

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Hyndburn 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.
- 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, 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

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 2008

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

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

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Key messages	4
Action needed by the Council	4
Purpose, responsibilities and scope	5
How is Hyndburn Council performing?	6
The improvement since last year - our Direction of Travel report	6
Other studies	10
The audit of the accounts and value for money	13
Looking ahead	16
Closing remarks	17
Availability of this letter	17

Key messages

- 1 The Council was assessed as 'excellent' following a corporate assessment inspection carried out under the Comprehensive Performance Assessment (CPA) in February 2008.
- 2 The Hyndburn Crime and Disorder Reduction Partnership was recognised by the Home Office as highly performing. Crime levels continue to reduce and the partnership is on track to meet Public Service Agreement (PSA1) targets.
- 3 Recent improvements in access to services and Council support for specific communities are not yet reflected in the Council's slow progress against the Local Government Equality Standard.
- 4 Regeneration activity is progressing well across the borough. However, the planning service performed poorly in 2006/07. Waste management continues to improve and DEFRA has recognised the Council's strong performance in collecting lower amounts of waste per resident.
- 5 The Council is making a valuable contribution to the community priority of improved health. Health inequalities continue to be an issue of concern but we note that this Council has worked effectively with local health partners to promote better health and reduce inequalities.
- 6 Auditors assessed the Council's performance in its use of resources as adequate. Financial reporting was delayed but the Council performs consistently above standard in its approach to ensuring it provides value for the money it spends.

Action needed by the Council

- 7 Address the areas for improvement identified in the recent corporate assessment inspection, specifically clearer articulation of priorities and closer integration of financial, project and programme management.
- 8 Build on the good examples of community engagement by improving the strategic approach to equalities and diversity through improved compliance with the Local Government Equalities Standard.
- 9 Improve the approach to use of resources by ensuring that accounts issues identified during the audit are dealt with promptly to minimise the risk of missing the statutory deadline for financial reporting.
- 10 Further develop existing health partnerships in order to address the levels of health inequality across the borough and the sub-region.

Purpose, responsibilities and scope

- 11 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 12 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.
- 13 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].
- 14 Your 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, 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.
- 15 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.
- 16 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Hyndburn Council performing?

- 17 Hyndburn Borough Council was assessed as EXCELLENT in the Comprehensive Performance Assessment carried out in 2008. 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

- 18 Over the past year the council has continued to make very good progress in most of its priorities, services and activities identified as important to local people.
- 19 Partnership working is developing well, helping the Council to contribute to wider community outcomes and increasing its overall capacity. Extensive regeneration activities are now making a visible impact across the borough.
- 20 The Council's approach to service improvement is soundly based with targets achieved in most cases.
- 21 Continuous improvement in front line and support services has contributed significantly to the Council being assessed as *excellent* in the recent corporate assessment inspection.

Improving outcomes

- 22 Overall the council has made very good progress during the past year in improving outcomes against its priorities. However, there are some areas of the Council's activities where progress is slower, in particular achievement of the Local Government Equality Standard.

The economy and employment

- 23** Regeneration is progressing well across the borough with significant improvements to deprived areas and town centres. Rebuilding of homes continues through the Elevate housing market renewal programme. Redeveloped areas have also seen the opening of two new health centres. Derelict sites have been cleaned up and new office and residential accommodation is being developed, for example at the site adjacent to the Council's offices at Scaitcliffe House. All these developments are helping to achieve the Council's strategy for the economic and social regeneration of Hyndburn.

Crime and community safety

- 24** Crime figures in Hyndburn are reducing with a particularly welcome decline in violent crime. Anti-social behaviour is also down reflecting the efforts of the Council and its key partners in the Local Strategic Partnership and the Crime and Disorder Reduction Partnership (CDRP).
- 25** Although crime levels for the borough still remain higher than the national average, Hyndburn's performance is now better than the average for comparable boroughs. Recent performance data from the British Crime Survey shows that the CDRP is on target to achieve a further 17 per cent reduction in crime for the current year.
- 26** The Home Office have written to the CDRP to commend the partnership for its contribution to the borough's strong performance in tackling crime and community safety.

