

Annual Audit and Inspection Letter

Torbay 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 It has been a year of significant change for the Council as it has implemented a new commissioning structure and is responding to national conditions of economic recession and a housing slump. Nevertheless the Council has made good overall progress with the delivery of its priorities over the past year and is improving well although, naturally, challenges and opportunities for continued improvement remain. The main issues from this letter are summarised below.
- 2 The Council has maintained its score of three overall for its use of resources although, within that, value for money and internal control scores remain at adequate. The new use of resources framework has a greater emphasis on outcomes and is likely to prove challenging to all organisations.
- 3 The Council has made good progress in the year in respect of many of its priorities
 - the Council has taken effective action in the year to make the Bay cleaner and more attractive;
 - educational results are improving in some key areas - A level performance is among the best in the country and GCSE results are also better than average;
 - the Council has continued to make good progress with its plans to strengthen the local economy;
 - the Council is working effectively with its partners to create stronger communities;
 - the Council has improved its arrangements for involving service users and residents in decision-making in the past year; and
 - the Council and partner organisations have developed a clear set of plans to improve the quality of life for local people and are working together effectively.
- 4 Whilst children's services overall are rated as adequate by Ofsted, there are a number of areas where performance is below average. In particular, more needs to be done to improve outcomes for disadvantaged young people, for example, looked after children and children with mental health issues.
- 5 The Council with its partners has not established or implemented joint plans to tackle explicitly and in a co-ordinated way the wide range of issues affecting deprived areas within the Bay.
- 6 There are some risks to the Council's capacity to continue improving such as the national requirement to implement revised pay structures and adverse Councillor behaviour which has the potential to undermine the Council's reputation.
- 7 The Auditor has highlighted a number of control issues in the payroll system. The Council is aware of these and is addressing the issues identified.

Action needed by the Council

- 8** The Council should:
- monitor closely its progress against the requirements of the revised use of resources assessment;
 - prioritise continuing improvements in outcomes for disadvantaged children and young people;
 - continue working with partners to tackle jointly issues of deprivation in the Bay.
- 9** Councillors need to ensure that their behaviour, either individually or in the pursuit of political objectives, does not unreasonably serve to undermine the reputation of the Council in the eyes of local people.

Purpose, responsibilities and scope

- 10** 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. I have addressed this letter to Councillors 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. I 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. I 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, your appointed 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 my 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.
- 14** I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Torbay Council performing?

15 The Audit Commission’s overall judgement is that Torbay Council is improving well and we have classified the Council as two star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA



Percentage figures do not add up to 100 per cent due to roundings

Source: Audit Commission

How is Torbay Council performing?

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	2 star
Corporate assessment/capacity to improve	2 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - my Direction of Travel report

What evidence is there of the Council improving outcomes?

- 16** The Council has made good overall progress with the delivery of its priorities over the past year although more can still be done in some areas.

Pride in the Bay

- 17** Action taken over the past year to make Torbay cleaner and more attractive has been effective. Additional investment has resulted in a reduction in litter and graffiti and all residents and visitors are being encouraged to play their part in making the Bay cleaner and safer through the high profile 'take a stand' campaign. Three of Torbay's parks and open spaces were awarded green flag status in 2008 and the number of beaches with blue flag status increased from five to seven. Torre Abbey re-opened as a major cultural and tourist attraction following a £6.5 million makeover. The use of public transport has continued to increase and a fast ferry service linking Brixham and Torquay was introduced on a trial basis. However, performance has not improved in all areas. There was deterioration in the condition of pavements and footpaths in 2007/8. Although more waste is now being recycled and composted, the amount of household waste collected is not reducing and the Council's performance in this area remains below the national average.

