

Annual Audit and Inspection Letter

Council of the Isles of Scilly

Audit 2007-2008

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 Annual Audit and Inspection Letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on audit and inspection work carried out in 2008, the Council's performance and improvement made in the services provided and the way the Council manages its resources.
- 2 This letter has been primarily written for councillors, but is also available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council are as follows.
 - The Council has continued to achieve a level two score (adequate performance) in its year-on-year performance on the Use of Resources assessment. However weaknesses remain in specific areas, particularly in financial management, and these need to be addressed.
 - We issued an adverse value for money conclusion for the year ending 31 March 2008. However, the Council's position has continued to improve. In 2007/08 the Council failed to achieve five of the twelve criteria compared with ten in 2005/06. It needs to address the five remaining areas where it has so far failed to achieve the criteria.
 - The Council's Direction of Travel was assessed in 2007/08 as level 2, or improving adequately. Services have improved in a number of areas that are important to the local community. Support provided to children and families is good, high educational attainment continues, and there are more activities for children out of school. There is good progress on affordable housing, access to services and the Council has continued to make progress with improving transport links. However, some areas are not improving including the amount of waste collected and low recycling rates. The proportion of older people receiving support to live independently is also below average. The Council is at an early stage of developing its approach to equalities. Performance management is still in its infancy but financial performance reporting is improving. The Council also understands that its services and the wider economy are likely to be affected by the economic downturn, and that future plans will need to address this.
 - The Fire and Rescue Authority's Direction of Travel was assessed in 2007/08 as level 3, or improving well and it continues to achieve good levels of performance in line with its priorities.
 - There has been a significant improvement in the quality of the arrangements for the production of the financial statements. The audit of the financial statements was a much smoother process than in previous years. This is reflected in the improved financial reporting assessment from level 1 to level 3 in Use of Resources.

- As in 2006/07, the Council's management arrangements for data quality did not quite meet the minimum requirements and data quality systems and processes, while improving, were not being applied consistently.

Action needed by the Council

- 4 The specific actions we recommend the Council takes to address these issues are to:
 - develop a more coherent view of financial and performance information to demonstrate value for money is being achieved;
 - use performance information more effectively to manage services and improve performance;
 - maintain good progress in financial reporting and extend this into improvements more widely in financial and performance management.

Purpose, responsibilities and scope

- 5 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.
- 6 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.
- 7 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 will also publish this letter on its website.
- 8 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.
- 9 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.
- 10 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 the Council performing?

- 11 The Audit Commission's overall judgement is that the Council of the Isles of Scilly is improving adequately 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.
- 12 There is no assessment for the Isles of Scilly Fire and Rescue Authority as this service assessment is no longer calculated. We are now updating these assessments through an updated corporate assessment, in authorities where there is evidence of change. However, we have carried out a direction of travel assessment for the Fire and Rescue Authority which is covered later in this letter.

The improvement since last year - our Direction of Travel report on the Council

- 13 The Council of the Isles of Scilly is improving adequately. Services have improved in a number of areas that are important to the local community. Support provided to children and families is good, high educational attainment continues, and there are more activities for children out of school. The Council has built twelve more affordable homes and it has continued to make progress with improving transport links. However, the amount of waste collected is high, with a low proportion recycled. The proportion of older people receiving support to live independently is also below average. Access to services has improved through the opening of a customer contact centre. However, the Council is at an early stage of developing its approach to equalities. Performance management is still inadequate, though financial performance is improving. The Council has improved its staff capacity, and it continues to work well in partnership. Asset management and workforce planning continue to be weak areas. The Council understands that its services and the wider economy are likely to be affected by the economic downturn, and that future plans will need to address this.

What evidence is there of the Council improving outcomes?

- 14 The Council has continued to maintain services in the last year, with improvements in a number of areas. It has a good track record of consulting well with local people, and shows that it uses these results to plan and improve services. Recently it has undertaken extensive consultation on its Children's and Young People's Plan, Porthcressa Regeneration, elder persons care, and its new school build. Its priorities are clearly linked to achieving wider community outcomes, and there have been improvements in a number of areas, for example, better provision for children and families, and progress in improving transport links.

How is the Council performing?

