

Annual Audit and Inspection Letter

May 2007



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**Gosport Borough Council**

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## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It 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), and draws on the findings and conclusions from the audit of the Council. These will inform 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:
  - the Council has made progress against its priorities over the past year, but outcomes are mixed. Some areas of performance have improved while others have deteriorated;
  - the climate of political uncertainty and lack of consensus on key decisions may impede further improvement;
  - an unqualified opinion was issued on the Council's accounts for the year ended 31 March 2006; and
  - the Council has achieved a score of 2 in the appointed auditor's assessment of the Council's use of resources.

## Action needed by the Council

- Address corporate governance issues to ensure improvement priorities can be delivered.
- Ensure outcomes on equalities and diversity so that Council services are accessible to all in the community.
- Continue to put in to action the potential improvements highlighted in the use of resources assessment.

# How is Gosport Borough Council performing?

## The improvement since last year - our Direction of Travel report

### Summary

- 4 Gosport Borough Council can demonstrate progress against its priorities over the past year, but outcomes are mixed in some areas. It has been successful in meeting its planning, access to housing and community safety objectives, for example with community work in the Rowner Village. Public areas and green spaces have been improved and waste collection and recycling rates remain above average for low costs, despite not reaching government targets. The Council is working proactively with partners and government agencies for longer term plans for the borough and is currently consulting widely on community issues. It has also improved its service improvement planning and performance management system. However, the Council has made only mixed progress with health and leisure facilities and it still performs weakly on equality and diversity issues, although it has made recent progress in its internal arrangements. Corporate governance is a significant concern: uncertainty about political leadership and lack of consensus over some key decisions has impacted on improvement over the last year and, if it continues, could be a major risk in achieving further improvement.
- 5 This report covers the period from March 2006 when the last Annual Audit and Inspection Letter (AAIL) was published and uses audited performance information relating to 2005/06, as well as taking into account more recent unaudited information from 2006/07 where relevant.

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

- 6 Performance indicators (PIs) show a mixed achievement of objectives. The Council has done well to improve 59 per cent of a set of indicators selected by the Commission to represent a cross section of services. The average for districts nationally is slightly higher, however, and only 24 per cent of the Council's PIs are comparable with the best performing authorities nationally. The Council's own performance analysis shows that it has improved 47 per cent of all of its PIs, but got worse in 32 per cent of them. 54 per cent of BVPIs met the Council's targets in 2005/06, although 83 per cent are now on track.
- 7 In 2005 the Council agreed four strategic aims: People, Places, Prosperity and Pursuit of excellence. Progress against each of these is assessed in the following commentary.

## People

- 8 The outcomes the Council aims to deliver under this theme are: fewer instances of anti-social behaviour; less crime against people and property; improved health facilities; better leisure facilities and increased usage.
- 9 The Council has made significant investment in community safety initiatives although it has yet to see an improvement in related performance indicators. It has increased staff within the service and issued 26 acceptable behaviour contracts, held three crime reduction weeks and anti-social behaviour workshops for all year-10 school children. Community safety booklets have been delivered to all households and CCTV coverage has increased. A major part of this work has taken place in the deprived Rowner Village area through the Community Safety Partnership. The Council is part of the 'Peninsula project' which has contributed to 60 per cent of Gosport's most prolific offenders being in custody, and a further 30 per cent having reduced their offending behaviour. However, these results do not reflect the crime figures for 2005/06 which show little improvement from the year before although targets for 2006/07 are likely to be met. Crime figures are mixed, and the area suffers from high deprivation levels compared with most of Hampshire, which is generally below the national average. 2005/06 data shows low levels of robberies and motor vehicle thefts and high levels of burglary and sex offences. Unaudited data for the first six months of 2006/07 shows violent and vehicle crime getting worse but the amount of burglaries and robberies reducing.
- 10 The Council has made slow progress to ensure better leisure facilities or increased use of them. More leisure facilities have been provided, for example a new multi-use games area in Rowner, skate park facilities and resurfaced tennis courts. Events such as Rowner carnival and a waterfront festival have been held. However, there is no evidence of increased use of facilities again this year, for example at the Holbrook leisure centre. Plans for this ageing leisure centre have been proposed, and although there is political agreement over the need to redevelop, there is no consensus as yet on how the centre and the land around it should be developed. The number of visits to the Explosion! museum within the Priddy's Hard heritage area is similar to last year, but is still low compared to others, and so there is now uncertainty about its future while the Council develops and markets the whole of the Priddy's Hard heritage area. Because the longer-term future of these leisure facilities has yet to be agreed, it will be some time for improvements to be seen.

