

Annual Audit and Inspection Letter

March 2008



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Harrogate Borough Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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Key messages

- 1 The main messages for the Council included in this report are:
 - you have maintained your above average rate of service improvement in some of your priority areas but, although recycling performance has improved, the rate of improvement is slower than in other councils, and progress towards the decent homes standard has slowed, although officers report that the council is on track to meet the standard ahead of the government's target;
 - a conclusion has been issued on your value for money arrangements to say that you had proper arrangements in place in 2006/07;
 - an unqualified opinion has been given on your accounts; and
 - your approach to equality and diversity is still being developed; you missed your own deadline for reaching Level 2 of the Equality Standard. However, you have now adopted a more systematic approach to equality and diversity including awareness-raising amongst staff and members and taking expert advice to inform your work with partner organizations, and you are confident that you will achieve level 2 in 2007/08.

Action needed by the Council

- 2 Your recent efforts to embed diversity and equality will need to continue, and further effort will be required to ensure that your workforce and your members fully understand the implications of diversity and equality on service delivery, user focus and community cohesion. Establishing and demonstrating a clear commitment to diversity and equality will help you to better recognise and understand the needs of your residents and to improve their access to your services.

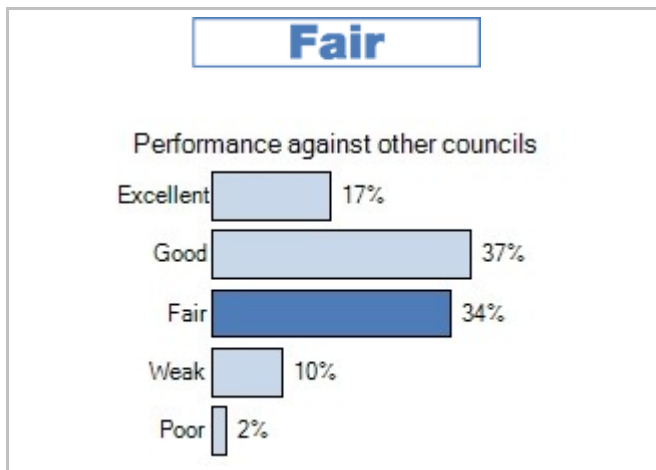
Purpose, responsibilities and scope

- 3 This report provides an overall summary of my assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA) and the findings and conclusions from the 2006/07 audit and inspection programme.
- 4 I have addressed this letter to members as it is your responsibility to ensure that proper arrangements are in place for the conduct of Council business and to safeguard and properly account for public money.
- 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, you are planning to publish it on your website.
- 6 As your appointed auditor I am 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, I review and report on:
 - your accounts;
 - whether you have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether your best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 7 This letter includes the latest assessment on your performance under the CPA framework, including the Direction of Travel report. Our reports issued relating to the 2006/07 audit and inspection work are listed at the end of this letter.

How is Harrogate Borough Council performing?

- 8 You were assessed as Fair 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. You have applied for a re-categorisation as you are confident that your performance has improved since the 2004 assessment. This will result in an updated corporate assessment which is due to commence in July 2008. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Councils with a CPA star rating under review or with a Direction of Travel judgement that is subject to review are excluded from this analysis.

Source: Audit Commission

The improvement since last year - our Direction of Travel report

Direction of Travel Summary

- 9 You sustained above-average service improvement in some of your priority areas, including benefits administration, planning and litter collection during 2006/07. The improvement in some priority areas, such as recycling and the decent homes standard improved relatively slowly, and you missed your deadline for achieving Level 2 of the Equality Standard. You are improving VFM and you have exceeded your efficiency targets over the last three years. You now have a comprehensive range of improvement plans; those we reviewed are robust and SMART. After 6 months, over 80 per cent of your annual Improvement Plan actions were either completed or on target, assisted by the increased capacity you have achieved from more efficient management and performance improvement arrangements.

Direction of Travel detailed report

- 10 Our assessment of your direction of travel is based on two key questions as follows.
- Are your outcomes improving?
 - Are you progressing with plans that will sustain future improvement?

Improving outcomes

- 11 During 2006/07, you maintained your track-record of above-average service improvement. The proportion of your key BVPIs that improved fell from 69 per cent in 2005/06 to 67 per cent, but is still higher than the national average of 58 per cent. Forty five per cent of your key BVPIs were within the best quartile – significantly better than the national average of 33 per cent and your own performance in 2005/06.
- 12 Public satisfaction with the Council as a whole and with some of your service areas, including council house tenants, and leisure and cultural services, was high. Several of your priority services - including benefits administration, planning, litter collection and housing management - improved and you continued to prioritise the provision of affordable housing and support for homeless people. Some achievements have received external recognition, such as a range of medals in 'Yorkshire in Bloom', and a Business Tourism Gold Award for the Harrogate International Centre (HIC).