Learning and skills for the future

- 18** Education results are improving in some, but not all, areas and some progress is being made in narrowing the gap between the most and least advantaged children. A level performance is among the best in the country and GCSE results are also better than average but the picture is more mixed at other key stages with key stage 1 and 2 results remaining below average. Good improvement has been made at the foundation stage and well focused work by the Early Years Team has helped reduce the inequalities gap and built firmer foundations for children's future education by boosting both personal and social development and communication and literacy skills. There has been a problem with high levels of absence in some schools but recent local data shows that attendance levels are now improving in most schools.
- 19** More needs to be done to improve outcomes for disadvantaged young people. Although the number of young people in employment, education or training is above the national average, other outcomes for young people are less positive, as follows.
- Teenage conception rates in Torbay remain high despite it being a local priority to tackle this.
 - Relatively few children in care are adopted and there has been an increase in the number involved in crime.
 - Some young people with mental health issues do not receive appropriate support.

The new economy

- 20** The Council has continued to make good progress with its plans to strengthen the local economy. It has consulted extensively on the Mayoral Vision which sets out ambitious regeneration plans for the Bay and has secured significant levels of external funding to support the delivery of these plans. The first phase of the Brixham Harbour regeneration project has been completed on time and within budget and Torquay Harbour's new million pound Town Dock was officially opened in April 2008. The Torbay Innovation Centre has been well used by local businesses and another business support facility with 28 offices available for rent has opened. Funding of £3.4 million has been secured for a new Business Park which aims to provide over 2,000 jobs.
- 21** Although the Council took longer to process planning applications in 2007/08, this was due in part to a policy decision to find ways of overcoming problems which may prevent applications being approved and there have been fewer successful appeals against planning application decisions as a result. An additional 150 affordable homes have been built in the past year and the use of bed and breakfast and hostel accommodation for homeless people has reduced. The Council and its partners were quick to take action in response to the economic downturn by organising a series of credit crunch events to give advice and identify further ways of supporting local businesses and residents who have been adversely affected.

How is Torbay Council performing?

Stronger communities

- 22** The Council is working effectively with its partners to create stronger communities (ie where people feel safe and lead healthy, happy and independent lives). Overall crime levels reduced by 17.3 per cent between 2006/07 and 2007/08. Action is being taken to prevent young people being drawn into crime and initiatives such as the Stay Safe Bus are helping to tackle the problems generated by the night time economy. As a result of action being taken by local partners to promote healthier lifestyles and identify and treat illnesses earlier, people are living longer but there remains a big gap in life expectancy between Torbay's most and least deprived communities and alcohol-related health problems continue to rise .
- 23** Through its partnership with the Torbay Care Trust, the Council is improving services for older and other vulnerable people and a strategy for meeting the needs of the rapidly rising population of older people has now been developed. Adult social care services are rated as good. More older people are being supported to live at home although the use of residential care is still relatively high. Increased use of direct payments is giving people more choice and control over their support arrangements.

Access to services

- 24** The Council has improved its arrangements for involving service users and residents in decision-making in the past year. A monthly consultation caravan which tours the Bay keeps people informed and enables them to give their views. Community partnerships which are open to all members of the public enable people to have their say on local issues. The Council has also set up reference groups to seek the views of people at risk of disadvantage and has won a national award for the way it involves service users in the development of housing and support services. The Council's progress in relation to diversity and equality is demonstrated by its achievement of level 3 (of 5) of the Equality Standard of Local Government – one of a minority of councils in the South West to have achieved this level. The Council has improved access to its services by improving the facilities at the Torquay first stop shop and establishing multi-agency cluster teams to help children, young people and families get the right support.

Value for money

- 25** The Council has good arrangements for managing and improving value for money. It achieved efficiency savings of over £3 million in 2007/8 and aims to achieve a further £2 million in 2008/9. It has undertaken a comprehensive review of its buildings and land and has given local community groups the opportunity to take over the running of buildings which it no longer needs. With support from consultants, the Council is developing a commissioning model which aims to secure the best possible service for customers at the best possible price. This approach puts the Council in a better position to identify the scope for further efficiency savings in the longer term.