## Places

- 11 The outcomes the Council aims to deliver in this theme are: improved access for the Gosport Peninsula; a high quality waterfront; a regenerated Rowner Village; improved recycling with less waste created; quality public areas and green spaces.

- 12 Some of the aims in this theme, which include access and waterfront developments in the area such as Royal Clarence Yard and Priddy's Hard, are longer term and it is too soon to see real outcomes. In addition, some of the issues such as improving access and tackling congestion are dependent on partners, and little improvement can be achieved until government funding has been secured. However the Council has proactively developed relations with government agencies and has secured £4 million funding from the county council for highway improvements. It has also worked with SEEDA, the LSC and Fareham BC on the Daedalus redevelopment site project to ensure the skills mix for the area is correct in order to encourage economic development.
- 13 Work continues to improve community cohesion and regeneration at Rowner Village. The Council has worked with national and government agencies to ensure funding to regenerate the whole area in the longer term. In the meantime, extra funding has been agreed for its access centre, a regeneration project coordinator has been appointed and the area has been enlarged to ensure more new homes can be developed within it. The Surestart Rowner children's centre continues to expand, with a survey in October 2005 showing that a 10 per cent reduction in women smoking during pregnancy had been achieved. Partnership working has also enabled many crime reduction initiatives to go ahead, with higher visibility of community safety staff, a Rowner carnival and an education programme through visiting schools.
- 14 The Council has improved its public areas and green spaces and invested in initiatives which have shown a recent improvement in street cleanliness. Areas including the waterfront have been enhanced with new street furniture and extra cleaning. The Council has promoted a new street scene telephone number to report incidents and a new graffiti cleaning hotspot system is in place. Team restructuring and a new enforcement team has led to increased public education including beach safety and cleanliness events and competitions to enhance the environment. It has also introduced a new system of on-the-spot fines for littering. However, street cleanliness rates were poor with 21 per cent of land below standard in 2005/06. Unaudited figures for the last six months have shown a significant improvement down to only 9.4 per cent as of December 2006. Grass cutting has been a problem, but the Council has worked with contractors to improve arrangements although it is too early to judge the results. The Council has renewed its green flag award for the third year running, and received one of five 'green heritage site' awards in southern England. Environmental health also gained a charter mark for good customer service this year. Overall the Council can demonstrate it has had a positive impact on the appearance of the borough.
- 15 The Council's waste management is fair and further improvements are planned. The amount of waste collected per person compares with the best performers, although it has risen slightly, and costs remain comparatively low at only £37.45 per head of population. However recycling remains behind target: the rate increased by only one per cent to 22.4 per cent in 2005/06, mainly due to high contamination rates. This is short of the government target to reach 27 per cent by 2007/08, but is still above the average recycling rate compared to other districts. An education programme is planned for 2007/8 to increase recycling rates and address contamination of recyclables.

## 8 Annual Audit and Inspection Letter | How is Gosport Borough Council performing?

- 16 The Council's planning service has improved significantly again this year. Planning times for major, minor and other applications have improved and are all comparable with the best 25 per cent of performers, as well as being a low-cost service.

