

Annual Audit and Inspection Letter

March 2007



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Rossendale Borough Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
 - General service performance continues to improve.
 - The retained strategic housing responsibility requires further development to support important issues such as affordable and decent housing, although it is recognised that good progress has been made in the context of the review taking place only six to nine months post the successful transfer of the housing stock.
 - Good progress has been made in the Council's contribution to the county-wide Children & Young Peoples' Partnership.
 - Improvements have been made to secure adequate performance in its use of resources but scope remains for stronger arrangements.
 - Good progress has been made, in a relatively short timeframe, on data quality management and ethical governance arrangements.
 - The IT control environment and arrangements need to be improved to limit the exposure to IT fraud or abuse, although identified issues are being quickly addressed as part of the Council's ICT Strategy.

Action needed by the Council

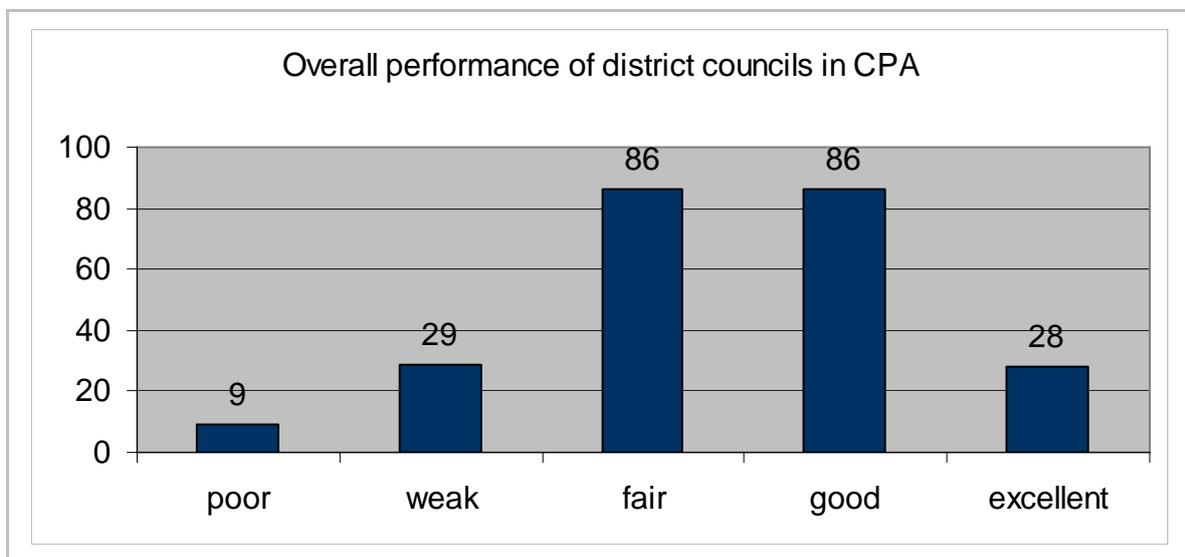
- 4 The actions for the Council which relate to members' responsibilities include the need to:
 - monitor the implementation of the recommendations arising from the strategic housing inspection particularly on the affordable housing and diversity agendas;
 - drive forward the Council's contribution in the development of the governance and accountability arrangements within the Lancashire Children and Young People Partnership to ensure responsibilities under the Children Act 2004 continue to be met;

- work with all the authorities in Lancashire to better integrate the approach to the Local Area Agreement and the county and district Local Strategic Partnerships;
- Agree the areas for development arising from the forthcoming CPA corporate assessment inspection and ensure these actions are integrated within the corporate improvement plan at the appropriate stage;
- further develop financial management and value for money skills to challenge the future use of Council's resources;
- develop robust risk management and governance arrangements within all the significant partnerships the Council is involved in to maximise the outcomes from joint objectives;
- continue to embed a proactive a Council wide anti fraud and corruption and ethical governance culture; and
- monitor implementation of the action plan derived from the Your Business @ Risk review to limit the exposure and risk of IT fraud or abuse.

How is Rossendale Council performing?

