

Annual Audit and Inspection Letter

Gosport Borough Council

Audit 2007/08

March 2009

DRAFT

Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Gosport Borough Council performing?	5
The audit of the accounts and value for money	11
Looking ahead	15
Closing remarks	16

DRAFT

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.
-

Key messages

- 1 Gosport Borough Council continues to make good progress in meeting its priorities, although setbacks in major projects and corporate governance issues have still to be resolved.
- 2 The Council has improved delivery of its priority themes of people, places and prosperity in the past year. Performance indicators show the Council as improving well in many areas and at a faster rate than many other councils. It can demonstrate good progress in community safety, housing and environmental services, with outcomes such as reduced anti-social behaviour, improved energy efficiency in homes and cleaner streets.
- 3 Progress has been made with key longer term projects such as regenerating the deprived Rowner estate, but some partnership plans have experienced delays due to factors outside of the Council's control. Planning performance continued to decline during 2007/08 although this has shown recent improvement, but recycling rates and satisfaction with several services remain poor.
- 4 The Council manages its finances adequately but identifying budget savings are a major challenge for the Council, and councillors have yet to work together effectively to secure longer term financial capacity.
- 5 The Council works effectively as part of the Partnership for Urban South Hampshire (PUSH) and the Gosport Partnership in planning and starting to deliver longer term outcomes for the community in transport, health, education and employment.
- 6 The external auditors have issued an unqualified opinion on the accounts for the year ended 31 March 2008 and concluded that there are adequate arrangements in place for ensuring value for money.
- 7 The Council has achieved a score of 2 in the annual Use of Resources assessment.

Action needed by the Council

- 8 The main actions needed by the Council highlighted in this letter are:
 - ensure better cross-party working for major issues such as addressing budget deficits; and
 - identify and implement solutions for poor satisfaction and recycling rates.

Purpose, responsibilities and scope

- 9 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) and the findings and conclusions from the audit of the Council for 2007/08.
- 10 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.
- 11 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).
- 12 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.
- 13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report. 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.
- 14 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 Gosport Borough Council performing?

The improvement since last year - our Direction of Travel report

- 15 The Council has agreed four strategic aims for the borough: People, Places, Prosperity and Pursuit of Excellence. Progress against each of these is assessed in the following commentary.

People

- 16 The outcomes the Council aims to deliver in this theme are: fewer instances of anti-social behaviour; less crime against people and property; and improved health and leisure facilities with increased usage.
- 17 The Council has performed well in meeting its community safety objectives, and is working effectively in partnership to reduce crime. For example, in 2007/08 there were reductions in criminal damage by 17 per cent, robberies by 7.9 per cent, theft of vehicles by 31 per cent and burglaries by 37 per cent. 'Secure by Design' principles have been incorporated into new housing developments. The community safety team has been working well in providing diversionary activities such as football for young people in deprived areas like Rowner. For example, the Summer Passport Scheme provided activities for over 500 young people, 13 per cent of whom were 'hard to reach'. However, violent crimes remained high during 2007/08 although they are now declining, with a 12 per cent decrease in assaults in December 2008 compared with December 2007. Overall this work is helping improve the quality of life for local communities.
- 18 Progress in improving health and leisure facilities is continuing, although plans are longer term and health inequalities remain. The Council has worked as part of the Local Improvement Finance Trust (LIFT) project to improve access to health facilities by delivering a new surgery and rest home at Rowner, as well as providing leadership for issues to progress the future of Haslar hospital. It has also started to work with the primary care trust on an initiative to reduce the high number of teenage pregnancies in the area. Within the leisure service, plans to develop the Explosion! museum have halted due to the current economic climate. However, a replacement leisure centre has now been agreed with cross-party political support, and building is expected to start later this year. In the meantime, numbers using the existing centre remain low.

Places

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

How is Gosport Borough Council performing?

