

Annual Audit and Inspection Letter

Hastings Borough Council

Audit 2007/08

March 2009



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Status of our reports

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

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

- 1 The report provided an overall summary of the Audit Commission's assessment of the Council for the year ended 31 March 2008. The main messages are as follows.
- 2 The Council has improved performance in most of its priority areas. Planning performance is generally good, waste collection and recycling are improving, streets are generally clean and levels of crime are falling. The Council has secured a reduction in the number of days lost through staff sickness, an area identified for action in last year's audit and inspection letter. The approach to equalities and diversity has strengthened, equality impact assessments have been completed for some Council services and the Council recognises there is more to do.
- 3 The Council has a good track record of building its capacity and works well in partnership with others. It recognises the need to develop a Council-wide workforce plan to match workforce skills to priorities.
- 4 The Council performs well in its use of resources, maintaining the overall judgement secured in 2007. No areas covered by the appointed auditor's judgements deteriorated and arrangements for preparing and publishing the annual accounts improved. The framework of internal controls is generally working well. Following the loss of income to an external contractor amounting to £235,000 in the year, the Council is implementing plans to ensure risk management is embedded across the organisation and to evidence that standing guidance is fully complied with in managing contracts. The Audit Committee is overseeing this work and is receiving regular reports on the Council's progress in recovering the income due from the contractor.

Action needed by the Council

- 5 Continue to report to the Audit Committee the progress made in implementing improvement plans to:
 - embed risk management arrangements across all aspects of the Council's operations; and
 - evidence standing guidance for the management of contracts is fully complied with.
- 6 Maintain focus on improving services in priority areas.
- 7 Build on the strengthened approach to equalities and diversity to harness good practice and further improve outcomes.
- 8 Undertake a systematic Council-wide workforce skills analysis to ensure that the Council has the skills to meet its long term priorities.

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), 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.
- 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 PKF (UK) LLP ('PKF') 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, 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 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 Hastings Borough Council performing?

15 Hastings Borough Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we have updated these assessments in councils where there has been evidence of change. There has been no update for the Council. 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

16 The Direction of Travel report sets out progress against local priorities, considers comparative performance for 2007/08 and comments on current plans for improvement.

Performance overview for 2007/08

17 The Council's rate of improvement is above the national average with 63 per cent of performance indicators improving placing it 143rd most improved out of 388 Councils nationally. 40 per cent of the Council's performance indicators are in the top 25 per cent which is significantly above the national average of 33 per cent. In relation to key services, the Council's performance and rate of improvement is above the national average with corporate health ranked the 9th most improved out of 388 Councils and housing services is the most improved nationally over the last three years.

18 The Council identified five priority areas in 2007/08 and it achieved well in most of these areas. The priorities are defined as follows.

- Economy (including regeneration).
- Employment and Education.
- Environment (including Housing);
- Enforcement.
- Enjoyment.

19 There has been an integrated approach to the development of sustainable community strategies and supporting documents across East Sussex. All Local Strategic Partnerships (LSPs) have signed up to the county wide sustainable community strategy (Pride of Place) which in turn includes summaries of district sustainable community strategies. This provides a good platform for effective partnership working.

Economy (including the regeneration of Hastings and St Leonards)

20 The Council with its partners continues to successfully regenerate the town. The Hastings and Bexhill Task Force has completed the Lacuna Place development providing modern business accommodation within the town centre and is progressing phase 2 of the Priory Quarter and the development of Sussex Coastal College Hastings at Station Plaza. The college is expected to open in September 2009. The Council has maintained its effective strategy of encouragement and enforcement against owners of derelict properties aimed at improving the physical appearance of the town and thirty properties were upgraded in 2007/08. In addition, the Council by offering grant funding is enabling the restoration of the Regency Pelham Crescent. The Council has invested £1.5 million in self starter business units at Stirling Road and is investing in improving the public area at the Stade site to prepare for a major cultural investment from the Jerwood Art Gallery.

21 The planning service performance is good. Performance for all minor and other applications are in the best 25 per cent nationally. Satisfaction with the planning service and the levels of planning appeals are in the best 25 per cent nationally. Major applications determined within 13 weeks have dropped from 91 per cent in 2006/07 to 77 per cent in 2007/08 but performance remains above the national average. The speed of processing has also deteriorated for all types of planning applications during 2007/08 but performance remains above the national average.

