

DC Annual Audit and Inspection Letter

March 2007



# Annual Audit and Inspection Letter

**Epping Forest District Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

### **Status of our reports**

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

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

Reports prepared by appointed auditors are:

- 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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## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
  - Performance Management within the Council has identified areas that need to improve and investment has been targeted to these areas. Demonstrable improvement has been made but further progress is required in order that this Council's performance compares well against other District Councils.
  - The Council has made good progress in developing corporate systems to assess and improve value for money across all its services.

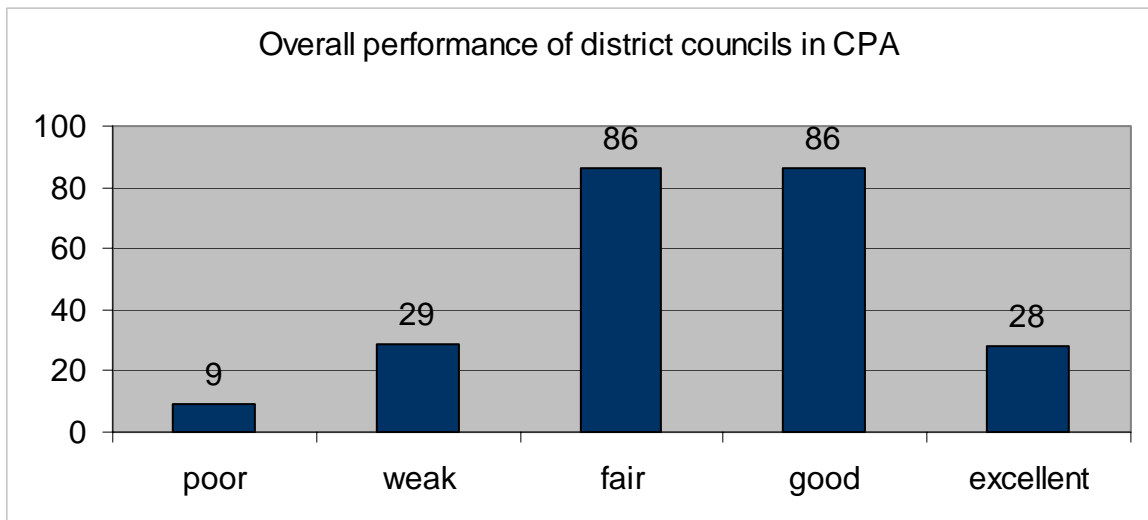
## Action needed by the Council

- 4 The Council needs to ensure that progress made by the Council continues and that in areas where the Council is in the lower quartile when compared to similar Councils, progress is accelerated so that the quartile position improves.
- 5 The Council should continue to develop the systems set up to improve value for money to ensure that they have a positive and sustained impact across all services.

## How is Epping Forest District Council performing?

- 6 Epping Forest District Council was assessed as Good in the CPA carried out in 2004. These assessments have been completed in all district councils and we are now starting to update 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

- 7 Epping Forest District Council is making progress in achieving its six priority objectives, although the improvement in performance indicators is mixed, The Council engages effectively with local communities and joint working with partners is resulting in positive outcomes. It is addressing some key local issues such as waste and planning service performance and these are starting to show improvements. However, in other areas performance is not showing demonstrable signs of improvement. In common with many other councils, the Council is finding it difficult to meet the affordable housing needs of the district. Although it is working actively with partners to promote safer communities, this has not yet led to reductions in crime.
- 8 There is now clearer political leadership and direction within the Council. Performance management and risk management arrangements have been strengthened and value for money is starting to show signs of improvement. The Council is taking steps to address known weaknesses in its corporate capacity, but high levels of sickness absence remain a barrier to further improvement.

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

- 9 The Council has made progress in achieving its six priority objectives for 2006/07. For example, the Council has reviewed car parking in town centres on Saturdays and will be implementing new arrangements from April 2007. The Council has also had some success in revising proposals contained in the East of England Plan for locating 11,000 new homes in the district.
- 10 Based upon an Audit Commission basket of indicators, the Council's progress is mixed. In 2005/06, the Council improved its performance in 60 per cent of a selected range of key indicators, which is just above the average rate of improvement for all district councils of 58 per cent. However, the Council has only 18 per cent of these indicators in the best performing 25 per cent of all councils, which is well below the average of 31 per cent for all district councils.