Providing excellent services for children, young people and families

- 15** The annual performance assessment of children's services has found that good services are provided overall. Social care support for families is good, and increased collaborative working with other agencies is leading to the delivery of better preventative services. Children continue to receive an excellent standard of education, with 94 per cent of pupils achieving five or more GCSEs at grade C or above in the last year. There is also strong support for pupils at critical times, including when they transfer from primary to secondary school, and to schools on the mainland. Newly appointed youth workers have increased opportunities for children to attend activities outside of school.
- 16** In the last year the Council has also worked with the Community Safety Partnership to improve the support it gives to victims of domestic abuse. A Sanctuary programme has been developed to safeguard victims, and a local radio station has helped with promoting the programme.

Promoting healthy and inclusive communities, including working towards meeting the housing needs of all generations of the community

- 17** A number of initiatives have been undertaken to improve the health of local people. For example, swimming sessions have been increased to offer activities for people of different ages from babies to the over 60's. The Council also achieved a Healthy Schools award this year by showing that children have high activity rates, and that it sources local, fresh food for meals.
- 18** The Council has continued to build affordable houses, with 12 houses completed in the last year. In addition, the average time to re-let houses is only 5 days, which is best quartile. Only 50 per cent of council homes meet the decent homes standard. However, the Council has focused on improving common elements across the whole of its housing portfolio, rather than tackling homes individually. The average time taken to process new housing benefit claims has improved significantly from 39 days to 6.7 days.

Promoting economic vitality

- 19** The islands rely heavily on tourism to support the local economy. Visitor numbers have reduced in the last year because of poor weather and transport difficulties. However, it is not clear yet if this has had an impact on the local economy. The Council has worked to support local businesses through helping to secure £2.25 million in funding to the Local Action group, part of which will be used to improve the competitiveness and productivity of small businesses, and £500,000 from the European Social Fund to deliver key sector skills on the islands.

Protecting the outstanding natural environment

- 20 The Council is progressing plans to regenerate the Porthcressa area with new employment, housing, leisure and culture facilities. It has secured funding from the Regional Development Agency to prepare a regeneration plan, consultants have been appointed, and local consultation is underway.
- 21 Almost double the amount of waste is collected per household, compared with the national average, and only 14 per cent of this waste is recycled. Statistically the Isles of Scilly record a high level of waste collected per head of population; it is acknowledged that this is a consequence of the Islands' geographic location which determines that exporting separated recyclate in both financial and fossil energy terms incurs notable additional costs. The Council, working in partnership with Government Office South West, the Environment Agency and others, is providing information to support a DEFRA funded comprehensive appraisal of the arrangements for recycling, reuse, recovery and disposal of waste produced on each of the islands.

Meeting the local transport and local infrastructure needs of the community

- 22 Improvements to the off-island quays have been completed, with refurbished quays at St Martin's, Bryher and St Agnes. These improvements have resulted in safer passenger access, quicker delivery of goods and services and improved access for emergency services. Progress continues on the Route partnership project to improve the sealinks between the islands and the mainland, with a contractor appointed for the harbour works. However, the time taken to process minor and other planning applications has increased in the last year. This is a particular concern in relation to minor planning applications, with only 71.5 per cent applications processed in time. This is partly due to the time needed to negotiate with third parties about s.106 agreements in relation to new dwellings.
- 23 The Council has made progress in improving access to services by opening its One Stop Customer Contact Centre, enabling queries to be dealt with in one place. Members of the public can have assistance in completing forms and receiving personal information in a private area. The Council has also enabled an arrangement with the Passport Office for services to be provided by Council staff on the islands, rather than individuals having to travel to the mainland.
- 24 The Council is developing its approach to diversity and equalities issues, and recognises that there is a need for staff training. It is ensuring it has in place the statutory duties in these areas and is developing a greater knowledge and expertise in addressing these. It has focused on improving access and quality of services for children and shown significant improvements in this area. It also actively provides information and support to seasonal migrant workers. In relation to older people, a recent inspection of adult social care has found that the percentage of older people receiving support to live independently in their own homes is below average, and the Council has now made this a priority for improvement. Consultation by the Council has also shown that there is a need for services to support carers and people with mental health needs.

How is the Council performing?