How is Hastings Borough Council performing?

Employment and Education

- 22** The Council is proactive in developing the workforce to stimulate the local economy and to ensure that the most vulnerable have the opportunity to enter the job market. The Council has provided a number of successful work experience initiatives, employment projects and basic skill development courses. For example, the programmes delivered by the Tressell training unit provides training and work experience for young people not in employment, education or training. In 2007/08, 54 of the 88 leavers (60 per cent) that attended this entry to employment programme went on to further training or employment. The Skills match project provided construction skills training to 150 people with 35 securing employment in the local construction industry during 2007/8.
- 23** The Council provides effective work experience initiatives and basic skills training such as the thriving construction initiative which is targeted at the most vulnerable. This project delivered training to 53 people with 9 residents from the most deprived parts of the town securing employment. The Council also supports the local food Hastings project that gives food hygiene training and basic cooking courses to some of the most socially excluded young and long term unemployed people.

Environment (including Housing)

- 24** Waste collection and recycling rates in 2007/08 have improved but actual performance is mixed. The Council is effective at minimising waste and is in the best 25 per cent nationally for reduction in the levels of household waste collected. Customer satisfaction with the waste collection service and kerbside recycling is in the best 25 per cent nationally. Recycling rates however remain in the worst 25 per cent. During 2007/8 the Council took action to address this and introduced a twin bin refuse and recycling collection scheme. This achieved an improvement in the recycling rate from 18 per cent in 2006/07 to 24 per cent in 2007/08. This performance is being maintained and the Council has consistently achieved a monthly recycling rate of 28 per cent during 2008/09.
- 25** The area is generally clean, with reductions in the levels of littering and fly-posting in 2007/08. Performance in relation to fly-posting is in the best 25 per cent nationally. The percentage of littering has reduced substantially from 23 per cent in 2006/07 to 10 per cent in 2007/08 and the performance is above the national average. The Council introduced a number of effective initiatives that significantly reduced the levels of littering in 2007/08, such as the alignment of the street cleaning rota with the refuse collection rota. The Council reports that the current street littering level is 3 per cent for 2008/09.

- 26** The Council's performance in managing the private housing market is mixed. The number of private houses returned to occupation or demolished is in the best 25 per cent nationally and improving. However, performance in relation to the number of private sector homes left vacant for six months is below the average and deteriorating. The Council has returned 51 empty or dilapidated properties back into residential use and accredited 118 properties through the Accredited Lettings Scheme. The Council continues to improve private sector housing in central St Leonard's by providing financial assistance and taking enforcement action and 47 properties were bought up to the decent homes standard in 2007/08. The Council has also been proactive in reducing the number of vacant homes going from 1,962 empty homes in 2000 to 835 by the end of 2008.
- 27** Community housing performance in 2007/08 is good and improving. During 2007/08, the Council exceeded its affordable homes target of 70 providing 88 affordable homes during the year. The Council has met its affordable homes target for the last three years. The Council is performing above the national average in relation to the length of stay in B&B and hostels, although the number of households in temporary accommodation is just below the national average. Actual performance in reducing the length of stay in B&B and hostels and the number of households in temporary accommodation has shown significant improvement since 2006/07. The Council is effective at preventing homelessness; the percentage of homeless applications that are repeat applications is low.
- 28** The Council works well at enhancing the quality of the lives of those living in Hastings and St Leonard's, particularly those who are the most vulnerable. For example, the Council's 'Heat Streets' project has brought 529 households out of fuel poverty in 2007/08.

Enforcement

- 29** The Council's enforcement work has been effective in improving the quality of the local environment. The Council's environmental protection and waste services team has in 2007/08 issued 135 fixed penalty notices for fly posting, dog fouling or littering and removed more than 6,000 abandoned and untaxed vehicles from the streets which have improved the appearance of the area. The Council has successfully targeted and removed smoking related litter; litter linked to specific premises and accumulations of domestic rubbish in front gardens/yards.
- 30** The Council with its partners has a strong track record of tackling crime. Crime has fallen by 27 per cent in Hastings and St Leonard's over the last five years. The Council in partnership with the multi-agency tasking teams has targeted hotspots around the town and there has been a coordinated and effective response to 196 incidents of crime, antisocial behaviour and environmental crime in 2007/08. The Council has also successfully undertaken late night operational visits in partnership with the police to ensure compliance with licence conditions and noise abatement and has provided home security enhancements for 44 homes for those at risk of homelessness due to domestic violence.