### **Prosperity**

- 17 Outcomes for this theme are: improved social inclusion; better access to decent housing; improved promotion of tourism opportunities; a knowledge and skills base that matches the need of local businesses; and increased investment in Gosport's economy.
- 18 The Council has continued to improve social inclusion and access to housing through projects in Rowner as already mentioned. In addition, the Council has provided a new homeless hostel which has reduced reliance on bed and breakfast, as well as facilitating a community development worker in another deprived area of the borough. Better access to decent housing has been enabled by a new choice-based letting scheme, and both the regeneration of non-decent homes and the energy efficiency of council homes have increased for the third year in a row and with figures comparable with the best 25 per cent of councils.
- 19 Performance on processing benefits is mixed. The Council was comparable with the worst 25 per cent of authorities for its accuracy of claims in 2004/5 and 2005/06, although unaudited figures for 2006/07 show a slight improvement. However, this has been at the expense of the time taken to process changes of circumstance which has almost doubled, placing the Council amongst the lowest performers. The time taken to process new benefits claims has improved slightly and shows above average performance.
- 20 The Council has invested in increasing the skill levels of the community, although there is still further work to be done to secure outcomes. Funding has been invested through the local strategic partnership (LSP) in an educational project to improve the skills of Gosport residents; two people have been appointed as part of this multi-agency project. Funding has also been secured to increase provision for looked after children and teenage parents, for example by providing online learning opportunities in disadvantaged communities. Other achievements include holding business training events and setting up a one-stop-shop for business advice. Tourism work has been limited, although a new tourism website has been launched and the area has received bathing water quality awards for both its beaches. Overall, the Council can demonstrate that it is working to improve the prosperity of the borough, but will need to ensure continued focus over a period of time to achieve its outcomes.

### **Pursuit of Excellence**

- 21 The Council aims to improve performance management and customer service, ensure trained, motivated staff and promote more efficient and effective decision making.

- 22 The Council's involvement in promoting the local community partnership (LSP) has been instrumental in contributing towards wider community outcomes. For example, a youth festival and events were held during the summer. The Council is now playing a major role in promoting the new community strategy, due to be launched in March 2007, with a series of consultative 'vision fairs' being held at the same time as the local development framework consultation process. A clear consultation pack has been produced and a local access groups have had input into improving methods of gathering people's views. Youth consultation work has also been carried out. Partner involvement is also effective: for example, work with the police on community safety initiatives at the Rowner Village.
- 23 The Council has made some progress in its arrangements to meet the needs of harder to reach groups, although much of this work has been internal. It has completed a disability impact assessment and equality scheme, set up an equalities working group, and hired consultants to carry out surveys and access questionnaires with Black and Minority Ethnic (BME) people to inform service planning and its race equality impact assessment. The Council has also started to monitor the number of females, disabled and BME job applicants short-listed for interview; data for the last six months suggests these harder to reach groups are not being disadvantaged. Satisfaction rates with the Council by disabled people are similar to others, suggesting they do not feel disadvantaged with council services.
- 24 However, there has been little improvement with equality and diversity indicators, particularly for people from Black and Minority Ethnic (BME) groups. The Council's progress in meeting the duty to promote race equality has risen from 37 per cent to 42 per cent in 2005/06 although this is still comparable with the worst performing districts, and the percentages of women and ethnic employees and their representation in the top five per cent of earners remain below average. The Council is only at Level One of the Equality Standard for Local Government<sup>1</sup>, which compares with the worst 50 per cent of councils. Some Gosport councillors do not see increasing the level of the equality standard as a priority, due to resource constraints, and a decision has been taken not to aim to achieve level two until 2007/08. Level One is about beginning to put a system in place and it is not until higher levels are achieved (3 and above) that people will notice a real difference in how the Council address equality and diversity.
- 25 Access to council buildings for people with a disability is still poor, although work has been carried out with local groups to make some improvements, and the Council has worked hard to improve the deprived Rowner Village. The Council has provided equalities training for staff which some councillors have attended. There are planned disability awareness sessions for the whole council over the next few months to ensure they are better informed. Overall, although there is work behind the scenes, this has not yet resulted in improved outcomes for harder to reach groups.