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

- 25** Strategic plans such as the Sustainable Community Strategy and Children's and Young People's Plan contain clear priorities and objectives, and are based on a good understanding of need. However, the Council is still developing plans for major areas such as waste and older people, though progress has been made in the last year with production of a draft Elder Persons Plan, and a partnership formed with DEFRA and the Environment Agency to help produce a waste strategy. Linking of top level plans to service plans is still variable, which compromises the ability of the Council to deliver on its priorities. The use of performance information to manage and improve the delivery of services is not yet undertaken consistently across the Council, though in the last year the Council has introduced better arrangements for monitoring major contracts for education and social care.
- 26** The Council has produced a medium-term financial plan which is linked to the objectives of its Community Plan, though this is not yet embedded. However, councillors have started to receive regular reports on financial performance against the budget, and training for managers in financial reporting is taking place.
- 27** The Council has continued to improve its capacity in the last year. Financial management capacity has been increased to address concerns of past audit and inspection reports. Two qualified social workers have been appointed, and the social care team now works to a set of defined protocols and policies to ensure the safety of children and young people. A Youth Hub co-ordinator has been recruited on a part-time basis to facilitate youth activities across the islands, with assistance from eight support staff. An IT manager has been recruited, and is making good progress with the better utilisation of internal IT systems.
- 28** The Council continues to work well with its partners to contain costs and maximise benefits. For example, partnerships are continuing with the aim of improving transport infrastructure and housing performance. The recent inspection of children's services found that there is a clear vision shared across partner agencies that reflects local needs and community aspirations, and the inspection of adult social care found that there is better engagement between the Council and the Primary Care Trust to develop a joint older persons strategy.
- 29** Asset management continues to be a weak area. The Council does not have an up-to-date asset management plan, which means that it is uncertain whether it will be able to maintain and replace assets required to deliver its services in the long term. It has also not yet prepared a workforce plan to ensure that it has adequate staff resources to meet its priorities and deliver services of a good quality in the future.

- 30** The Council has continued to attract a significant amount of external funding to implement its priorities. Funding for the new school base at St Mary's has been increased to £13.5 million, with the school due to open in September 2011. It is envisaged that the school will offer better facilities not only for pupils, but for the wider community. The Council has facilitated the establishment of the Isles of Scilly Local Action Group, which will provide assistance for a range of community regeneration projects. It has helped the Group to source £2.25 million of funding from the Rural Development Programme for England. £20,000 has also been received from the Regional Improvement and Efficiency Partnership for community projects, and to provide training for the local strategic partnership in leadership and performance management.
- 31** The Council understands that it will need to assess the impact that the economic downturn will have on the local economy, particularly because of its high dependence on tourism, and on its ability to provide services. Costs are comparatively high because of the small population and geographic isolation. However, the Council has managed to contain costs through attracting a considerable amount of inward investment and from partnership working. The Council recognises that in the future it may be more difficult to attract external investment, and that its own resources are becoming increasingly stretched.

The improvement since last year - our Direction of Travel report on the Fire and Rescue Authority

- 32** The Isles of Scilly Fire and Rescue Authority is improving well. It continues to achieve good levels of performance in line with its priorities, with the lowest number of incidents for some years, and high levels of public satisfaction. It has been active in reducing the risk of fire, for example, by fitting smoke alarms in homes, and this is having a positive impact on performance. It seeks to benefit the local community and protect the natural environment through partnership working, for example, through providing education for children in fire safety, carrying out home checks of vulnerable people, and reducing the incidence of accidental fires out of doors. Community consultation is strong, and access to services is improving, both for the community as a whole, and for people in isolated areas. The Authority has robust plans for improving, with a good hierarchy of strategic and operational plans in place. It continues to improve its capacity, and this year it has made a number of improvements to buildings, vehicles and equipment, and invested in training facilities for staff.

What evidence is there of the fire authority improving outcomes?

- 33** The Authority continues to achieve good levels of service performance in line with its priorities. Statistically the incidence of fire on the Isles of Scilly is low in comparison to the national average, and there are no recorded deaths and injuries as the result of fires in properties or road traffic accidents. There is also a high level of public satisfaction with the service. The total number of incidents in 2007/08 was 27, which is the lowest in the last few years. The quality of service has improved in a number of areas. The number of primary fires has reduced to two and the number of false alarms has reduced. The Authority has also improved its standard for attending incidents from 20 to 15 minutes, and this has been met in the last year.

How is the Council performing?