How is Hastings Borough Council performing?

- 31** The Council has improved hygiene standards within the borough. The Council has surpassed its health and safety and food premises inspection targets carrying out 565 food premises inspections and 135 Health and Safety inspections in 2007/08.

Enjoyment

- 32** The Council's management of its parks and open spaces is good and is contributing to a better quality of life for local people. The Council has received green flag awards for Alexandra Park and the Country Park Local Nature Reserve. Alexandra Park was given a green heritage award for the third year running achieving the highest rating for restoration and management. Alexandra Park also won the 'best park in the South East' in the Britain's best parks 2007 competition. The Council has exceeded its local community strategy indicator for the number of households able to access an open space within 300 metres of their home.
- 33** The Council has significantly increased the levels of participation in physical activities which is improving the health and well being of its community. The Council has increased the number of people participating in sport and active recreation. 53 per cent of the 6,136 adults participating in the Active Hastings programmes were active less than 3 days a week before becoming involved and 37 per cent had not done any physical activity in the 12 months before beginning the programme. The Council also provides a regular programme of activities for children and young people including Play Days in the Park, and neighbourhood play sessions which reinforce the importance of learning through play.
- 34** The Council has actively supported and promoted arts, leisure and cultural events to strengthen community cohesion and to promote the town regionally, for example, the bonfire procession and the Sea Food and Wine Festival that attracted over 35,000 and 50,000 visitors respectively. The Council has also proactively supported and promoted the Coastal Currents Festival which saw 16,000 people attend a range of events across the town.

Contribution of the Council to wider community outcomes

- 35** The Council with partners is contributing to the delivery of wider community outcomes. The Hastings and St. Leonard's Local Strategic Partnership (LSP) developed a strong collective ownership of ambitions and priorities. These ambitions informed the targets set for the county-wide East Sussex local area agreement and Pride of Place. The LSP has consistently focused on tackling disadvantage in its communities, particularly by improving access to, and skills for, employment. Well-established partnership work is beginning to bring improvements to the quality of life for local people, for example, the partnership work on improving the employment prospects for vulnerable young people.

- 36** Community engagement is being enhanced by the Council embedding its strategic management of the local area. The Council is working with the area management boards which are tasked with engaging all the local partners in devising bespoke solutions for local issues to deliver improved outcomes for their local communities. There has been some successes, most notably, the work done by one area management board in influencing and supporting the LSP, the county-wide LSP and the county council to take action to resolve the poor educational performance in Hastings secondary schools.
- 37** The Council consults well with its service users to shape services. For example, the Council worked closely with the Hastings and Rother Disability Forum to improve disabled access to beaches. The Council has recycled plastic access ramps, moveable lightweight access matting and 'Tyralo' chairs that allow access onto the beach and into the water. The ABLE (disability lifestyle magazine) highly praised the 'outstanding facilities' for disabled people on Hastings beaches. Local communities and groups, including community organisations generally feel listened to but there is scope for improved understanding of the needs of some communities for example, the Lesbian, Gay, Bi-sexual, Transgender community.
- 38** The Council is taking proactive and co-ordinated steps to improve and embed its approach to equalities. The Council is currently assessed at level 2 of the equality standard for local government, as it did not achieve its target of achieving level 3 by September 2008. Plans are not in place to achieve level 3 in 2009 because the Council is positioning itself to reassess against the new national standards by autumn 2009. An equalities framework and equality impact assessments (EIA) and action plans are in place that have resulted in improved access in some areas, such as improvements to the advice and guidance given to older people about the choice based lettings scheme and improvements in public access to Council buildings. However, the Council acknowledges that EIAs have not been consistently or robustly applied and is strengthening its approach. It has appointed a temporary equalities project officer to support the refresh of the framework, revise and standardise equality impact assessments and strengthen the systems for collection and collation of equalities data. A new three-year programme of equality impact assessments for all services is now in place supported by an equalities impact assessment toolkit. The Council has also started equality mapping to provide a better understanding of the community both to improve the tailoring of services and the consultation process.
- 39** Value for money (vfm) is improving and the Council is performing well. There are clear policies and effective processes for reviewing and improving VFM leading to clear improvements in VFM particularly in priority areas. The Council has a systematic and integrated approach for managing and monitoring the cost of services through its planned efficiency reviews. The Council has delivered significant annual efficiency savings and has robust processes for ensuring that service improvement and value for money is sustained.