- 20 Improving access and reducing congestion remain key challenges for the area. For example, plans with the County Council for a western relief road have not materialised, and there are disagreements over the route of the proposed bus rapid transit system. However, work with the Partnership for Urban South Hampshire (PUSH) has led to investment in the transport infrastructure. Transport is also one of the two main priorities of the Gosport local strategic partnership (LSP), which is focussing on developing cycle lanes. The Council has also requested travel plans from developers, which has led to free bus passes for residents at Priddy's Hard. Plans to repair the ferry landing stage have developed over the past year, with funding now identified, ensuring that transport links between Gosport and Portsmouth continue. This should help ensure a high quality waterfront.
- 21 The Council has continued to provide leadership in the Rowner regeneration scheme. A formal application has just been made to the Council for planning permission for this £140 million scheme, although this had been delayed. However, building is expected to start in mid-2009. In the meantime, the Council has continued to support community initiatives in the area such as the local carnival which 4,000 people attended, as well as community safety and educational projects.
- 22 Recycling rates remain poor at 25 per cent, but the amount of waste collected is in the best 25 per cent of councils and costs remain low at £40 per household. The Council only collected 341kg of waste per household, compared with the national average of 403kg, showing that local people are generating less waste. The Council has recently improved its recycling collection service by adding over 1,000 properties to its collection rounds in 2008, continued its publicity and increased recycling in council offices.
- 23 The Council has continued to provide cleaner public areas and green spaces. The percentage of land littered reduced from nine to six per cent over the past year and the amount of graffiti has also fallen. Fly posting remains low, and coupled with the low amount of waste generated, the Council overall maintains a good environment. It has also won silver awards for South and South East in Bloom, and received a Green Flag award for one of its parks.
- 24 The speed of processing planning applications declined in 2007/08 and audited performance is now comparable with the worst 25 per cent of councils. For example, major applications processed in time fell from 80 per cent in 2006/07 to 45 per cent in 2007/08, and other applications fell from 94 to 82 per cent. However, by December 2008, performance had improved and major and minor applications are now on target. A shortage of staff has been the main issue for this decline, although fewer applications have helped the Council recover recently.

Prosperity

- 25 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.

How is Gosport Borough Council performing?

- 26** The Council has helped to improve social inclusion in the borough. Harder to reach groups, such as those in Rowner, have been focussed on with initiatives such as the carnival and an 'Alive and Kicking' project which 4,500 young people attended. Elsewhere, the Council-supported UK online training system is helping 250 people gain qualifications and jobs. The Council recognises the need to continue to focus on achieving outcomes for these longer term goals.
- 27** Performance indicators for the housing service are good. The Council continues to perform in the best 25 per cent of councils with the amount of vacant private-sector homes and dwellings returned to occupation, tenant satisfaction, the number of households in temporary accommodation, energy efficiency, and repairs completed on time. However, only 64 affordable homes were completed in 2007/08 compared with 217 last year, and the length of stay in hostel accommodation remains below average at 11 weeks. Overall the Council is helping people access decent housing.
- 28** Performance with processing benefits is mixed but has continued to improve over the past year. For example, the time taken to process new claims fell from 26 to 23.7 days, which is quicker than average, and the time taken to process changes fell from 20 to 12 days, although this is still comparable with the worst 25 per cent of authorities.
- 29** The Council has progressed well in increasing the skill levels of the community and promoting tourism and the economy. It has worked in partnership to deliver the Impact Project, which has helped raise children's ambitions and promote local businesses. For example, children have produced and sold calendars of the area, and over 100 businesses such as a local gym have been supported with business advice and networking to help make their companies more successful. The project has also developed a Go Gosport brand and website, which is helping to develop Gosport's potential. Through the local strategic partnership the Council hosted a Big Day Out in July 2008, attended by 10,000 people. This included free entrance to local attractions, in order to promote the area and to change people's perception of Gosport. It was so successful that it is being repeated this year.

Pursuit of Excellence

- 30** The Council aims to improve performance management and customer service, ensure trained, motivated staff and promote more effective decision making. These are explored within the following sections.

Overall performance

- 31** Performance indicators (PIs) for 2007/08 show that the Council is continuing to improve well from an already good base. 67 per cent of PIs improved from the previous year, which compares well with the district average of 58 per cent. It has increased the number of PIs in the best 25 per cent of all councils from 37 to 39 per cent. Once again, the Council has improved more than many other councils. Areas of particularly high performance include: housing PIs such as the amount of affordable new homes provided, amount of private homes vacant, and homelessness applications; and environmental PIs such as the low cost and amount of waste collected, and the small proportion of land littered or with graffiti and fly posting.

How is Gosport Borough Council performing?

- 32 However, there are areas of weaker performance. Those PIs comparable with the worst 25 per cent of councils include: slow processing times for planning applications; low recycling rates; and poor satisfaction with many services such as leisure and street cleanliness.
- 33 The Council's own performance analysis for the first six months of 2008/09 show that most indicators are still on track and improving, such as those for the environment and community safety. However, performance has deteriorated for sickness rates and planning speed times.
- 34 The Council remains at level one of the equalities standard but is continuing to pursue its equality and diversity work with vigour. However, much of this work involves training and policy development which has yet to have a major impact on its equality indicators or outcomes for local people. Work to improve access and quality of services has led to: a review of reception areas with funding for improvements; training on the race and gender equality schemes for all staff; completion of equality impact assessments; child protection training and hosting a black and minority ethnic community development worker. Staff from black and minority ethnic communities and those with a disability are now more reflective of the population. Councillor involvement in pursuing equalities is variable, and although effective training is provided, attendance by some is poor. Overall the Council's focus in this area will help to ensure fairer access to council services as well as helping it reach its priority of enhanced customer service. In the meantime however, without an embedded mainstreamed approach to equality, the Council cannot guarantee that services are delivered in a fair and equitable manner. This is important in ensuring that the needs of its most vulnerable residents are being met.
- 35 Value for money is adequate and has improved in some areas. For example, the Council has developed its electronic services and now uses an online recruitment portal, accepts on-line planning applications and direct debit which has helped create efficiency gains. It has made staff efficiency savings of 3 to 4 per cent. Waste collection continues to offer good value for money. The Council has reached its three-year savings target within the first two years, and as a result has set a further stretch target. Our Use of Resources work scored the Council as 2 out of 4, with 4 being the highest score. However, satisfaction in many areas - such as with the Council overall and within waste and leisure services - is low. The Council is focussing on this in a variety of ways such as promoting the area, commissioning research, and increasing councillor involvement in identifying savings.

