

# Annual Audit and Inspection Letter

Thanet District 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 Service improvements, as measured by performance indicators have been strong this year. The Council was ranked 43rd out of 388 authorities for the number of performance indicators that improved between 2006/07 and 2007/08. The overall numbers in the best 25 per cent of performance is within the average range for all district councils.
- 2 The Council continues to focus on improving outcomes for local communities linked to its ambitions. There has been particular progress in the 'Beautiful Thanet' and 'Safe Neighbourhoods' priority areas, both of which are high priorities for local people. Crime has fallen and more people feel safe walking after dark. Streets are cleaner, recycling has increased and public satisfaction is improving.
- 3 Easier access to public and local services continues to improve, including through the opening of the Gateway Plus in Margate. This is already demonstrating early success in both reduced delays in dealing with customers and increased lending in the library section. Other achievements include the charter mark standard for customer service excellence in 2008. A range of infrastructure projects to support the local economy are continuing to progress, such as supporting local growth and new start-ups through the Kent Innovation Centre, and inward investment through Thanet's business parks.
- 4 In other priority areas, such as 'Healthier Communities, whilst there has been good progress in projects, success is harder to measure as activities are not outcome focussed.
- 5 The Council makes good use of its resources, achieving level 3 (out of a possible 4) rating, as measured by the comprehensive area assessment (CPA) framework. This is an improvement from last year, and the Council is now amongst 63 per cent of Council's that achieved this rating in 2008.
- 6 Improvements were identified across four of the five sub theme areas of the use of resources assessment, with improved ratings for financial management, internal control and value for money, all of which achieved level 3 (out of a possible 4) ratings. Financial reporting also improved, achieving a level 2 rating.
- 7 The Council has once again achieved an unqualified audit opinion and value for money conclusion.
- 8 The result of the external inspection of the Council's strategic housing service, published this year, was positive overall. The service was judged as 'fair' (one-star), with 'promising prospects for improvement'.

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**Action needed by the Council**

- 9 Ensuring that outcome focussed (SMART<sup>1</sup>) plans are in place is essential for the Council, with its partners, to be able to consistently measure the success of its actions, particularly in priority areas. This will ensure it is clear what difference actions will make on the ground.
- 10 Given current financial pressures, a key challenge for the Council will be to maintain and build on the improvements made in the last year against a backdrop of constrained resources. Making a success of the planned joint working across East Kent will be key to this and the Council will need to ensure that robust governance and performance management arrangements are in place to support its partnership working.

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<sup>1</sup> Specific, Measurable, Achievable, Realistic, Timebound

# Purpose, responsibilities and scope

- 11 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.
- 12 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.
- 13 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](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 14 As your appointed auditor I am 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, I review and report 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.
- 15 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 published in 2008. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 16 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 Thanet Council performing?

17 Thanet District Council was assessed as 'Fair' in the Comprehensive Performance Assessment carried out in 2006/07. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

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

### Performance overview

18 The Council continues to focus on improving outcomes for local communities linked to its ambitions. Overall improvements in services, as measured by best value performance indicators have been well above the average range for all district councils. Around 70 per cent of indicators improved between 2006/07 and 2007/08, with the numbers in the top 25 per cent of performance within the average range for all district councils.

## How is Thanet Council performing?

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

- 19 The Council is making an effective contribution to wider community outcomes through the opening of the Gateway Plus in Margate that has both reduced delays in dealing with customers and increased lending in the library section. Improvement has also been achieved against the Council's six main priorities, particularly 'Beautiful Thanet' and 'Safe Neighbourhoods'. However under other priority areas, such as 'Healthier Communities' and 'Thanet's Economy', not all activities are SMART and outcome focussed, making it harder to measure whether success has been achieved. Improvement planning is improving.
- 20 Progress against the Council's six priorities is set out in the proceeding paragraphs.