Housing and the environment

- 27** In addition to the housing market renewal activities mentioned above, the Council has improved its performance in dealing with homelessness over the past year with fewer households in temporary accommodation. The number of households using the homelessness service remains low. In the same period, assistance to 192 vulnerable households has prevented homelessness.
- 28** Waste management continues to improve with recycling and composting rates increased from 26.5 to 33.5 per cent, a rate of improvement which is faster than most other councils. The volume of waste collected is reducing, also more quickly than others. The overall volume collected is significantly lower than most other councils.
- 29** DEFRA has recognised the Council's performance in collecting the lowest amount of waste per resident at 302kg per person. Costs of waste collection are lower than average. The council is addressing environmental sustainability, for example by using low emission vehicles and in recycling 83 per cent of waste from Council offices.
- 30** The borough has less litter than previously but incidences of graffiti increased in 2006/07. However recent initiatives to address graffiti have delivered improvements.

- 31 The Council's effective work with community groups is demonstrated by projects such as the *Neat Streets* programme, a multi agency initiative targeting crime and grime hot spots. This programme is helping to deliver cleaner and safer environments in deprived areas.
- 32 The performance of the Council's planning service in 2006/07 was poor with applications taking longer to determine. After improvements in recent years, performance slipped back to the levels of two years ago and was worse than most other councils. The council has recognised that improvements are needed and is taking specific measures to reverse this decline in performance. Un-audited recent performance data suggests that some progress has been made.

Culture and leisure

- 33 The council has made good progress in increasing cultural and leisure opportunities with a significant increase in the choices available to Hyndburn residents for participation in leisure activities. There are still relatively low levels of participation in sport and active recreation but the number of visitors to museums and galleries is increasing.

Contributing to wider community outcomes

Health and social care

- 34 The Council is making a valuable contribution to the community priority of improved health. Life expectancy for males and females has increased across in the borough but these are still below both the Lancashire and national averages.
- 35 A Dental Education Centre is to be sited within the borough where students from central Lancashire and Liverpool will develop their skills and begin to treat patients.
- 36 Benefits service performance has been maintained and improved for some indicators and the overall level of service is now better than that achieved by many other councils. An accessible and high performing benefits service is important to many people in a borough which still suffers from relatively high levels of deprivation.

Education and lifelong learning

- 37 The number of sixteen year olds achieving five GCSE passes at Grade A to C increased from 52.1 to 57.5 per cent over the past year. The council has worked hard with partners to bring a sixth form college back to the borough, a key strand in the Council's aim to retain young people in further and higher education within the borough and to build a stronger and sustainable economic base.

Access to services

- 38 Access to services generally continues to improve. The council has made good progress in reaching out to local groups, communities and individuals whose views are not always heard. The needs and views of hard to reach groups are captured through effective community engagement including outreach sessions. Parasol, a local support network for eastern European migrants, has been used to develop the Council's understanding of the needs of this growing local community.

Equalities and diversity

- 39 Recent improvements in access and Council support for specific communities are not yet reflected in progress against the Local Government Equality Standard. The Standard enables councils to mainstream age, disability, gender, race, religion or belief and sexual orientation into council policy and practice. Hyndburn is in the worst performing 30 per cent of councils for this important measure.

Value for money

- 40 The councils approach to providing value for the money it spends has been assessed by auditors as consistently above minimum standards. Risk management informs corporate decision making and planning with regular review mechanisms in place. Processes for savings and efficiencies are well embedded through regular monitoring by the corporate management team. The council continues to improve its rate of collection of council tax and non-domestic rates, but still performs at a relatively low level for these indicators compared with other councils.

Improvement planning and sustaining improvement

Improvement plans

- 41 The corporate performance plan and service plans are action focused. They set out clearly how the Council links its activities to the Community Plan and Local Area Agreement. Links to partners' responsibilities are identified.
- 42 Partnership working is a developing strength of the Council. Joint working with neighbouring councils is supporting regeneration and job creation. Joint initiatives on transport and support for small businesses are helping to ensure increased inward investment into the borough and the wider sub-region.
- 43 The Local Strategic Partnership (LSP) has been reviewed and its activities are now better co-ordinated and managed, helping to ensure more effective use of partnership resources and improved community impact.
- 44 Planning with partners continues to improve. Joint strategies in areas such as regeneration, community safety and waste management have been developed. The revised housing strategy, including links to Pennine Lancashire activities, is being developed in conjunction with the other local councils. These mechanisms provide a good basis to monitor partnership activity more effectively.