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- 13 Some aspects of your performance during 2006/07 were less successful. For example, the 2006/07 comparative performance of some services that you regard as priorities, despite improving on 2005/06, fell behind the performance of other District Councils, including kerbside recycling and achieving the decent homes standard. Although there were improvements to the response times for planning applications and the satisfaction level with the planning service, the satisfaction level remains low. By contrast, customer satisfaction with leisure and cultural venues was high and participation in sport within the district is growing.
- 14 The number of new affordable homes completed increased significantly, to more than the combined total of the previous two years. In collaboration with other North Yorkshire councils you are exploring ways of improving both supply and options for take-up. You are consulting the public as you review your homelessness strategy, which will need to focus on strengthening your homelessness prevention arrangements – and deliver a significant reduction in the length of time that families are spending in B&B and hostel accommodation.
- 15 You have widened your approach to engaging with the public, from traditional consultation on plans and specific service topics, customer satisfaction surveys and mystery shopping, to innovations like youth conferences and community tours of HIC. However, your own analysis suggests that the community engagement and consultation feedback is not used as much in the decision making process as they were in 2004/05. You have recognised the need to refine and improve your analysis to fully understand the impact of consultation on the decision making process. As the amount and depth of engagement activity increases, it will be worthwhile re-emphasising to your officers the importance of securing impact from engagement activities – including the extra time on pre-engagement with planning applicants recommended by the IDeA peer review.
- 16 You have achieved a very high rate of first-time resolution of calls and face-to-face enquiries in the new customer service unit, and you are benefiting from the investment of time and money to expand electronic access to services by the public. For example, the number of ‘hits’ on your website is increasing, and you anticipate that the detailed information you are collecting will improve your ability to meet customer expectations for more direct access of this kind.
- 17 You are also contributing to outcomes that are important to the local community. With partners, your initiatives have continued to have a positive impact on residents’ fear of crime and on levels of most crime, for example by extending CCTV coverage to Ripon. From data produced in 2007, your performance compares favourably with your family group of Crime and Disorder Reduction Partnerships and you are conscious of the need to concentrate your activities on reducing offences such as woundings and car thefts. You have established a Youthbuild project to develop construction skills for disadvantaged young people, and have completed the refurbishment of the Royal Hall as a much-needed facility in keeping with your local heritage.

- 18 The economy in Harrogate remains buoyant; unemployment is the lowest in the region and skill levels are rising. You are using your own revenue and external funding to promote the prosperity of the district - especially its rural areas - by working with the four local Regeneration Partnerships. Although you have outsourced prime responsibility for increasing tourism to the Dales Destination organisation, you are continuing to support projects that are designed to 'improve the visitor offer' in the market towns.
- 19 Your approach to equality and diversity is still being developed, and you did not meet your own target of reaching Level 2 of the Equality Standard by the end of March 2007. However, you are taking steps to improve your arrangements, such as taking expert advice to inform your work with partner organizations like the local Council for Voluntary Services, with whom you have established a Black and Minority Ethnic Forum. Officers are confident of reaching Level 2 in 2007/08. You have also been raising awareness of diversity and equality among councillors and staff following the publication of your Diversity Strategy and have adopted a more systematic approach to diversity issues by undertaking impact assessments for your services.
- 20 You are developing a plan to address the needs of young people and are appointing an officer to take the lead. There is an opportunity for your Diversity Framework Group chaired by the Cabinet's diversity Champion to be a key driver in updating your culture and approach- paying particular attention to measuring the impact of activities set out in your Diversity Action Plan.
- 21 The value you are achieving for the money you spend on behalf of local taxpayers is improving. You have made higher than anticipated efficiency gains over the three years to 2006/07 and your expenditure has remained stable within budgets, whilst your overall performance has improved. You attribute some of your gains to more effective procurement arrangements and you anticipate that your plans to modernise contracts –such as contracts for mobile telephones – will deliver substantial savings.

Progress with implementation plans

- 22 You now have a comprehensive range of plans in place to deliver your vision. The plans we have reviewed during the year are robust and SMART. Through one of these - the Medium Term Financial Strategy - you are seeking to increase investment in priorities you have confirmed through public consultation, such as caring for the environment and access to services. You have created an Environmental Initiatives Fund to implement your environmental objectives, which is supporting projects for recycling and promoting energy and water conservation.
- 23 You are also implementing your plans effectively; your 2007/08 mid-year performance monitoring suggests that 73 per cent of your Strategic Plan actions and 81 per cent of your Corporate Improvement Plan actions were either completed – such as the feasibility study and action plan on the long-term investment in the HIC - or on target to be completed by the target date.

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- 24 More efficient management and performance improvement arrangements are leading to improved services. You have enhanced Overview and Scrutiny to promote further capacity building and have established a corporate group to share the work on equality and diversity, rather than relying on a single lead officer. You have implemented a training initiative to improve the skills and capacity of councillors. Attendance at some important events, for example Budget Scrutiny training and Code of Conduct training, has been low, and evaluation of the events is not co-ordinated across the council and does not include a follow up assessment of the impact of the training.
- 25 Your drive to meet efficiency targets needs to continue, and as savings become harder to find, you should be realistic about the need to spend to save – such as exploring further opportunities to invest in modern systems that will release revenue. Your response to the IDeA planning review will be crucial to sustaining recent performance improvements and increasing the impact this service makes with partners through the Community Strategy and Local Area Agreement.
- 26 Your Corporate Resource Strategy is still not fully in place. Even so, your process for balancing competing proposals for funding to support improvements in priority areas is delivering more stability and promoting more consistent decision-making. It is also producing results – such as quicker planning decisions. You anticipate that your new Asset Management Plan will contribute towards greater resource efficiency by examining your leisure and park buildings and office accommodation.
- 27 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.