- 11 The Council has invested resources in poorly performing services, with some success. Additional investment has reduced the time taken to process benefit claims and change of circumstances. Planning performance remained in the lowest 25 per cent of all councils during 2005/06 and was below government standards for major and minor applications. Consequently, the Council was designated as a Planning Standards Authority<sup>1</sup> in 2006/07 in these two categories. However, the Council took action to address known weaknesses. Consequently, the Council's own data for 2006/07 is now showing a marked improvement in planning performance and the Council will no longer be designated as a Planning Standards Authority from 2007/08.
- 12 The Council has responded to and addressed problems with waste management following the contractor operating the service on behalf of the Council going into administration. The Council arranged to continue the service without interruption, although at a higher initial cost. The Council has now secured some service improvements leading to better value for money in this area.
- 13 Progress in waste collection and recycling is varied. The volume of waste collected in 2005/06 fell and performance was above average. The Council recycled 23.5 per cent of waste in 2005/06, which was only a slight increase from the previous year and fell short of the target of 30 per cent set by the Department for Environment, Food and Rural Affairs. In addition, the percentage of properties covered by kerbside collections is declining. The Council has responded to these challenges. In late 2006 the Council changed the collection methods and recent data is now indicating much-improved recycling performance.
- 14 Performance on housing issues is mixed. The Council is making progress on meeting the decent homes standard and has taken steps to help people off the waiting list into privately rented accommodation. However, the Council is also facing challenges in meeting its own targets in providing affordable homes due to the complexity and high cost of the local housing market. It has sought to address this by adopting a range of measures including the provision of increased levels of affordable housing on development sites in the district through alterations to the Local Plan
- 15 The Council works well with a range of partners to secure improvements for the local community. Joint working with local health services have secured better co-ordinated services and care packages for elderly residents. The Council also works with the Epping Forest Children and Young People's Partnership and Essex County Council to deliver services for young people. Notable examples include supporting drop in centres and providing grants for sports facilities.

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<sup>1</sup> A Planning Standards Authority (PSA) is a Council that is under special monitoring arrangements by the Department for Communities & Local Government (DCLG) for not meeting government planning targets in one or more categories of BVPI 109. The Council has to agree an improvement plan with DCLG and remains designated as a PSA until performance shows improvement and this is sustained over a period of time.

## 8 Annual Audit and Inspection Letter | How is Epping Forest District Council performing?

- 16 The Council is working actively with partners to promote safer communities, although this has not yet led to improved performance. In conjunction with partners, the Council is implementing a neighbourhood policing action plan, providing CCTV and funding six Police Community Support Officers. However, data for 2005/06 shows that robberies, burglaries and motor crime are increasing sharply and are in the lowest 25 per cent of all councils.
- 17 The Council has enhanced arrangements for consulting with, and engaging local people. It has adopted a new Public Consultation and Engagement Strategy and Policy in 2006. The Council has improved its website and introduced web casts of significant meetings from April 2006, which is having an increasing number of viewers. The Council, in conjunction with stakeholders and partners, has also undertaken work to identify the service needs of diverse communities such as the disabled, young people, older people and travellers. This is starting to show some practical outcomes and benefits for local people.
- 18 The Council has listened to local residents and stakeholders and responded. For example, it consulted local residents following concerns about revised waste collection frequencies and re-instated a weekly collection during the summer period. The findings from this exercise were used to plan the waste service specification for the re-tendering exercise. The Council has also introduced static cleansing teams and revised frequencies in town centres in response to residents' concerns. As a result, cleansing standards have improved.
- 19 The Council is making slow progress on equality issues. It has now achieved level 1 Equality Standard and completed impact assessments of services. The Council's duty to promote racial equality is now showing some signs of improvement, but overall performance remains below average.
- 20 Value for money is starting to show signs of improvement. The Council has introduced a Value for Money Strategy and awareness of service costs has improved. The overall spend per head on services is reducing down towards the average for similar Councils, although costs currently remain high in some key services such as planning.
- 21 The Council is taking steps to improve the cost and quality of services. The management of the Council's leisure centres was transferred a private sector partner in January 2006 and this has resulted in improvements in user participation, costs and service delivery. The Council is also in the process of re-tendering the waste services contract with the aims of delivering lower costs and service enhancements.