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

- 36** The Council has made mixed progress with its improvement plans. The local strategic partnership (LSP) agreed its community strategy action plan in March 2008, with clear priorities of transport and employment. Links between the Council, the LSP and the Local Area Agreement have become clearer, with for example, a stronger focus on health in the new corporate plan. However, the Council has still to set its new National Indicator targets, although this is expected to be completed by April 2009. In the meantime this means it is difficult to measure progress against priorities. Software issues with the Council's new performance management system has led to delays in rolling this out across the Council and the LSP. In the meantime, a new performance management calendar and partnership data report have been developed which monitors and flags issue for the LSP. This will help the Council to meet its priority of effective performance management.
- 37** Improvement plans are being implemented, although there have been delays to many larger partnership projects. Initiatives such as the Big Day Out and funding to investigate travel behaviour have been carried out through the LSP. An application has been submitted for planning permission for the redevelopment of Rowner, one of the most major development plans in the whole of the South East. However, some plans such as those to increase cycle lanes are only developing slowly and it is unclear when the lanes will be in place. Other partnership plans, such as the pontoon replacement and Priddy's Hard have been delayed or put on hold.
- 38** Partnerships have been developing well and adding capacity to the Council. For example, work with the Partnership for Urban South Hampshire (PUSH) has enabled £3.4 million regeneration work to take place at Rowner, and the LSP has secured £3 million funding from the county council for its transport plans. Relations with the county council have improved and the Council has received support for tourism and countryside plans, as well as better recognition of the education and health inequalities that Gosport faces. The Council is also appointing a new director with a remit to develop partnerships.
- 39** Staff capacity continues to be poor in some areas. Sickness rates are getting worse and are now above average, which is impacting on services such as planning, where pre-application negotiations have stopped. Absences have also hindered the Council in progressing some policies. Plans being implemented by human resources, such as a new sickness procedure, have not yet improved the situation, although a restructure is also underway and a comprehensive training plan is in place.
- 40** Financial capacity remains adequate overall. The Council performs well in financial reporting and standing, and adequately in financial management, internal control and value for money. However, the Council faces significant budget deficits and political direction on key issues is awaited.

- 41 The Council continues to face weaknesses in corporate governance due to political instability. One of the Council's outcomes is to enable more efficient and effective decision making processes, and this has yet to be fully realised. Poor media relations, political infighting and key disagreements, for example over the licensing of local events, remain. However, the political parties have demonstrated they are able to work together over some issues such as agreeing capital investment plans, commitment to balancing budgets and the future of the leisure centre. Overall though the political instability is still causing uncertainty for partners, staff and the community.

DRAFT

The audit of the accounts and value for money

42 Mazars LLP, as your appointed auditors, have reported separately to the Standards and Governance Committee on 11 September 2008 on matters arising from the 2007/08 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 on 19 September 2008;
- an audit report, providing an unqualified opinion on the Whole of Government Accounts consolidation pack; and
- a report on the Best Value Performance Plan, confirming the Plan has been audited.

Use of Resources

43 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 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).

- 44 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	3 out of 4
Financial management	2 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

- 45 The key conclusions from our work for each theme were as follows;-

Financial Reporting

- 46 The Statement of Accounts for 2007/08 was prepared and approved in accordance with statutory and regulatory requirements. The Council received an unqualified opinion on its accounts, value for money conclusion and Whole of Government Accounts Consolidation pack.
- 47 The draft accounts presented for audit contained several non-trivial errors although these were deemed not to be indicative of significant control weaknesses. The Council should ensure that the accounts submitted for audit are thoroughly reviewed to eliminate all non-trivial errors.
- 48 Comprehensive working papers were provided in electronic format at the start of the audit and were of a good standard although additional working papers had to be requested during the course of the audit. Experienced and knowledgeable staff were available to answer queries and all additional information requested was provided in a timely manner.
- 49 An Annual Report is not produced by the Council. The views of stakeholders should be sought to determine whether such a report would be useful.