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

- 26** The Council and partner organisations have developed a clear set of plans and are working together effectively to deliver them. The elected mayor chairs the Torbay Strategic Partnership and is exercising strong leadership. The Council and its partners monitor progress against targets to ensure robust action is taken to address areas of under-performance. However, more work needs to be done on the development of co-ordinated strategies which address the needs of Torbay's most deprived communities.
- 27** The Council is strengthening its capacity to deliver its plans and becoming more customer focused through the delivery of an internal transformation programme. Twenty-three projects are currently being pursued through this programme and the Council has invested in programme and project management training for over 80 staff who are involved in the delivery of the programme. In addition, performance management arrangements are being strengthened through the use of balanced scorecards which ensure key performance measures are regularly monitored at different organisational levels. This puts the Council in a stronger position to deliver its transformation programme and ensure that the benefits are realised.
- 28** Internal restructuring has affected the Council's capacity to deliver its plans over the past year but it has managed these well and there has been no significant impact on services. A number of chief officers and other senior staff left during the course of the year but appointments to four new commissioner posts have recently been made and so the management team is now at full strength. Despite gaps in capacity, the Council was still able to deliver improvements in many priority areas and achieve national recognition for some of its initiatives, although progress in improving children's services was limited.
- 29** There remain workforce issues to be addressed in the coming year. Further restructuring is planned together with the delivery of a new workforce strategy which aims to develop and support staff to deliver customer-focused and efficient services. The Council did not achieve its aim of implementing a new pay structure for staff to comply with equal pay requirements by June 2008 and a revised implementation date of March 2009 has now been set. Additional resources have been invested to ensure this new deadline is met.
- 30** Further improvements have been made to the Council's governance arrangements but there remain issues to be addressed. The Council has now established an audit committee which is independent of the overview and scrutiny function and it has made a significant investment in training and development for councillors. As a result, it was the first council in the South West to achieve the South West Charter for Member Development. However, inappropriate councillor behaviour, often politically motivated, has, on occasion, undermined the Council's achievements and damaged its reputation with local people. Further action is needed to ensure all councillors are able to make a constructive contribution to the delivery of the Council's objectives

How is Torbay Council performing?

Service inspections

- 31** We have not carried out any service inspections in the year.
- 32** An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates
- The Commission for Social Care Inspection (CSCI) Annual Performance Assessment of Adult Services judged the Council's performance to be good.
 - OFSTED's Annual Performance Assessment of Services for Children and Young People rated the Council's performance at grade two signifying that the Council consistently delivers services for children and young people at an adequate level.
- 33** We have used these as evidence to help arrive at the Council's overall CPA rating and to reach the Direction of Travel judgement. The assessments have been separately reported to the Council, and they are referred to in the Direction of Travel report where significant.

The audit of the accounts and value for money

34 Your appointed auditor has reported separately to the Audit Overview and Scrutiny Committee on the issues arising from our 2007/08 audit and has 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 30 September 2008.

Use of Resources

35 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).

36 The Auditor identified some continuing improvements and the Council maintained its overall score of 3 ('performing well') for its use of resources. The individual theme scores (in Table 2 below) have also remained the same as last year.

Table 2

Element	Assessment
Financial reporting	4 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	3 out of 4

Note: 1 – lowest, 4 = highest

The audit of the accounts and value for money

37 To assist the Council in preparing for the 2008/09 CAA assessment, the Auditor has summarised some of the key challenges facing the Council under the new assessment framework, based on his understanding of the new framework and the 2007/08 assessment work performed to date. These are to:

- demonstrate and evidence continued innovation and best practice through outputs rather than processes;
- continue to evidence engagement with stakeholders and the local community in financial and strategic planning;
- recognise the new focus on identifying and managing costs within the managing finance area and provide explicit links to decisions and outputs;
- clearly evidence the role of partnerships and stakeholder involvement in joint commissioning;
- demonstrate that it is working with partners to ensure the integrity of shared data;
- demonstrate and evidence its performance in environmental performance use of natural resources; and
- maintain a focus on workforce planning - although this is not being considered in the 2008/09 assessment, the Council can take steps towards implementing policies to ensure it is performing well above minimum requirements in 2009/10.

Data Quality

38 The Auditor completed his assessment of the Council's data quality arrangements in accordance with the methodology and guidance prescribed by the Audit Commission. This involved performing detailed 'spot check' work on six performance indicators, selected from a prescribed list from the Audit Commission. The conclusion from this work for 2007/08 was that four of the performance indicators selected for testing were fairly stated. However, the Housing Benefits indicators were not fairly stated and the auditor found exceptions where the incorrect date had been used to record the start of the new claim and there were errors in the classification of new claims and a change of circumstances.