How is Hastings Borough Council performing?

Sustaining Future Improvement

- 40** The Council has clear plans and priorities in place to drive improvement. For 2007/08, it agreed a three-year corporate plan with five overarching priorities that are clearly aligned to the Hastings and St Leonard's community strategy and the county-wide East Sussex integrated sustainable community strategy. The Council refreshes the corporate plan annually to ensure that it is fit for purpose although it acknowledges that it has a large number of priorities and plans to review these, as part of the 2009/10 Priorities, Income and Efficiency Review ('PIER') process. The annual plan sets out the targets and activities to deliver the Council corporate priorities.
- 41** The Council has effective arrangements for monitoring and reporting delivery of the Council's priorities and objectives. The delivery of the annual plan is monitored alongside performance indicator performance by the Overview and Scrutiny Committee on a quarterly basis. Overall performance is also monitored by the Performance Review (PR) groups on a quarterly basis which are attended by senior managers, the Council Leader and relevant lead Councillor. The Council also provides a comprehensive annual report setting out achievements and shortfalls against its previous year's plan.
- 42** Performance management is good. There are well-established performance management systems and processes in place. Senior officers and Councillors use the Council's reporting systems effectively to identify under-performance and effectively manages performance to deliver improvement. Monitoring has led to intervention to correct under-performance in several services, for example, the Housing Benefit service, recycling service and managing sickness absence. Some corporate and service targets are not SMART¹ and focus on measuring activities rather than improved outcomes for local people. Plans are in place to improve target setting as part of the refresh of the corporate plan. Corporate plan priorities and delivery plan targets and milestones feed into the service delivery plans and into individual staff targets. These are monitored through quarterly performance reviews and the staff appraisal process.
- 43** The Council has the capacity to deliver better outcomes for the people of Hastings and St. Leonard's. Historically the Council has had a track record of building its capacity to meet national and local demands and improve performance and standards. The establishment of a new senior management team in 2006/07 has provided a clearer and more effective management structure and the Council continues to keep structures under review, for example, the recent administrative efficiency review.
- 44** The Council has been slow in developing a Council-wide workforce plan setting out how the Council and its partners will meet its medium to long term needs. The Council has produced a draft people strategy for 2008-2011 based on comprehensive workforce data, but consultation has not yet been carried out. Annual workforce development strategies are in place for specific service areas, but a systematic workforce skills/gap analysis has not been undertaken.

¹ Specific, Measurable, Achievable, Realistic, Timed

How is Hastings Borough Council performing?

- 45** Workforce management and deployment is developing, but progress is mixed. The Council makes good use of jointly funded posts to build capacity with 10 per cent of staff being externally funded. However, the Council has had shortfalls in officer capacity in some areas. Nevertheless, overall recruitment levels are good and the Council is working on improving retention levels. There are clear career pathways in environmental health, revenues and benefits, Human Resources, parking and housing. The Council has a comprehensive training and career development programme and has an accredited management development programme. Sickness rates in some key services continue to be above the average and steps taken to improve absence management over the last 18 months have had some impact. The Council achieved a reduction in the number of sickness days from 11.8 days in 2006/07 to 9.61 days in 2007/08. This meant the Council moved out of the worst performing 25 per cent nationally for the first time in four years. However, the number of sickness days has increased in 2008/09.
- 46** The Council's arrangements for ensuring diversity and equality in the workforce are continuing to develop. Corporate equalities training is provided for staff and Councillors. The Council's workforce profile generally matches the community profile. Performance compared to all other Councils is above the average, in relation, to the percentage of staff from the BME and disabled community. The number of disabled staff in senior positions is also above the average. However, the Council acknowledges that it needs to do more to improve the number of women in the top 5 per cent of earners and has introduced a leadership and management programme for female middle managers and a coaching and mentoring scheme for women.
- 47** The Council works well in partnership with others to build capacity and provide community benefits. The Council has a number of effective partnerships with other councils, for example, a joint fraud service with Rother District Council and shared financial management systems with Lewes and Rother District Councils. The Council is also working in partnership with East Sussex County Council, Wealden and Rother District Councils to develop the Bexhill and Hastings link road and there is a cross-boundary partnership of the MPs and members in East Sussex and West Kent to improve the A21 corridor road and rail services. Key partnerships such as the safer Hastings partnership are evaluated annually. The Council recognises that there is scope for widening this approach to cover all partnerships.

