

Annual Audit and Inspection Letter

Northampton Borough Council

Audit 2007/08

March 2009



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Status of our reports

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

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

- 1 Significant progress has been made by the Council over the last year. The rate of service improvement has accelerated to a level that is now consistent with other council's, the processes for securing and improving value for money have improved considerably and government monitoring has reduced significantly. The Council still has much to do to match better performing councils but there is awareness within the council of the scale of the task and the capacity to deliver continued improvement continues to be strengthened.
- 2 Northampton Borough Council is beginning to make progress in improving services for local people. Although it still has some significant way to go before it matches better performing councils it is putting the foundations in place that will help to maintain improvement. The Council has strengthened its planning arrangements with a greater focus on meeting the needs of all sections of the community and improving value for money. Management capacity has improved with a full management team now in place. The two remaining services that were subject to government monitoring – housing and planning - have improved sufficiently to be released from monitoring. A two-year programme of service reviews to identify the most efficient and effective way of delivering services to local people is about to begin. Financial capacity and acquiring the necessary skills to deliver change pose a risk to the delivery of the Council's improvement agenda.
- 3 Your auditor KPMG LLP (KPMG) has discussed with the council a number of challenges going forward and agreed their audit plan for 2008/09 with the Authority to show how their work will respond to these risks. Particular attention was drawn to the following areas.
 - There are pressures on the Authority's financial resources in light of an unfavourable settlement from central government and adverse trends in car parking income and concessionary travel expenditure. The Authority has also yet to reach a settlement on implementation of the Single Status framework which will likely have financial implications.
 - The economic downturn is likely to result in pressures on the Authority's main income streams. The Authority therefore needs to monitor the robustness of its income collection, in particular Council Tax and housing rents.
 - In light of recent events in the banking sector, the Authority needs to keep its Treasury Management activity under close control to avoid exposure to unacceptable levels of risk.
 - The Authority needs to build on improvements made this year in the financial reporting process.
 - Implementing new accounting requirements including the 2009 SORP and International Financial Reporting Standards (IFRS) will present a challenge.
 - The Authority will need to prepare for the new Use of Resources assessment which supports the Comprehensive Area Assessment (CAA) regime.

Action needed by the Council

- 4 The Council should maintain its momentum and focus on strengthening capacity and service review in order to achieve further and more consistent improvement.

Purpose, responsibilities and scope

- 5 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.
- 6 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.
- 7 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).
- 8 KPMG 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.
- 9 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.
- 10 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Northampton Borough Council performing?

11 Northampton Borough Council was assessed as Poor in the Comprehensive Performance Assessment carried out in 2004. The following chart is the current 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

What evidence is there of the Council improving outcomes?

12 Northampton has set out five priorities in its Corporate Plan for 2008 to 2011 which were informed by consultation with local people. They are as follows.

- We will help our communities become safer, greener and cleaner.
- We will improve housing and health to enhance the wellbeing of our communities.
- We will be a well-managed organisation that puts our customers at the heart of what we do.
- We will promote economic development and growth in Northampton.
- We will strengthen our commitment to partnership working and engaging with our communities to deliver better outcomes.

How is Northampton Borough Council performing?

- 13** Progress has been achieved in priority areas, although improvement overall has been mixed and inconsistent, as follow.
- Levels of crime reduced in four out of six categories in 2007/08, although Northampton remains amongst the worst 25 per cent of authorities in its family group in five out of six categories. More recent data provided by the Council shows that crime levels are continuing to fall.
 - The amount of household waste recycled and composted increased slightly in 2007/08 from 37.2 to 37.7 per cent and is above the median for similar councils. More recent information provided by the Council shows that at November 2008 this figure had increased to 41.7 per cent. The amount of waste collected reduced and improved from below to above median. Although the amount of litter increased slightly Northampton continues to match the best performing 25 per cent of councils. There has been a significant reduction in levels of graffiti, although performance matches the worst performing 25 per cent of councils. Levels of fly-posting have increased with performance deteriorating from below median to matching the worst performing 25 per cent of councils.
 - There have been improvements in Housing Services. The percentage of homelessness acceptances that are repeat applications, families in temporary accommodation, number of people sleeping rough, homeless households helped to resolve their situation and use of bed and breakfast accommodation all improved in 2007/08.
 - Although significant outcomes have yet to be realised in the area of regeneration some progress has been made. For example the Council has been making environmental improvements such as regeneration of Becket's Park to make the area more attractive to residents and developers.
 - The percentage of council tax and business rates collected matched the best performing councils. The time taken to pay invoices continued to improve but still matches the worst performing 25 per cent of councils. Levels of sickness absence, which were already amongst the worst performing councils, deteriorated further in 2007/08 and more recent information from the council shows this trend continuing.

How is Northampton Borough Council performing?