Financial Management

- 50 The Medium Term Financial Strategy (MTFS) has been updated in 2007/08 and models income and expenditure over the five year period to 2011/2012. The MTFS is driven by the corporate business plan and takes account of both local and national improvement priorities although the corporate plan is in need of an update as it covered the 2005-2008 years.
- 51 The budget setting process is appropriate, with budgets set based on business plans. Effective budget monitoring is undertaken with involvement from budget holders, senior management and Members.

The audit of the accounts and value for money

52 The Council produces quarterly budget monitoring reports that are presented to the Policy and Organisation Board.

53 The use of whole life costing should be considered for future investment decisions.

Financial Standing

54 The Council has strong budget setting and monitoring arrangements in place, which take into account cost pressures and council tax implications.

55 The Council has a formal reserves policy in place and maintains levels of reserves within this limit. The appropriate level of reserves is reviewed on a quarterly basis. The quarterly budget reports comment on the appropriateness of the reserves balances and will make adjustment if required.

56 The Council should consider monitoring key financial health indicators with challenging targets set in areas such as income collection.

Internal Control

57 The Council has updated its Risk Management Policy produced as part of the assurance framework. There is a risk management working group in place, with twice yearly reports issued to the Chief Executive and CMT, who have overall responsibility for risk management.

58 A risk register is maintained online and has been recently transferred to the new Covalent system.

59 No Member training on risk management had been carried out at the time of our work.

60 The Council produces an Annual Governance Statement which complies with the relevant governance framework. The Standards and Governance Committee are responsible for the review and approval of this document. Significant control issues have been highlighted in the document with detailed action plans drawn up for each issue.

61 The Council should consider undertaking an assessment of compliance with the standards of conduct to ensure that all Members are complying with the code and that appropriate action is taken for any complaints received.

Value for Money

62 The Council are aware of, and are working to address, the areas that are consistently producing low satisfaction levels (particularly sport and recreation caused by the leisure centre). Customer questionnaires are being undertaken to identify key reasons for low satisfaction.

63 The Council regularly benchmarks performance against other authorities, particularly the nearest neighbouring authorities. Performance management arrangements are robust and Members are kept updated on a regular basis.

64 Despite the limited resources available to the Council, they have achieved improved value for money in certain areas, particularly e-government. Direct debit and BACS payments have been introduced creating administration efficiency gains and reducing the risk of bad debts.

- 65 The Council have achieved their three year efficiency savings target within two years. As a result a further stretching target has been set for the third year.
- 66 The new internal audit partnership with Eastleigh Borough Council commenced in 2007/08. It is hoped that this will create efficiencies and generate long term value for money improvements.
- 67 The Council should continue to regularly monitor procurement exercises and ensure that value for money is achieved. Procurement successes and failures should be recorded to assist value for money decisions in the future.

Other audit work in 2007/08

- 68 We have also completed work during the year on the Council's grant claims. There were no matters arising from this work that we need to bring to the attention of Members.

Advice and Assistance work

- 69 We have not provided any advice and/or provided assistance work for the Council under section 35 of the Audit Commission Act during 2007/08.

DRAFT

Looking ahead

- 70 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA), which was published in February 2009. CAA will provide an independent assessment of how well people are being served by their local public services. At its heart is a new area assessment in which the inspectorates will provide a joint view of the prospects for local areas and the quality of life for people living there.
- 71 CAA will have two main elements, which will inform each other:
- an area assessment that looks at how well local public services are delivering better results for local people in agreed priorities, such as health, economic prospects and community safety, and how likely they are to improve in the future; and
 - organisational assessments for councils, combining the external auditor's assessment of value for money with a joint inspectorate assessment of council service performance. 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.
- 72 The area assessment will draw on the detailed work of the inspectorates in their core areas of activity, the views of local people, people who use local services and other stakeholders, the new national indicator set and the information being used to manage public services locally. It will address local priorities and will always include a specific focus on people, including children and young people, who may experience disadvantage in accessing public services and whose personal circumstances make them most vulnerable.
- 73 CAA will result in reduced levels of inspection and better coordination of inspection activity. It is also intended to act as a catalyst for better partnership working at the local level and to support local accountability by providing clear information to local people.
- 74 The first area and organisational assessment reports will be published in November 2009.

Closing remarks

- 75 This letter has been discussed and agreed with the Chief Executive and senior officers. A copy of the letter will be presented at the Standards and Governance Committee meeting on 23 April 2009. Copies of the final letter need to be provided to all Council Members.
- 76 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	May 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	October 2008
Use of resources feedback	December 2008
Annual audit and inspection letter	March 2009

- 77 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

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

Linda Krywald
Corporate Area Assessment Lead

March 2009