The audit of the accounts and value for money

48 As the appointed auditor, PKF has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and have issued:

- an audit report on 30 September 2008, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate; and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

49 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).

50 PKF has assessed the Council's arrangements as shown at Table 1 below.

Table 1 Use of Resources 2008

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

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

51 PKF's overall assessment is the Council performs well and above the minimum requirements specified by the Audit Commission in its use of resources. It has secured a level '3 out of 4' in terms of the Audit Commissions' scoring methodology. This is the same overall score secured by the Council in 2007. No areas covered by PKF's judgements deteriorated compared to 2007 and the financial reporting judgement increased from a level '2' to a level '3' judgement. The key issues arising from PKF's work are shown below.

Financial reporting

52 The Council has effective arrangements in place to produce its annual accounts in accordance with professional standards and the guidance published by the Government. This is an improvement on the Council's performance in 2007. No significant amendments were required as a result of PKF's detailed audit work and an unqualified opinion was given on the 2007/08 accounts.

53 The 2007 SORP (CIPFA's Statement of Recommended Practice) introduced some new requirements, such as a revaluation reserve, a Capital Adjustment Account and the application of Financial Reporting Standards 25, 26 and 29 relating to the accounting treatment for financial instruments. Some disclosure notes relating to financial instruments were not included in the draft accounts approved by the Audit Committee on 30 June 2008 though this was rectified before the audited accounts were published.

54 The Council publishes summary information regarding Hastings' finances in its magazine (known as 'ABOUT') which is sent to all households quarterly. Recognising there has been little feedback from stakeholders about the information, the Council asked local people to provide comments in the December 2008 issue of the magazine. The corporate plan contains details about Hastings' awareness of the need to tackle the issue of climate change and the Council should now look to publish information about its own carbon footprint and progress towards carbon reduction targets.

Financial management

- 55** The Council continues to perform well in establishing financial management arrangements to support achievement of strategic objectives. There is a comprehensive approach to medium term financial planning which fully integrates key Council plans and strategies for asset management, ICT and Human Resources. The annual budget is soundly based and financial performance is tracked throughout the year. There is a good balance of financial and non-financial information in the monitoring reports presented to Members, including details about cash flow, operational indicators such as sickness absence and other national and local performance indicators.
- 56** The Council has an embedded approach to undertaking equality impact assessments and all policies and strategies have been reviewed as necessary. Financial management arrangements are reviewed each year through the Priorities, Income and Efficiency Review ('PIER') process and is enabling the Council to balance its finances over the medium term. The Council successfully delivers outcomes in partnership, such as the 'Seaspace' projects and through the joint commissioning of services. The Council takes the opportunity to work with key partners and stakeholders on joint financial planning where this is appropriate.
- 57** The Council has generally effective arrangements in place to manage its assets and has started to use data to support decision making process through the property strategy and the accommodation strategy. The Asset Management Plan is being developed further to demonstrate how value for money is secured through the use of the Council's assets. The revised plan is due to include information on the efficiency, effectiveness and running costs of the individual assets.

Financial standing

- 58** The financial standing of the Council is sound and there are effective arrangements in place to achieve the financial targets set in the annual budget. The Council kept its expenditure plans under review throughout 2007/08 and reported an underspend compared to the revised net revenue budget amounting to £912,560. The Council was able to increase the general fund by £191,680 as at 31 March 2008.
- 59** The Council has revenue reserves amounting to £3 million available to meet unexpected expenditure and reductions in planned income occurring in 2008/09. In addition, a working balance of £500,000 is retained to manage the impact of uneven cash flows on the Council's financial position. Officers are projecting general and earmarked revenue reserves will amount to £6.3 million as at 31 March 2009 and this compares to £8.7 million as at 31 March 2008. The Chief Financial Officer judges the level of the working balance and revenue reserves to be prudent in the light of the financial risks facing the Council. Members are keeping the strategy for reserves and the working balance under review.