- 34** The only area where performance has been below expectations is special service incidents, which have risen in number. These are incidents that do not have a fire element, such as road traffic accidents and pumping out boats.
- 35** The Authority has been active in reducing the risk of fire, which is resulting in improved performance. In the last three years it has undertaken 106 planned audits, including audits of hotels and guest houses, public houses, residential care homes and the hospital. It has also visited over one-third of homes across the islands, fitting 233 smoke alarms.
- 36** The Authority has a good understanding of the community and the local context, and it continues to work well in partnership to improve outcomes for the local community, including improving fire safety. Its partnership with Cornwall Fire and Rescue Service enables it to call on fire safety educators to assist in the work it undertakes with the community. This year special sessions in fire safety have been held for children in all the islands school bases. It has worked with the Isles of Scilly Council's housing and social services departments and Duchy Estates to undertake home fire safety checks and installations of smoke detectors. It also has a partnership with the Wildlife Trust to reduce the incidence of accidental fires from controlled burning.
- 37** The Authority ensures that the most vulnerable people on the islands are cared for through an arrangement with the Council's Social Services department. For example, eight adult social care workers and other staff have been trained in home safety fire checks, and cleaning contractors working for Social Services notify the Authority about any risks in residents' homes that they see. The Authority is also involved in community events, and uses this involvement to promote the message of fire safety. For example, at a national car wash day, drivers were given the opportunity to learn about fire safety at home whilst their cars were cleaned by local firefighters.
- 38** The Authority continues to make good progress in addressing equalities and diversity issues. Consultation is strong, and the Authority makes good use of local community networks. Overall, access to services is improving. The Authority is currently developing a dedicated fire service website, linking to the Council's website, which will improve public access. A number of the Authority's activities are targeted at elderly people and children, and it has taken a number of steps to improve the service it provides to people in isolated areas.

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

- 39** The Authority has robust plans for improving, with a good hierarchy of strategic and operational plans in place. It has produced a five-year strategic plan, which links to the National Framework for fire and rescue services, and contains key objectives and service priorities with clear and measurable targets. This is supported by an annual strategic action plan, which takes on board the most recent consultation with staff, councillors and the public, best practice, new legislation and recommendations from external inspections and audits. Responsibilities are identified for implementing the plan, and specific actions are costed to ensure that they are affordable. The Integrated Risk Management Plan, which is incorporated into the strategic plan, provides a clear assessment of the risks to delivering the service based on the local context, together with finance and resources required to manage these risks.

- 40** Performance data is improving, and is used to identify actions and targets in the strategic plan. For example, an increase in seasonal workers has resulted in additional training being provided to hotel staff by the fire service. The Authority has delivered well on its 2007/08 plan, and it has produced a challenging, but manageable plan for 2008/09.
- 41** The Authority continues to improve its capacity. The capital programme is well managed, and the Authority has delivered more improvements this year through investment in new and improved buildings, vehicles, equipment, technology and fire training facilities. Improvements have taken place both on St Mary's and the off-islands with, for example, new cladding and internal works at St Mary's station and a drill and hard standing area at St Agnes station. A limited access vehicle has been purchased for St Mary's, and two trailers on the off-islands have been rebuilt so that they can carry more water and modern equipment. Staff now have better facilities at St Mary's for keeping fit, training and team building. Internal communication has improved with better electronic access and a staff newsletter. These improvements have resulted in better working conditions and improved staff morale.
- 42** The Authority works well with partners to maximise its capacity and deliver greater community benefits. The resources of the fire service are combined with that of the airport, and fire stations serve as integrated emergency centres. In the last year the co-responder system has been extended for dealing with medical emergencies, and other emergency staff trained to use safety equipment. These arrangements facilitate better public access to services through inter-service collaboration involving the coastguard, ambulance service, police and Council. The Authority also follows good procurement practice. For example, it has an arrangement with Cornwall Fire Authority to jointly purchase goods, and to provide support with training and larger maintenance requirements. This has enabled the Authority to secure better equipment and training.
- 43** The service is made up entirely of retained fire fighters, and duty systems have been reviewed to improve capacity. The Council recognises that it is essential to invest in training so that staff are kept up-to-date, and the Authority has reviewed training needs and implemented a number of training programmes in the last year, for example, junior officer training, fire fighting on ships and aviation fire fighting. It is currently replacing its competency based training recording system.
- 44** The Authority seeks external funding to improve capacity. £20,000 has been secured for resilience arrangements, and funding has been received to install smoke detectors in 150 homes each year for the next three years.

How is the Council performing?