45 The Council and its partners have developed a draft sustainable community strategy for the period 2008 to 2018. The LSP has identified three immediate priorities:

- to reduce the number of people not in employment, training or education;
- to implement secure gating in vulnerable areas; and
- to tackle alcohol abuse.

Capacity

46 Overall the council has adequate capacity to deliver its plans. Training and development for councillors and staff is good. However work to revise and update the HR strategy has been delayed. Financial standing is much improved.

47 The council's scrutiny process is strong. Scrutiny receives good officer support facilitating effective reviews, particularly in areas of under-performance.

Other studies

48 We have also undertaken other audit studies to support our value for money conclusions across Lancashire. During the year these included work on the approach to addressing health inequalities across the county and the Lancashire Local Area Agreement.

Health Inequalities

49 In our audit plan for 2007/08 we stated our intention to undertake a study of Health Inequalities (HI) across Lancashire to include councils, primary care trusts and other stakeholders. HI is an issue for this borough and the county of Lancashire generally. There is significant variation within the borough and the county area on key measures of health such as:

- average life expectancy;
- death by suicide and/or by accidents;
- infant mortality rates; and
- cancer, heart disease and stroke rates.

50 Our initial findings across the county show that health and local government bodies are investing time, effort and money to address the complex challenges in HI. However, there is not a consistent model or strategic regional approach to reducing the gap in HI. Activities suffer from the lack of a robust planning and project management framework and there is limited performance management of HI specific indicators. As a result there is a high risk that the investment will not help reduce the HI gap across the county over the next three years.

- 51 Health partnerships tend to develop individual initiatives but a lack of project management and performance reporting to cabinet/board level is preventing progress. HI information is available and being used to target resources towards deprived communities and groups. Better leadership on public health, and identification of HI champions at local level would facilitate more progress.
- 52 Our second phase of work, to be conducted in 2008/09, will be directed towards assisting organisations to develop co-ordinated strategies in order to ensure their corporate and partnership resources are used more effectively. This work will be aligned with health bodies and other significant stakeholders such as Government Office North West and the Department of Health. We will also ensure that our work recognises and supports the HI developments within individual councils including Hyndburn.
- 53 Despite the risks identified above, we note that this Council has worked effectively with local health partners to promote better health and reduce inequalities.

Lancashire Local Area Agreement

- 54 This review, undertaken in autumn 2007, concluded that there is a strong, shared commitment to developing targets, systems and structures to make sure that the Lancashire Local Area Agreement (LAA) delivers good outcomes for local people across the County. Agreeing and delivering an LAA in a county as large, complex and diverse as Lancashire is a huge challenge. The County Council, Lancashire district councils and other partners recognise this and are rising to the challenge.
- 55 This commitment is bringing some real benefits in terms of improved partnership working, more productive relations between district councils and the County Council and greater consensus around what is important for the diverse communities that make up the county. The LAA has informed and improved community leadership locally and driven greater acceptance of joint working.
- 56 The LAA focuses on increased life expectancy, improving life chances, sustainable Lancashire communities and narrowing the gap between the most and the least disadvantaged. The overarching aims and targets are clear and were agreed following consultation with the wide range of partners involved.
- 57 The partnership is maturing and becoming more established. Leadership is developing well. Arrangements comply with LAA terms and conditions and statutory requirements. The Internal Audit function of the County Council plays a key role in assurance of arrangements.
- 58 The County Council is investing substantial capacity into building good governance and accountability. As a result some important building blocks are in place including good systems for performance monitoring and management. Others such as arrangements for financial management are developing well.