### Thanet's Economy

- 21 Progress against the Council's targets and infrastructure projects in this priority area has been mixed during 2007/08. Out of the 31 reported performance indicator targets, 12 were met, with improvements noted in the speed of all planning applications and the time taken to process building regulations applications. From April to September 2008 there have been improvements in 3 out of the 4 reported performance indicators, including sustained improvement in the speed of decision making on planning applications. The indicator tracking unemployment has deteriorated, linked to the general economic downturn. From April to September 2008, the percentage of working age people who were unemployed declined from 2.9 per cent to 3.6 per cent - a level which was over twice the level of the south east as a whole, with a further decline to 4.4 per cent by December 2008.
- 22 There are also 26 infrastructure projects underway to support the local economy, such as supporting local growth and new startups through the Kent Innovation Centre, Inward investment through Thanet's Business Parks including EuroKent and Manston Business Park. Most of these projects are on target though measures of success are mostly about processes. As a consequence, it is hard to measure success against much of the activity under this theme.

### Safe Neighbourhoods

- 23 Progress against the targets within this priority area has been good. Crime in Thanet has fallen by 7 per cent so far this year. Eleven out of 15 performance indicators have improved this year including more people who feel safe walking after dark, and successful activities with young people to reduce re-offending, but robberies and violent crimes are however increasing. A range of projects to support the priority are all on target. These include work with the police on dispersal orders, such as in Broadstairs to tackle underage drinking and gatherings of youths, where levels of anti-social behaviour were reduced. CCTV has also been extended to Margate old town and Newington with all new cameras now operational. A concerted effort has led to increased prosecution of graffiti taggers. As a result, the council and partners are delivering improvements that residents say they want.

### Beautiful Thanet

- 24 There has been good progress to establish a greener Thanet. Improvements include improved satisfaction with street cleaning and increased recycling. There is top quartile performance in the cost of and amount of waste collected; and in the percentage of land littered or with graffiti; and in building on previously used land.
- 25 Improvements on local targets are also mostly being met, such as increased enforcement action against rubbish dumping. Work in progress includes consulting with the community on proposed new 'green' policies and propositions for new cycle and walking routes. As a result, residents are seeing good progress to making the area a better one in which to live.

### Quality Housing

- 26 Performance in this priority area has been mixed. On the council's own stock, performance is good. This includes the average SAP rating of LA dwellings being top quartile and improving as is the time taken to complete non-urgent repairs; and the percentage of rent collected. However, there has been declining performance in the percentage of private sector homes vacant for six months and in 2007/08 was in the worst 25 per cent of performance of all Councils.
- 27 A housing inspection of strategic housing services in April 2008 was judged to be 'fair' and with 'promising prospects for improvement'. The inspection found a number of positive features of the service, including flexible access arrangements which make it easy for people to get the housing support and advice they need; and effective joint working both within the Council and with external partners, which was promoting a common sense of purpose in tackling affordable housing issues in the district. However, there were also some issues that still needed to be addressed, including the failure to capture and monitor levels of customer satisfaction across all areas and no agreed housing service standards with service users to measure performance.
- 28 On increasing affordable housing, the council is having mixed success. The Council is ahead of its target to reduce the number of vulnerable people living in non decent accommodation. 124 properties were made decent between April and December 2008, against a target of 100. However, the economic slowdown means that the target to deliver 200 new, affordable homes through developer contributions in the planning system by 2010 may not be reached. In addition, rent collection continues to fail to meet its targets. As such, residents can see improvements in some but not all priorities within this theme.

## How is Thanet Council performing?

### Healthy communities

- 29 There has been good progress against projects under this priority area, but there are no current outcome focussed SMART targets in relation to healthier communities, making it difficult to measure success. The only indicator used in 2007/08 was on environmental health best practice and most of the projects to support the theme lacked output targets. The relatively new Local Area Agreement (LAA) contains future targets for improving health over the next three years. A number of projects are on target such as completing a youth strategy, mapping available community facilities and a Smokefree campaign have been carried out. Health features are included in the new quarterly 'Youth Matters' magazine. Generally, it is difficult to see what overall impact these activities and projects are having in achieving the 'Healthy Communities' priority.