The audit of the accounts and value for money

- 28 As your appointed auditor I have reported separately to your Governance Panel and General Purposes Committee on the issues arising from our 2006/07 audit in my Annual Governance Report.
- 29 I have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 28 September 2007; and
 - my report on the best value performance plan confirming that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

Whole of Government accounts

- 30 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. You are required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack. I reported that your 'consolidation pack' was consistent with your accounts and there were no matters arising.

Use of Resources

- 31 My audit findings are an important component of the CPA framework. In particular the Use of Resources score is derived from my assessment in the following areas.
- Financial reporting (including the preparation of your accounts and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support your priorities).
 - Financial standing (including the strength of your financial position).
 - Internal control (including how effectively you maintain proper stewardship and control of your finances).
 - Value for money (including an assessment of how well you balance the costs and quality of your services).

- 32 For the purposes of the CPA we have assessed your arrangements for use of resources in these five areas as follows (I have included last years scores for comparison).

Table 1

Element	2007 Assessment	2006 Assessment
Financial reporting	4 out of 4	3 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	2 out of 4	2 out of 4
Internal control	3 out of 4	2 out of 4
Value for money	3 out of 4	3 out of 4
Overall assessment of the Audit Commission	3 out of 4	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 33 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

Financial reporting

You continue to produce good quality accounts and working papers. You have improved Members' engagement in the accounts approval process through providing training to explain their role and developing their understanding of the key elements of the financial statements. To improve accountability you continue to engage stakeholders in consultation and provide your summary of accounts in a variety of formats to meet local needs.

Financial management

Your financial management continues to be performing well. There is scope to develop a consistent approach across the Council to providing financial and non-financial information together to aid decision making, for example when setting and monitoring budgets. You have recently reviewed and updated your Asset Management Plan and Capital Strategy and this includes the use of benchmarking information. This information should help you to make best use of your assets in meeting your corporate objectives. You have still to complete your 'Corporate Resource Plan'.

Financial standing

There have been improvements in monitoring the effectiveness of debt recovery actions in revenues and benefits and community services. In addition you have produced a 'Debtors' Policy' in 2007/08 and there is currently work ongoing on debt recovery and setting targets. However you had problems with the new Agresso Debtors system throughout the year which created debt recovery issues for 2006/07.

Internal control

Your risk management arrangements are becoming more embedded. However, you should ensure that there is evidence that members have accessed and received the information on the system to ensure that risks are being properly managed. The new Governance Panel is seeking to develop an effective challenge and assurance role. Members have received further training this year following the introduction of the new Code of Conduct.

Value for money

Information on costs and how these compare to others is clear and has been analysed over time. However, there are no targets for VFM. You have recognised this and there are plans for these to be developed. You provide good VFM in a number of service areas, for example street cleansing. There remains scope for further improvement to the balance between cost and performance and you are planning to carry out service reviews with a view to improving VFM. You do not always identify the anticipated impact of its spending decisions on users. You have strengthened your approach to benchmarking although this is not being used systematically to improve VFM. Service planning has developed and now contains financial and performance information but this could be further strengthened by improving the link between them.

Data quality

- 34 In order to help me to deliver my conclusion on your arrangements to secure value for money (specifically the arrangements for 'monitoring and reviewing performance, including arrangements to ensure data quality') we carried out a review of data quality arrangements.
- 35 We concluded that your overall corporate arrangements for managing data quality are adequate and have improved since last year. Testing on individual performance indicators found them to be fairly stated. I have made a number of recommendations to officers to assist in improving your arrangements further.

National Fraud Initiative

- 36 The National Fraud Initiative is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in January 2007.
- 37 You have reviewed all the relevant data matches and found two instances of Housing Benefit overpayment due to fraud totalling £16,000, and £1,800 of duplicate creditor payments.

Looking ahead

- 38 The public service inspectorates are currently developing 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.
- 39 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. Use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and sustainability.
- 40 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 Local Area Agreements.

Closing remarks

- 41 This letter has been discussed and agreed with Corporate Management Team. A copy of the letter will be presented at the Governance Panel on 1 April 2008. Copies need to be provided to all Council members.
- 42 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Data Quality	November 2007
Final accounts memorandum	December 2007
Use of Resources report	January 2008
Annual audit and inspection letter	March 2008

- 43 You have taken a constructive approach to my audit and inspection work, and I wish to thank your officers for their cooperation.

Availability of this letter

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

Mark Kirkham
District Auditor and Relationship Manager

March 2008