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<sup>1</sup> This standard has 5 levels and provides a common approach for dealing with equality for race, gender and disability. All councils should be working towards Level 5 as soon as practicable.

- 26 The Council achieves reasonable value for money. Compared to its nearest neighbours, Gosport BC spends below average. Areas of higher spending such as transport, environmental health and parks generally align to good performance. The Council is a low spender on its planning service but achieves good results; this is also the case with recent waste collection and street cleaning performance.

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

- 27 Progress has been made in ensuring plans are fit for the future. The Council has improved its service improvement planning and performance management system. These improvements include the introduction of an extra member of staff; a revised performance management framework; new Performance Indicator (PI) software; and service improvement plan guidance, aiming to result in savings, smarter targets, better satisfaction and service. Quarterly PI information has now been in place for a year, and the Council has adopted a set of new corporate 'wellness' indicators, such as close monitoring of telephone calls and complaints. Further work has been done to demonstrate a clear link between the community plan and corporate plan through to service improvement plans. There is an improved service efficiency review programme.
- 28 Capacity is being enhanced. Internally, staff restructuring has led to a more stream-lined council, the new Investors in People standard has been reached and staff satisfaction has risen to 65 per cent. A workforce development plan has also been published after delays last year. Partnership arrangements work well, such as a more streamlined LSP with fewer partners and targets, joint working with Fareham BC on building control, and the Council has been able to engage government agencies to ensure the development of the borough. The Council has made effective use of consultants, for example by carrying out BME research. A recent communications audit has also recommended that the Council undertakes support and development for councillors to enable them to represent their party and Gosport effectively. Financial management arrangements have also improved since last year and financial standing remains good.
- 29 Uncertainties about political leadership have had an adverse impact on the Council's ability to improve. The leading political party resigned in December 2006, due to conflict for example over the re-introduction of free short-term car parking which was voted in by the two opposition parties. After a short period without leadership of the Council, one of the minority groups has taken leadership and chairmanship of committees. However the difficulties of reaching consensus on key decisions, for example on the future of the leisure centre, have already had an impact on improvement, and are likely to have implications for the future. Although the budget has been balanced for this year, there are longer term difficult financial decisions to be made, due in part to the recent loss of car parking income, which could result in the Council's finances falling below reserve levels. This climate of uncertainty about political leadership and decision-making could be a major risk in sustaining and achieving further improvement.

## Other performance work

- 30 The Hampshire Local Area Agreement (LAA) is progressing well with good engagement and cooperation from all partners. The LAA has eight clear priority outcomes and four 'flagship' initiatives each detailed in a shared three-year LAA Action Plan (April 2006 to April 2009). Steering groups to oversee the development of each project are now in place and the first six monthly (April to September 2006) performance LAA report and a prioritised action plan was produced and shared with partners and the Government Office for the South East (GOSE) in November 2006. It is too early to draw conclusions on the progress except for some targets which are well established. The LAA will be subject to an annual refresh with GOSE to take effect from April 2007. The partners are taking this opportunity to assess performance and revisit some targets.

## Financial management and value for money

- 31** Mazars LLP, as your appointed auditors, have reported separately to the Standards and Governance Committee on 14 September 2006 on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
  - a conclusion on your VFM arrangements to say that these arrangements are adequate except for the failure to put in place arrangements for the management of the Council's asset base; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 32** The findings of the auditor are an important component of our understanding of a Council. 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).
- 33** We have updated our assessment of the Council's arrangements for use of resources in these five areas as follows, based on an assessment carried out in early 2007.

**Table 1 Use of Resources assessment 2006/07**

<b>Element</b>	<b>2005/06 Assessment</b>	<b>2006/07 Assessment</b>
Financial reporting	1 out of 4	3 out of 4
Financial management	1 out of 4	2 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	2 out of 4	2 out of 4
Value for money	2 out of 4	2 out of 4
Overall assessment of the Audit Commission	2 out of 4	2 out of 4

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

- 34 A summary of findings and conclusions by theme is set out in table 2.