- 14** Published figures show that in 2007/08, 55 per cent of performance indicators (PIs) improved. This is below the average range for district councils of 56.9 to 59.1 per cent. However, the Council states that there was an error in some of the PIs and the actual figure should have been 57 per cent, which would place the Council within the average range. Over the previous three years 54 per cent of PIs improved, which is below the average range. The rate of improvement has therefore increased slightly. Published figures show the Council had 24 per cent of indicators in the top performing 25 per cent, but again the Council states the correct figure is 29 per cent. This is below the average for district councils of 33 per cent. It had 32 per cent of indicators in the worst performing 25 per cent nationally, an improvement on the previous year when the figure was 39 per cent. More than half (57 per cent according to published data, 53 per cent according to Council's corrected data) of indicators are below the median for district councils. More recent information provided by the Council shows that as at November 2008 69 per cent of monthly reported indicators had improved over the same period in 2007. There are signs that the Council is making progress in improving services, although Northampton residents continue to receive services which are of relatively poorer quality than other areas.
- 15** An external inspection of environment services in May 2008 assessed the service as 'fair' with 'uncertain prospects for improvement'. While recycling levels were high and the streets clean, customer focus was not well-developed and residents' satisfaction was poor. A review of the Council by the Improvement and Development Agency (IDeA) in October 2008 concluded that the capacity and leadership is now in place to address traditionally poor performance and that improvement is already evident in some service areas. It also highlighted significant improvements in financial and performance management and a more positive culture throughout the Council.
- 16** Partnership working has improved significantly. The Council is taking a proactive approach to working with partners, such as hosting the joint planning unit and the shared procurement service and preparing the local development framework for West Northamptonshire. There is strong partnership working with the police, with the co-location of staff and the introduction of task groups to address specific crime types. Effective partnership working increases the Council's capacity to achieve its priorities.
- 17** The Council is making progress in ensuring services are accessible and responsive to all sections of the community. It has achieved level 2 of the equality standard for local government and is working towards level 3. Equality impact assessments have been completed and are being used to ensure that service plans for 2009/10 address equality and access issues. There are six community forums which reflect the six equality strands and the Council uses these to engage and consult with community groups, for example, using the disabled people's forum to assess the accessibility of local leisure and shopping services. Although there are examples of some services engaging with users, such as a tenants' panel, leisure user groups and friends groups in parks, this is not consistent. The Council has produced a community engagement strategy but has yet to embed a corporate approach to community engagement.

How is Northampton Borough Council performing?

18 In the 2008 Use of Resources assessment value for money (VFM) has been rated as adequate overall. The extent to which the Council achieves VFM is assessed as adequate, reflecting the mixed levels of service performance and costs. However, the processes to improve VFM have improved considerably. The Council is about to undertake a major programme of service reviews to establish more effective and efficient ways of delivering services including the transfer of services to the private or voluntary sector where appropriate. Managers are required to compare the cost and performance of services against other councils and identify how this will be improved in service plans for 2009/10. The Council is putting the foundations in place to ensure that services provide better value for money for local people.

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

19 The Council has strengthened its plans for improving. There is good linkage between the sustainable communities strategy, the Council's corporate plan and service plans. This provides a clear framework to plan services and resources to address local priorities. Performance management arrangements have improved and enable the Council to monitor progress against targets. The Council has increased the frequency of performance reporting by introducing monthly corporate performance reviews. There is a general improvement in service performance, as evidenced by 69 per cent of monthly reported indicators improving over the same period last year. Additionally, housing and planning – the two remaining services that were subject to government monitoring – have been released from monitoring as a reflection of improved performance. The Council has therefore achieved progress in improving some poorly performing services.

20 The Council's capacity has improved. A full corporate management team is now in place which has greatly enhanced the capacity to address the challenges that the Council faces. Senior councillors have remarked that the quality of advice and support available to them has increased significantly. There is a clear commitment and sense of direction amongst councillors and managers to drive improvement and to abandon the legacy of a poorly performing council. The proposed three-year programme of strategic business reviews of all services has recently been condensed to two years which reflects the commitment and ambition of the Council to improve services. However, skills in areas such as project management and procurement will need to be enhanced to ensure that this programme is delivered effectively.

- 21** Financial capacity presents a risk to improvement. The Council is projecting a budget deficit of £7.2 million for 2009/10 and has identified savings equivalent to 20 per cent of its budget to address this. These savings are designed to have minimum impact on frontline services although it will present a challenge to the Council's capacity to deliver its improvement agenda as the changes will have to be delivered against a background of diminishing resources. Despite this challenge the Council has approved a balanced budget for 2009/10 which includes a £1 million fund that has been earmarked for the improvement agenda. Job evaluation and the implementation of Single Status has yet to be completed, and the Council is working towards a target date of 1 April 2010. The financial impact of this is not yet known and will need to be factored into financial plans. Levels of sickness absence match the worst performing councils and have been deteriorating. Arrangements have been introduced to manage sickness absence more effectively but they have yet to demonstrate an impact. The Council faces significant challenges to its capacity to deliver improvement.
- 22** The Council is redrafting its improvement plan to incorporate the recommendations of the IDeA review and also to set a schedule for the strategic business reviews. This presents an opportunity for the Council to set a challenging and comprehensive framework for improvement and a means to monitor that milestones and targets are achieved.