- 59 There has inevitably been a strong focus in the first phase on setting up systems and delivery chains. There is currently a risk of delivery mechanisms and processes becoming overly complex and bureaucratic so that the capacity of partners to participate in the range of processes, meetings and groups is strained.
- 60 There is the potential to use the expertise and capacity available in district councils more efficiently. For example drawing on their experience of managing Neighbourhood Renewal Funding. This would help to reduce the substantial capacity burden on the County Council.
- 61 Arrangements for decision making have been agreed but in some areas there is a lack of transparency. For example in relation to allocation of funds. The decisions of the steering groups and the performance group need to be more clearly stated and better communicated so that the rationale behind them can be understood.
- 62 Governance arrangements for delivery of county targets at a district level are not yet in place. There has been slow progress in drafting and agreeing suitable service level agreements and contracts. This means that accountabilities, responsibilities and resources are not clearly defined. It currently presents a risk to delivery.
- 63 The County Council and the leadership of the LAA are maintaining momentum around delivery and have gained the commitment of partners despite some of these problems of processes.
- 64 District councils have revised their community strategies and corporate plans to reflect and integrate the LAA. Local community strategies and Ambition Lancashire are not currently well integrated. The county vision is not well linked to local visions. The timing of the development of the LAA meant that it is also not well aligned with Ambition Lancashire. This has been recognised and the County Council has driven a review of the structure of the county LSP and of Ambition Lancashire.

The audit of the accounts and value for money

- 65** Your appointed auditor has reported separately to the Council in October 2007 on the issues arising from our 2006/07 audit and have issued:
- an 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; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 66** 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).
- 67** For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	1 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 68 In carrying out our audit work we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.
- 69 The overall conclusion that we issued, in October 2007, was that the Council has adequate arrangements for ensuring value for money in its use of resources. This was derived from the conclusions that we reached on the Council's management arrangements in a number of areas. We described the components of the use of resources conclusion and reported key messages in our Annual report to those charged with governance, in October 2007. Those key messages are summarised below -

Financial Reporting

- 70 A good explanatory paper on the financial statements was presented to the Audit Committee by the Chief Finance Officer. However, the Council experienced difficulties in preparing and finalising the accounts.
- 71 Due to Council delays in processing adjustments in the accounts and resolving associated queries, we issued an unqualified audit opinion on the financial statements on 31 October 2007, a month beyond the statutory deadline.
- 72 The Council publishes the annual audit and inspection letter and the annual financial statements on its website but did not produce summary financial statements for the public or consult sufficiently with stakeholders around the production of an annual report.

Financial management

- 73 The Council continued to maintain its improved budget monitoring and financial management arrangements. The Council issued an updated asset management plan to members (June 2007) and now has a quantified assessment of the backlog maintenance.

Financial standing

- 74 The Council improved its unallocated reserves balance from £0.759m to £1.338m and is aware of and has quantified some challenges to its medium-term financial strategy.

Internal control

- 75 The Council has made further improvements to its risk management arrangements by transferring responsibility for the administration of risk registers to the Policy and Performance Team. The risk registers have been transferred to and are maintained on a database system. Whilst service managers use these, the arrangements were not fully embedded as at 31 March 2007.

- 76** The Council's Constitution includes Financial Procedural Rules, which, in accordance with a previous Council decision to reduce the volume of standing financial instructions, have been kept at a high level. Whilst these provide an effective overall framework for the Council's financial procedures, these should be supported by comprehensive, detailed financial procedure notes to support officers in performing their duties and to minimise risk. The Council issued its Business Continuity Plan on 2 April 2007, which was subsequently approved by the Senior Management Team on 25 April 2007.
- 77** Overall the Council has maintained its arrangements with respect to fraud and corruption and codes of conduct.

Value for money

- 78** The Council continues to perform well in comparison to other districts. The level of performance improvement is higher than the district average. Performance on key services is higher than expected for the level of spending, when compared to similar authorities, and taking into account local demographics. There is evidence that investment has resulted in improved services and unintended high spending is addressed effectively when it occurs.
- 79** The Council's arrangements in place to manage value for money have improved, in particular the Council has progressed on achieving efficiency, strengthened its performance management framework through the use of performance scorecards, strengthened partnership working and procurement practices.

Looking ahead

- 80 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.
- 81 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. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 82 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

- 83 This letter has been discussed and agreed with senior officers. A copy of the letter will be presented at the audit committee on 1 April 2008. Copies need to be provided to all Council members.
- 84 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 2006
Annual Governance Report	October 2007
Opinion on financial statements	October 2007
Value for money conclusion	October 2007
Corporate Assessment Inspection Report	February 2008
Annual audit and inspection letter	March 2008

- 85 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

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

Tom Keena
Relationship Manager

March 2008