39 The Council's management arrangements for data quality were also reviewed against the key lines of enquiry. The Auditor noted some improvements in the management arrangements and assesses them as performing well overall. The challenge for the Council is to ensure that the procedures that have been introduced continue to be embedded across the whole Council.

Review of internal audit

40 The Appointed Auditor completed a review of the effectiveness of internal audit and concluded that Internal Audit provided a reasonable service within the resources available. A number of initiatives have commenced to improve the efficiency and effectiveness of the service (for example, improvements to reporting formats, and investigation of audit software). The auditors have made a number of further recommendations to progress these further.

- 41 The Auditor recommended that the internal auditors needed to do more to ensure that internal audit really added value to the overall organisation and keeps pace with current developments. The audit plan needs to reflect the strategic risks facing the Council and the resources and time matched to higher risk projects. A review of the approach to core audits such as housing benefits, which was planned for over 90 days in 2007/08 when no significant risks were identified, should be completed to ensure that Internal Audit provides maximum value to the Council.
- 42 Internal Audit departments elsewhere are at the forefront of promoting best practice in corporate governance and the management of risk, being actively involved in developing strategy, and providing advice on major projects. The auditors recommended that the team effectively required specialist skills that, from our experience, the audit team did not currently possess. The creation of the joint internal audit team with Plymouth City Council and Devon County Council will provide an opportunity to address this.

The key issues arising from the audit

- 43 Overall, the year end production of the accounts and working papers is well managed. Key members of staff are proactively engaged with auditors and discussions this year included the changes in accounting standards and how they will be applied at the Council.
- 44 As part of the interim review the Auditor highlighted that he was unable to place reliance on the payroll internal controls. He performed substantive detailed testing at the year end to obtain assurance over the existence of staff and the validity and accuracy of payments made. He concluded that the payroll charge in the accounts did not include any material errors. However, we did identify a number of control recommendations, which we reported to you.
- 45 The Auditor also concluded that there was insufficient evidence to support the basis of the holiday pay provision totalling £1.1 million at the year end as detailed working papers to support the figure only amounted to £735,000. He also identified that the Council has a liability to staff that have left, but who have not been paid their outstanding pay arrears amounting to roughly £265,000. Officers adjusted the accounts and reclassified this amount in provisions. The remaining £100,000 was not adjusted.
- 46 The Council is an admitted body to the Devon County Council (DCC) pension fund. Each year DCC provides information to the Council, to allow it to complete the pension disclosures in the financial statements. The Audit Commission audits the pension fund, as part of the audit of DCC financial statements. Following this year's audit the Audit Commission has indicated that the actuary had underestimated the net assets of the pension fund and that Torbay's share of the difference was £460,000. This amount only affects the balance sheet and has no impact on the Council Tax payer. This has not been adjusted in the financial statements on the grounds of materiality.

Advice and Assistance work

- 47** The Auditor received correspondence from three members of the public. One item was an objection to the accounts in relation to the Decriminalised Parking Enforcement account and the legality of the treatment of the account. The Auditor did not uphold the objection and has now issued the audit certificate
- 48** No other advice and assistance work was completed outside the scope of the audit plan.

Looking ahead

- 49** The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 50** 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.
- 51** 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 aspect of each area's Local Area Agreement.

Closing remarks

- 52** This letter has been discussed and agreed with the Chief Executive and Corporate Support Commissioner. A copy of the letter will be presented at the audit committee on 25 March 2009. Copies need to be provided to all Council members.
- 53** 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 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Interim audit memorandum	May 2008
Annual Governance Report	September 2008
Opinion on financial statements	February 2009
Value for money conclusion	September 2008
Final accounts memorandum	September 2008
Annual audit and inspection letter	March 2009

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- 54** 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

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

Name Martin Green
Comprehensive Area Assessment Lead
March 2009

The Audit Commission

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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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