**Table 2 Summary of findings and conclusions by theme**

<p><b>Financial reporting</b> <b>Theme score: 3</b></p> <p>The accounts for the year ended 31 March 2006 were prepared in accordance with statutory requirements and timetables and complied with relevant accounting and reporting standards. Some amendments were required to the draft accounts presented for audit, but none of these were material in nature.</p> <p>There is scope for some further improvement in the quality of working papers prepared to support the statement of accounts and consideration should be given to the production of summary accounts or an annual report.</p>
<p><b>Financial management</b> <b>Theme score: 2</b></p> <p>The Council have introduced a Medium Term Financial Strategy (MTFS) which is linked to key strategic objectives and takes account of improvement priorities. Further improvement could be made to the MTFS by linking it to other internal strategies and ensuring it is communicated to all staff and relevant stakeholders.</p>

**Financial management**

**Theme score: 2**

The Council are in the process of drafting a corporate business plan. This should project forward at least three years and take account of various matters including stakeholder/partner consultation, capital investment plans and expected developments in services.

Sound budgetary arrangements are in place. There is effective performance monitoring and action is taken on a timely basis to address any issues that arise.

The Council does not have an up to date corporate capital strategy or asset management plan. Since last year, the Council has engaged a consultant to advise on these areas and an updated capital strategy is to be presented to the Policy and Organisation Board meeting in the near future.

**Financial standing**

**Theme score: 3**

The Council sets a balanced budget that takes account of cost pressures and the impact on council tax. Spending has been consistently maintained within budget without significant under or overspends. The Council's policy for reserves and balances is subject to regular review based on an understanding of needs and risks, and is properly and clearly reported to members.

The Council has introduced targets for housing income collection and recovery of arrears and producing monitoring information evaluating the effectiveness of recovery actions. There is further scope to introduce this in other areas of the Council's work.

**Internal control**

**Theme score: 2**

Officers have worked hard over the last year to embed risk management in to the Council's operations and activities. The risk management strategy is currently being updated and will be taken to the Standards and Governance Committee on 23 April 2007 for discussion and approval. Risk registers and profiles are now in place and available to all staff on the Council's intranet. The Council must now ensure that the new policies and procedures are embedded and regularly reviewed and updated.

Member training in risk management has not yet been introduced.

**Internal control****Theme score: 2**

The assurance framework is being finalised and will be taken to the Standards and Governance Committee on 23 April 2007 for discussion and approval. Heads of Service will be signing off assurance compliance statements for the year ended 31 March 2007 and annually thereafter.

The Council continues to maintain sound arrangements for promoting and ensuring probity and propriety in the conduct of business and a strong anti-fraud culture. However, the Council should undertake an assessment of standards of conduct, including how effectively Members are complying with the code of conduct, the number and types of complaints received and take action as appropriate.

The anti-fraud and corruption policy and the whistleblowing policy are currently being updated and will also be taken to the Standards and Governance Committee on 23 April 2007 for discussion and approval.

**Value for money****Theme score: 2**

The Council is performing well, whilst keeping costs at a reasonable level. As noted in the direction of travel report, the Council's proportion of performance indicators (PIs) in the upper quartile (24 per cent) is relatively low compared to other district councils although the number of PIs that have improved since 2004/05, at 59 per cent is comparable with the all-district average of 61 per cent.

Until recently, little action had been taken to address areas of low customer satisfaction (e.g. leisure and recreation services). However, the Council is beginning to address the issues identified. The future of the leisure centre remains a key area for action.

Considerable efforts have been made to benchmark against other authorities. The attitude towards performance management at service level has improved especially as a result of the ongoing progress reports on the use of resources assessment.

There is a comprehensive procurement strategy in place although no real achievements can be demonstrated against this to date.

## Conclusion

- 35 This letter has been discussed and agreed with Ian Lycett. A copy of the letter was presented at the Standards and Governance Committee on 23 April 2007.
- 36 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

- 37 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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