### Modern Council

- 30 On the need to contain costs and meet increased resident expectations, performance is mixed overall. There have been good improvements in areas such as the percentage of council tax collected, which was in the best 25 per cent of performance in 2007/08. Other areas demonstrating improved performance included paying invoices in time, time taken to process new housing benefit claims, reducing complaints to the ombudsman and reducing staff sickness. The Council has also been awarded the charter mark standard for customer service excellence in 2008.
- 31 However, there has also been a decline in the percentage of NNDR collected which was in the worst 25 per cent of performance, along with the amount of housing benefit overpayments recovered in 2007/08, and there was a steady increase in the number of calls to the Council that were lost. Latest un-audited information for 2008/09 indicates significant improvement in recovery of housing benefits overpayments. Projects on target include, reducing Council office accommodation and the use of paper as well as achieving planned efficiency savings.
- 32 The Council's achievement of value for money (VfM) is good. Overall costs are low, including unit costs for key services which demonstrate best value compared to other Councils providing similar levels and standards of services, and allowing for the local context. Council tax levels are low and its spend on planning has raised its performance. The Council has achieved its Gershon savings targets. The Council has begun a series of VfM reviews, such as on street cleaning and ICT. Findings for the former included that their costs were high for the performance achieved and a recovery plan is now underway, though it is too soon to show any improvement.
- 33 Access to its services is improving. Planned improvements have been achieved through the Gateway Plus, which has led to reduced waiting times, and increased library usage (96 per cent increase in loans of children's fiction). Customer satisfaction is high and costs have been reduced. In October 2008, the Council launched the 'Knowledge Hub' which provides easy access to local and regional data. Information from the 'Knowledge Hub' has already been used to support the annual Corporate Plan refresh. In addition, the Community Portal was launched in June 2007 to help Thanet clubs, community organisations and charities promote themselves online and to promote participation in community activities and volunteering. Around 350 volunteer centres and groups are now represented on the site and interest in the site is growing each month.

### How much progress has it made in implementing improvement plans to sustain future improvement?

- 34** The quality of the Council's improvement plans is variable; with some of the targets in the corporate plan not SMART or outcome focussed. This is particularly so in the economy and healthier communities priority areas. The Council knows for example the context of the problems around smoking and obesity, but have no targets to reduce them; instead the Council publishes many projects in the corporate plan that add little value to residents in understanding what will happen as a result.
- 35** The Council met just over half of its own performance indicator targets overall in 2007/08. There were good achievements in the 'Beautiful Thanet' and 'Safe Neighbourhoods' priority areas, with the majority being met. But less than half were achieved in the priority area of 'Thanet's Economy' and around half met in the 'Modern Council' theme. Whilst recognising the Council tends to set challenging targets, current success in meeting those, suggests the balance between setting ambitious and realistic targets has not yet been achieved. Implementation of projects was more positive with the vast majority of project targets being met.
- 36** Capacity is being expanded through a good range of methods. A restructuring of the senior management team aligned to corporate priorities is planned to deliver savings in excess of £170,000 in 2009/10. Budget savings in the 2008/09 budget included £954,700 which will enable the Council to restrict increases in the Council Tax and allow resources also to boost priorities. Inward investment includes the Safer Stronger Communities Fund (SSCF) which the council will receive over the next two years of nearly £700,000 funding for the wards of Margate Central and Cliftonville West. The council therefore increases its capacity to deliver priorities.
- 37** We have identified no failures in corporate governance that would impact on the delivery of further continuous improvement. The Council is working as a full partner in the East Kent Local Strategic Partnership though it is too soon to see outcomes for residents. The Council has completed its Corporate Plan project to review the Councils Plans and Strategies. The links between plans and strategies and the Corporate Plan themes have been identified. Also, the new national indicator set is being used to provide clearer, outcome-focused indicators that will make it easier for residents to measure progress. The Council has used the Audit Commissions Prioritisation Toolkit to clarify the Council's priorities and non-priorities as part of the budget setting process. This has involved Cabinet and senior officers and informed decisions about staff as well as financial resources. As a result, there is an improving focus on identifying and planning to deliver priorities.

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### Service inspections

- 38** A housing inspection of strategic housing services in April 2008 was judged by the Audit Commission's Housing Inspectorate to be 'fair' and with 'promising prospects for improvement'. A brief summary of the findings of the inspection have been included within the direction of travel report in the proceeding section. A full copy of the report can be accessed via the Commission's website at: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

# The audit of the accounts and value for money

**39** As your appointed auditor, I have reported separately in our Annual Governance Report to the Governance and Audit Committee, acting as those charged with governance, on the issues arising from our 2007/08 audit. On 30 September 2008, I issued:

- my audit report, providing an unqualified opinion on your accounts; and
- my conclusion on your value for money arrangements to say that these arrangements are adequate.