- 60** The Council is aware a difficult financial outlook lies ahead. The general economic situation means there are significant pressures on the 2008/09 budget amounting to over £1 million because of reductions in planned income (from car parking, rents, fees and other charges) and additional energy costs. Members are continuing to receive reports from the Chief Financial Officer and approved a revised budget on 23 February 2009 to balance the overall financial position as at 31 March 2009. The position has been kept under close review.

Internal control

- 61** The Council has established adequate systems of internal control which meet the minimum requirements specified by the Audit Commission. An enhanced risk management system was implemented in the year though arrangements to evaluate and mitigate risk were not fully embedded across the organisation in 2007/08. Action has been taken to ensure officers are aware of their responsibilities to report the outcome of their risk assessments to ensure these can be evaluated corporately and to report the outcome to Members. The Council is aware of the specific risks evident in its partnership working and where outcomes are jointly delivered though there are examples where risks could have been notified to senior management in a more timely way.
- 62** There is an assurance framework in place for producing the annual governance statement. The statement is reviewed and approved by the Audit Committee alongside the annual accounts. The Council's framework of internal controls is adequate. However, following the loss of income to an external contractor amounting to £235,000 in the year, the Council is implementing plans to evidence that standing guidance is fully complied with in managing contracts. The Audit Committee is overseeing this work and is receiving regular reports on the Council's progress in recovering the income due from the contractor.
- 63** The Council has a comprehensive framework of whistle blowing and anti-fraud and corruption policies and, through the work of the internal audit section, reactive and pro-active fraud reviews are undertaken. The Standards Committee is working well and its responsibilities have been updated in the light of the Government's guidance.
- 64** The work of the Council's two overview and scrutiny committees is embedded and challenging the organisation to improve. The Resources Overview and Scrutiny Committee and the Services Overview and Scrutiny Committee review the Council's performance, strategies and policies, contributing to policy development.

Value for money

- 65** The Council achieves good value for money in delivering services. There is a systematic approach to setting strategic and operational objectives, informed by comprehensive consultation with stakeholders. Expenditure is targeted towards Council priorities and significant regeneration projects are underway. The Council's success in securing funding from Government and other private and public sector partners means it reports higher than average expenditure on services. The Council understands this and challenges the cost of services through its planned efficiency reviews. The Council uses its resources effectively towards meeting its priorities for tackling deprivation and to improve the economic performance of the area.

The audit of the accounts and value for money

- 66** The Council has a prominent role through the East Sussex Strategic Partnership for delivering outcomes and targets set for the Hastings area. The Council understands the challenge of delivering outcomes in partnership and has established effective performance management arrangements to drive improvement in the services it delivers. Cost and performance data is used to compare outcomes with peers and to scrutinise services. There have been some good outcomes from the Council's strategic procurement arrangements, with a review of insurance provision in partnership with other Councils securing savings of £100,000 per annum for Hastings in 2008.
- 67** In addition to the 'PIER' review process, which considers the efficiencies necessary to balance the annual budget, the Operational Board, attended by all Heads of Service, undertakes detailed project based reviews of efficiency. The Council should use this capacity to further develop its approach to value for money, informing the work of its scrutiny committees and building on the positive outcomes to date from the reviews of Homelessness, Council Tax collection and sickness absence previously reported. The Council should also develop its approach to evidence how value for money is secured over time, particularly where projects and partnerships deliver social and economic benefits in the longer term.

Data Quality

- 68** The Council's management arrangements for securing data quality are effective and PKF again judged the Council to be performing well and above the minimum standards specified by the Audit Commission. In 2008, the Audit Commission specified PKF should review two best value performance indicators (BVPIs) in detail and these related to the speed and accuracy of processing benefit:

- BVPI 78a (average time to process new benefit claims); and
- BVPI 78b (average time to process changes to benefits circumstance).

PKF confirmed the accuracy of both indicators.

Looking ahead

- 69** 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.
- 70** 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.
- 71** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 72** This letter has been discussed and agreed with the Council. A copy of the letter will be presented at the audit committee on 23 March 2009. Copies need to be provided to all Council members.
- 73** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	16 September 2008
Opinion on financial statements	30 September 2008
Value for money conclusion	30 September 2008
Use of Resources report	December 2008
Annual audit and inspection letter	March 2009

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- 74** 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

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

Sandra Prail
Comprehensive Area Assessment Lead (Sussex)

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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