sent to landfill;
 - increases in the amounts of household waste recycled and composted;
 - best 25 per cent performance for the amount of waste collected per head of population, cleanliness of relevant land and dealing with abandoned vehicles;
 - improved access to recycling facilities, including kerbside collections, with plans for further expansion;
 - high residents satisfaction with refuse collection and street cleansing services;
 - improved accessibility, responsiveness and provision of information on waste management;
 - improved partnership working with the North Yorkshire councils within the City of York and North Yorkshire Municipal Waste Management Strategy (Y&NYMWMS), such as promoting reuse and waste minimisation activities;
 - improved value for money for street cleansing services; and
 - integrating refuse collection and street cleansing teams to make better use of capacity.
- 37 We found the following areas for further development:
- demonstrating value for money for waste management services;
 - enforcement of legislation to control littering; and
 - marketing street cleansing and waste management services more widely to address users' expectations.
- 38 We will examine the Council's progress again in our work on the organisation assessment which will be reported in the Autumn of 2009.

Affordable housing follow up

- 39 We are currently concluding a small-scale review of the progress made by district councils in North Yorkshire in achieving the changes identified as necessary in our review of this area in 2005. The outcomes of this review will be reported to the Council and its partners shortly and will be part of our evidence base for developing our thinking on the new area assessment which will be reported in November 2009.

The audit of the accounts and value for money

- 40 Your appointed auditor, John Prentice, reported separately to the Audit & Governance Committee on the issues arising from the 2007/08 audit and has issued:
- his audit report, on 30 September 2008, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
 - his report on the Best Value Performance Plan confirming that the Plan has been audited.
- 41 The audit progressed smoothly, and the auditor did not report any significant matters for the council to address.

Use of Resources

- 42 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 43 For the purposes of the CPA the auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	2 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

The key issues arising from the audit

44 The audit identified a number of key issues which are summarised below.

- Financial reporting - The council maintained its excellent performance on producing the financial statements, and this was demonstrated by the smooth progress of our audit of the statements. Improvements are needed in the external accountability, although we understand that the council has already begun to address these issues for 2008/09.
- Financial management - The council has improved its arrangements for managing its asset base, and this has many elements of good practice. Further improvements are possible in respect of demonstrating how the financial plans and strategies have contributed to the achievement of the council's corporate objectives.
- Financial standing - Improvements have been made in financial performance reporting, and the council exceeded its income collection targets for 2007/08. Improvements are needed to the monitoring of debt recovery information, making this more comprehensive and more sophisticated, to enable the council to evaluate the effectiveness of different recovery actions.
- Internal control - The council's arrangements are generally strong and improvements have recently been made to the risk management reporting to members.
- Value for money - The council continues to provide good value for money in a number of key service areas, and its spending is generally in line with its priorities.

45 Further details are provided in the appointed auditor's report on the Use of Resources issued to the council in December 2008.

Looking ahead

- 46 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.
- 47 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.
- 48 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

- 49 This letter has been discussed and agreed with the Chief Executive and Director of Resources. A copy of the letter will be presented at the Governance Panel on 7 April 2009. Copies need to be provided to all Council members.
- 50 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Annual audit and inspection letter	March 2009

-
- 51 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Michael Newbury
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