Service inspections

- 45** An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers 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.
- 46** The Council had a Supporting People inspection in 2008. Supporting People is the long-term government policy to enable local authorities to plan, commission and provide housing-related support services which help vulnerable people live independently. While the grant for supporting people is small the Council was still assessed as providing a poor programme with uncertain prospects for improvement. The main reasons for this were due to weaknesses in governance and performance management arrangements, lack of a strategic approach by the Council for its own activities and in working in partnership as well as capacity issues in certain areas. However, the inspection identified that the programme is delivering positive outcomes for existing service users. Also, important drivers for improvement are being implemented including better management and leadership from recent staff changes, clearer prioritisation from the Council in this area and an improvement in the wider corporate and strategic approach to services for vulnerable people.
- 47** OFSTED's Annual Performance Assessment (APA) for Children and Young People assessed the overall effectiveness of children's services as 3 - consistently delivering good services. It assessed the service as having good capacity to improve, at level 3. The assessment results were made up as follows outlined in Table 1.

Table 1 OFSTED APA

Assessment judgement area	Grade awarded
Overall effectiveness of children's services	3 out of 4
Being healthy	3 out of 4
Staying safe	2 out of 4
Enjoying and achieving	3 out of 4
Making a positive contribution	3 out of 4
Achieving economic wellbeing	3 out of 4
Capacity to improve including the management of services for children and young people	3 out of 4
Inspectors made judgments based on the following scale. 4 = outstanding/excellent 3 = Good 2 = Adequate 1 = inadequate	

Source: OFSTED

48 The CSCI's assessment of the Council's adult social services remained, as in the previous year, a one-star service. It assessed the Council's delivery of outcomes as adequate while the score for capacity for improvement remains as promising. The assessment judgement was made up as follows outlined in Table 3.

Table 2 CSCI Assessment

Areas for judgement	Grade awarded
Delivering Outcomes	Adequate
Improved health and emotional well-being	Good
Improved quality of life	Adequate
Making a positive contribution	Adequate
Increased choice and control	Adequate
Freedom from discrimination and harassment	Adequate
Economic well-being	Adequate
Maintaining personal dignity and respect	Adequate
Capacity to Improve (Combined judgment)	Promising
Leadership	Promising
Commissioning and use of resources	Uncertain
Performance Rating	One Star

Source: CSCI

The audit of the accounts and value for money

Audit of the accounts

49 As your appointed auditor we have reported separately to the full Council as those charged with governance on the issues arising from our 2007/08 audit and have issued:

- our audit report, providing an unqualified opinion on your accounts on 29 September 2008;
- an adverse conclusion stating that we were not satisfied that, in all significant respects, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, in that it did not put in place:
 - arrangements to monitor the quality of published performance information;
 - arrangements to maintain a sound system of internal control - due to not implementing procedure notes and manuals for key financial systems that are reviewed and updated as appropriate and having a business continuity plan which has been reviewed and tested on a regular basis;
 - arrangements to manage and improve value for money - through not undertaking equalities impact assessments on the Council's strategies and that the effect and impact these will have on its diverse population is clearly understood and not routinely assessing the social and environmental impact of major decisions;
 - medium-term financial strategy, budgets and a capital programme are soundly based and designed to deliver strategic priorities - by not producing a capital strategy linked to the Council's corporate objectives and medium-term financial strategy;
 - arrangements for the management of the asset base - through not producing an up to date asset management plan that details existing asset management arrangements and outcomes, and action to improve corporate asset use with the senior management team undertaking regular monitoring of progress against the capital programme; and
- our report on the Best Value Performance Plan confirming that the Plan had been audited.

- 50** The Council - and Finance staff in particular - are to be congratulated for a significant improvement over audits in previous years. The draft financial statements were submitted in advance of the target date, a full set of financial statements were available for audit and the quality of the supporting working papers improved significantly. Although there were a number of amendments to the statements, it was a much smoother process than in previous years. The Council needs to ensure that the series of arrangements that supported this process are in place for future years.
- 51** Although we issued an adverse vfm conclusion stating the Council did not have adequate arrangements for securing economy, efficiency and effectiveness in the use of resources, in five areas of the twelve areas, this was an improvement on last year where the Council did not meet the requirements for achieving value for money in six of the twelve areas. The specific area of improvement has been in the arrangements for managing performance against budgets.

Use of Resources

- 52** 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).

The audit of the accounts and value for money

53 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows. These assessments also apply to the Fire and Rescue Service.