Service inspections

- 23** In May 2008 we reported that Northampton Borough Council provides 'fair' environmental services which have uncertain prospects for improvement. The inspection found that:
- the Council provided a satisfactory level of service overall. It has an extensive range of recycling facilities which includes bring sites and kerbside collections for paper, cardboard, cans and plastics. It has introduced a trial kerbside collection of glass. Recycling levels are high and have increased over the last three years. Most of the streets of Northampton were clean with a low level of litter. However, residents' satisfaction with the waste collection service and street cleanliness was low;
 - the Council was working successfully to reduce carbon emissions. The Upton development has won two environmental sustainability awards. The Council has reduced domestic energy consumption through energy efficiency and insulation grants. It is working with the Carbon Trust to reduce its own carbon footprint and has set challenging targets for this;
 - customer focus was not well developed. The Council does not communicate effectively with all residents about the service. It has not effectively addressed residents' concerns about replacing bins and recycling boxes after collection. It has not systematically assessed the needs of diverse communities and groups to effectively address their needs;
 - the lack of a strategic approach to delivering this service within an overall vision for the Council. The Council was unable to demonstrate that all elements of this service are providing value for money;

How is Northampton Borough Council performing?

- improvement was not consistent across all elements of this service. Satisfaction with waste collection fell substantially in the national survey of 2006, while satisfaction with street cleaning and recycling improved. The rate of improvement on national performance indicators was below average in 2006/07 compared to other district councils. The approach was uncoordinated rather than strategic. Plans did not address all residents' concerns or the Council's priorities, and would not directly lead to improvements that residents will notice in the short-term; and
- there was a clear commitment to improve the service, with a new structure being introduced to achieve this, although this is likely to impair the Council's ability to improve in the short-term. The lack of capacity in corporate support services such as legal services and human resources also limited service delivery and improvement.

The audit of the accounts and value for money

- 24** On 30 September 2008, KPMG issued unqualified opinions on the Authority's 2007/08 accounts and on the Authority's use of resources. KPMG also issued its certificate, confirming they completed all work required for the 2007/08 financial year under their statutory responsibilities.
- 25** The Authority has improved its accounts production processes this year, including improving the quality of working papers. Whilst the audit was nonetheless challenging, the improvements made enabled KPMG to issue their opinion by the end of September as planned. For the 2006/07 financial year KPMG were not able to issue their opinion until 18 October 2007.
- 26** KPMG reported in detail on the issues faced during the accounts audit in their ISA 260 report. This report contained recommendations as to how these issues should be addressed. For 2008/09 KPMG will review the actions taken by the Authority to implement these recommendations. In particular, the Authority needs to:
- ensure that working papers are available at the start of the audit and meet our requirements; and
 - review its bank reconciliation methodology.

In addition KPMG will work with officers to consider new accounting requirements at an early stage and to help further improve the closedown and audit processes.

Use of Resources

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

The audit of the accounts and value for money

28 For the purposes of the CPA KPMG 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	3 out of 4
Financial standing	2 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

- 29 The Authority has made significant progress across most areas of the assessment, with scores increasing in the majority of areas of the assessment, and some areas increasing through two score categories. This reflects the arrangements which have been put in place over the past 12 to 18 months which are now becoming more fully embedded. Particularly notable achievements include progress in reviewing performance and value for money, with a score increase from 1 to 3 on KLOE 5.2, and improvements to procedures for budget setting and monitoring, which have enabled the scores on both KLOEs 2.1 and 2.2 to increase to 3.
- 30 Nonetheless, there remain further opportunities to improve, and KPMG made recommendations as to the main actions needed.
- 31 Alongside KPMG's opinion on the accounts, they are required to issue a conclusion on the Authority's use of resources, which sets out whether the arrangements in place meet minimum requirements across 12 criteria specified by the Audit Commission. In 2007, KPMG assessed that eight of these criteria were not achieved. However, due to the significance of the progress made, KPMG assessed that the Authority met all 12 criteria in 2007/08.

Data Quality

- 32 KPMG concluded their review of the Authority's arrangements for data quality in management information in November and included a review of two Best Value Performance Indicators (BVPs). They concluded that arrangements for data quality are good and that the two indicators tested, which measure timeliness of processing new benefits claims and changes to a benefit claimant's circumstances, were fairly stated.

Looking ahead

- 33** 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.
- 34** 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.
- 35** 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

- 36** The contents of this letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented to members at a date to be confirmed.
- 37** 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
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Environment (Waste Management, Street Scene and Sustainability) inspection report	May 2008
Annual audit and inspection letter	March 2009

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- 38** 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

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

Nigel Toms
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.

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