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

- 22 The Council has strengthened its plans to help achieve wider community ambitions. A new Council Plan was adopted in 2006 that covers the period up to 2010. This now follows more closely the aims of the Community Strategy and priorities of the Essex Local Area Agreement. The Council has developed a range of actions and targets designed to achieve these priorities. Service plans now have links to the Council Plan.



- 23** There is now a clearer political leadership and direction within the Council. After a period of no overall control, a new administration was formed in May 2006, which gained a majority in December 2006. This has provided a clearer focus and the Council is now better able to make difficult decisions. An example of this was the decision to defer the customer services transformation project until the costs of the new waste contract became clear.
- 24** Performance management is developing. The Council has reviewed performance management arrangements in line with the Council Plan. It monitors 57 indicators against which performance in key areas is measured, although in some areas this is only done on an annual basis which limits its effectiveness. A new monitoring system introduced in June 2006 enables officers and Councillors to concentrate on those areas of performance that will make a difference to local people.
- 25** The Council is making progress on delivering the actions in the CPA improvement plan. Most have been completed, but a few are behind schedule or not yet achieved, for example the introduction of e-procurement.
- 26** The Council has strengthened its risk management arrangements. This is included as part of all service plans and a corporate Risk Management Strategy. There are now systems in place to ensure that councillors review risks on a regular basis and take necessary action to mitigate risks to the Council's business.
- 27** The Council is taking steps to address known weaknesses in its corporate capacity. For example, it has recently started to review its top management structure to ensure that the arrangements are fit for purpose by summer 2007. The Council continues to address recruitment and retention issues through a range of initiatives including the use of trainee posts and appointments to address specific skills needs. Examples include appointing a Learning and Development Adviser and strengthening the capacity of the Performance Management Unit.
- 28** Sickness absence remains a challenge for the Council. In 2005/06, the average was 10.66 days lost per employee. This showed no improvement over the previous year and was below average compared to other district Councils. Councillors have highlighted this as a concern and have taken action. However, this has not yet led to discernable reduction in sickness and remains a potential threat to the capacity of the Council to deliver effective services.

## Financial management and value for money

**29** As your appointed auditor I have reported separately to the Finance and Performance Management Cabinet Committee on the issues arising from the 2005/06 audit and have provided:

- an unqualified opinion on your accounts;
- a conclusion on your value for money arrangements to say that these arrangements were adequate except in respect of meeting the following criteria:
  - the body has put in place arrangements to manage its significant business risks; and
  - the body has put in place arrangements to manage and improve value for money.

Since issuing this opinion the Council has made good progress in developing its arrangements for risk management and to manage and improve value for money.

- a report on the best value performance plan confirming that the plan has been audited and complies with the statutory requirements.

**30** 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).

**31** For the purposes of the CPA I have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

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

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

- 32** The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows:
- Financial Reporting arrangements have improved significantly since our previous assessment and the Council should now ensure that this continues for the 2006/07 accounts process.
  - Financial management arrangements continue to be well managed within the Council.
  - The Council has a good track record of maintaining a sound financial position and has now improved its systems for monitoring the effectiveness of income collection.
  - The Council actively promotes probity and propriety in the conduct of its business. Risk management arrangements have significantly improved over the past year and they are currently being embedded throughout the organisation.
  - The Council is a relatively high spending council per head of population, although where costs are higher this can generally be explained (for example by proximity to London or where an area is a priority for improvement). The Council has also taken action to improve value for money, for example in leisure services.
  - The Council has concentrated on improving its understanding of the relationship between its costs and performance. The Council has adopted a comprehensive Value for Money Strategy supported by a Value for Money Analysis Tool. Procurement is being strengthened and there are some examples of collaborative working and partnership working in order to achieve efficiency savings and improve services.

## Conclusion

- 33 This letter has been discussed and agreed with Peter Haywood, Joint Chief Executive. A copy of the letter will be presented at the Finance and Performance Management Cabinet Committee on 26 March 2007.
- 34 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 35 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

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