Table 3 Use of resources assessments for the Council and Fire and Rescue Authority

There was a significant improvement in 2007/08 in financial reporting arrangements

Element	Assessment 2007/08	Assessment 2006/07
Financial reporting	3 out of 4	1 out of 4
Financial management	1 out of 4	1 out of 4
Financial standing	2 out of 4	2 out of 4
Internal control	2 out of 4	2 out of 4
Value for money	2 out of 4	2 out of 4
Overall assessment of the Audit Commission	2 out of 4	2 out of 4

Note: 1 - lowest, 4 = highest

54 The Council's performance demonstrates an improvement in a number of areas during 2007/08, particularly in financial reporting and areas of financial management and internal control.

55 Areas where further improvements are needed are:

- undertaking equalities impact assessments on the Council's strategies and the effect and impact these will have on its diverse population is clearly understood;
- producing a capital strategy linked to the Council's corporate objectives and medium-term financial strategy;
- producing an up to date asset management plan that details existing asset management arrangements and outcomes, and planned action to improve corporate asset use;
- an annual programme of planned maintenance based on a rolling programme of property surveys;
- implementing procedure notes and manuals for key financial systems that are reviewed and updated as appropriate;
- a business continuity plan which has been reviewed and tested on a regular basis;
- the senior management team should undertake regular monitoring of progress against the capital programme; and
- routinely assessing the social and environmental impact of major decisions.

- 56** The challenge for the Council in future years will be to implement these arrangements while maintaining existing performance in other areas and, where required, striving for improvement in performance in other areas.

Data quality

- 57** Our review of data quality looked at the arrangements for producing the accurate and timely performance information needed to manage the Council's activities. We concluded that the Council's overall management arrangements for ensuring data quality are below minimum requirements. Our review and spot checks identified that, of the six indicators reviewed, four were fairly stated. For the other two, the calculations were amended and the reported performance updated. An action plan has been agreed with the Council to address the issues arising from this review.

Performance management

- 58** In August 2008 we undertook a review of the Council's performance management framework to assist it in strengthening performance management and identifying specific areas for improvement. We found that the Council has devised an outline framework for performance management, though it has been slow to implement this. Performance management is carried out inconsistently across the Council and, in its current form, it cannot support continuous service improvement.
- 59** The Council, together with its partners, has produced a Sustainable Community Strategy 2007-2010, which provides a good foundation for developing lower level plans. However, most lower-level plans do not support achievement of top level strategies and plans, and the extent to which performance measures are specific and measurable varies. Arrangements for reporting performance information to councillors and the Management Team need to be strengthened, and there are no formal processes for reviewing performance within services. This means that the Council may not be able to identify and take timely action to address poor performance.
- 60** Arrangements for monitoring the performance of the two principal contractors have improved with evidence that these are now operating effectively. The Council has also introduced arrangements for responding to recommendations from external audits and inspections (although not all external recommendations are followed up) which means that the Council is missing opportunities for improvement. The Council has introduced processes for managing the performance of individual staff. This is operating at chief officer level, though it has not been fully implemented across the rest of the Council, which means that good performance by staff may not be recognised, and poor performance managed effectively.
- 61** The Council has accepted all our recommendations, and it has set up a corporate performance management group which is designing and leading implementation of a new framework.

The audit of the accounts and value for money

Other areas of work

- 62** There were no issues arising from our audit of the Whole of Government Accounts (WGA) consolidation pack and our audit and certification of grant claims during the year. However, the Council needs to ensure it maintains a record of all claims and that these are supported by an adequate audit trail and related documentation.

Advice and Assistance work

- 63** The Audit Commission can carry out work for the Council - known as Advice and Assistance work - outside the scope of the work needed to deliver our Code of Practice audit. No such work was carried out in 2007/08.

Looking ahead

- 64** 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.
- 65** 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.
- 66** 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

- 67** This letter has been discussed and agreed with the Chief Executive and Director of Finance and Resources. A copy of the letter was presented at the full Council on 10 March 2009. Copies need to be provided to all Council members.
- 68** 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 4 **Reports issued**

Report	Date of issue
Audit and inspection plan	March 2007
Interim audit memorandum (incorporated into the annual governance report)	September 2008
Annual Governance Report	September 2008
Opinion on financial statements	29 September 2008
Value for money conclusion	29 September 2008
Final accounts memorandum (incorporated into the annual governance report)	September 2008
Supporting People Inspection Report	April 2008
Data Quality (as part of the 2008/09 audit programme)	November 2008
Use of Resources	November 2008
Performance management (as part of the 2008/09 audit programme)	October 2008
Annual audit and inspection letter	January 2009

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- 69** 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

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

Gary Emery
Comprehensive Area Assessment Lead (CAAL)

Patrick Jarvis
District Auditor

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.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