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## Use of Resources

**40** 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).

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

**Table 1**

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

Note: 1 = lowest, 4 = highest

**The key issues arising from the audit**

42 The Council improved its overall score to level 3, which represents good overall performance. We identified improvements across all key areas, resulting particularly in the improved assessment to good for financial management, internal control and value for money.

**Financial Reporting**

43 In previous years we have highlighted weaknesses in the Council's arrangements for financial reporting. This year we noted improvements in the quality of both the accounts and the working papers.

**Financial Management**

44 The Council has made significant improvements in this area including a comprehensive medium term financial strategy which supports integrated service and financial planning. A key challenge will be to ensure arrangements for financial management remain sufficient and up to date to meet the challenges of the Council's partnership working across East Kent.

**Financial Standing**

45 The Council has taken significant steps to improve its financial planning during the current financial year. However, financial capacity is a key issue for the Council. Given current financial pressures, both global and national, maintaining close monitoring of the financial position will continue to be a key priority over the coming year.

## The audit of the accounts and value for money

### Internal Control

- 46 The Council has made improvements in its arrangements, particularly in respect of risk management and business continuity plans. There are no major areas requiring Member attention.

### Value for Money

- 47 The Council has clear priorities which are set following consultation with its residents. Investment is targeted at its priority areas and growth bids are linked to these. Overall performance and costs are generally in line with its statistical neighbours.
- 48 The Council is continuing to develop its approach to VFM and is introducing a series of reviews across its services. It recognises the need to drive VFM and is developing a more robust approach to achieving this across all of its services.
- 49 The Council needs to be proactive in ensuring increasing partnership workings are managed to realise real improvements in value for money.

### 2008/09 approach

- 50 From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA). The new use of resources assessment for 2009 challenges the Council to identify further areas for improvement with an emphasis on improved value for money in its provision of services to local people.

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### Data Quality

- 51 Our review of the Council's data quality confirmed that overall management arrangements for ensuring data quality are consistently above minimum requirements. The Council have introduced a comprehensive data quality framework in the year setting out a clear strategic approach. The impact of this is reflected in the improvement to arrangements from previous years.

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### Grant Claim Certification

- 52 The following claims were audited in 2007/08 and certified without qualification:
- Housing and Council Tax Benefit (BEN1);
  - Pooling of Housing Receipts (CFB06);
  - HRA subsidy (HOU1);
  - HRA subsidy base data return (HOU2);
  - Disabled Facilities Grant (HOU21);

- National Non-Domestic Rates Return (LA01);
- SEEDA area investment programme (RG01); and
- The following claims were audited in 2007/08:

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### Advice and Assistance work

**53** During 2008, the Audit Commission provided the Council with a tool that identified, for each service, an assessment of success against a range of criteria including performance, satisfaction and spend. These results were plotted against a graph that showed the assessment of each service and formed the basis for discussion on future performance targets. The tool was also used by members in the budget-setting process for 2009/10 to challenge each service to justify budget levels against their assessed level. The council has found the tool a useful way of thinking about services basing decisions against a range of measures as well as on cost.

## Looking ahead

- 54** 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.
- 55** 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.
- 56** 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

- 57 This letter has been discussed and agreed with the chief executive. A copy of the letter will be presented at the Governance and Audit Committee on 17 March 2009. Copies need to be provided to all Council members.
- 58 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 2008
Strategic housing inspection report	April 2008
Interim audit memorandum	June 2008
Annual governance report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	September 2008
Whole of government accounts return	September 2008
Data quality report	November 2008
Use of resources report	February 2009
Annual audit and inspection letter	March 2009

- 59 The Council has taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation during the audit.

## Closing remarks

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### Availability of this letter

- 60 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.

**Claire Bryce-Smith**

Comprehensive Area Assessment Lead

**Andy Mack**

District Auditor

March 2009

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# The Audit Commission

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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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