- Rossendale Borough Council was assessed as poor in the Comprehensive Performance Assessment (CPA) as published in January 2004. These assessments have now been completed in all district councils and we are starting to update CPA through new corporate assessments in councils where there is evidence of change. Rossendale will be one of the first councils to receive a new corporate assessment in April 2007.
- The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

CPA re-categorisation

- The 2006 District Council CPA framework allows for district councils to apply for re-categorisation as a result of their improvement since the last assessment. In October 2006, Rossendale BC applied to be considered for re-categorisation. An Audit Commission regional panel considered the application together with a range of evidence including service performance, progress (direction of travel) assessments, the use of resources score and other judgements from key stakeholders. The panel decided that there is a realistic prospect of a change in category following a corporate assessment inspection.
- The inspection team which includes a peer Councillor from another district council will conduct their field work in April 2007 and report their findings in July 2007. The result of the inspection will determine the Council's new CPA rating and the level of formal performance monitoring by the Department of Communities and Local Government.

Improvement since last year

- 9 In view of the forthcoming corporate assessment, we have not conducted a full progress assessment review this year. The corporate assessment inspection will include a comprehensive analysis of the Council's overall performance including the movement in performance indicators and the general rate of improvement since 2003.

Extent of improvement

- 10 For the purposes of this report, we have reviewed current performance as determined by performance indicators and the extent of improvement over the past year. The extent of improvement for Rossendale BC, as measured by the percentage of indicators which have improved, is 51 per cent. This compares to the average for all district councils of 60 per cent.

Current performance

- 11 The proportion of performance indicators where Rossendale BC is performing in the best quartile is 24 per cent against the average for all district councils of 32 per cent.
- 12 This level of performance suggests that the Council has still some way to go before it achieves the levels of performance delivered by the best performing councils. However, further analysis shows that over the past three years, 51 per cent of indicators have improved and that is broadly in line with the average level of improvement for other district councils.

Service inspections and assessments

- 13 During the past year, the Audit Commission has conducted inspections on the Environment and the Council's strategic housing service. It has also reported on the findings of a cross-cutting study of the Lancashire Children & Young People Partnership including the contribution by this Council. The Benefit Fraud Inspectorate has updated the CPA assessment of the benefits service. We now report on the key findings of these inspections and assessments.

Environment Inspection

- 14 Last year we reported progress on a wide-ranging inspection of the Council's approach to the local environment, which covered a range of services. The inspection was completed during the past year and inspectors rated the Council's management of the environment as fair (one-star), with promising prospects for improvement. They found that the Council is playing an active part in making the environment work for residents and visitors. The Council along with its partners recognises that the borough's cultural and economic future is bound up with the environment, and corporate policies give priority to the management of environmental assets.

- 15 The Council is supporting some imaginative and exciting ideas, aided by an unusually self-reliant and entrepreneurial community voice. For example, it has refurbished several open spaces and play areas and they are now well used. It works with partners such as the environmental charity Groundwork, Civic Pride and other local organisations on projects such as cleaning up of the river banks in the Valley.
- 16 However, the inspectors noted that there is significant diversity across the borough in factors such as income, health and transport access, but the Council is not systematically monitoring whether any of these factors affect take-up of environmental services, or using the information affects the people's ability to enjoy the benefits of the environment.
- 17 To help the Council improve further, inspectors recommended that it bring together its environmental activities into an overall strategy that will define Rossendale's relationship to its environment and how best to manage its environmental assets, and monitor whether all sections of its diverse community are gaining some benefit from good management of the borough's environment. In making their judgement inspectors expressed their confidence in the Council's plans for the future of these services and therefore found promising prospects for further improvement.

Strategic Housing Services

- 18 The Council successfully transferred its housing stock to Green Vale Homes, a registered social landlord, in March 2006. We inspected the Council's retained strategic housing services in December 2006. The scope of the inspection included housing strategy, the provision of affordable housing, homelessness and private sector housing.
- 19 Inspectors gave the service a 'fair', one-star rating with 'promising' prospects for improvement. The principal challenge for the service is improving outcomes from an established research and strategy base. Planning mechanisms have only recently been used to secure affordable housing. The Council's approach to diversity needs further development and disabled people have long waits for facilities grants. This does involve difficult investment decisions for the Council and is an issue not limited to this borough.
- 20 However, a fit for purpose housing strategy is in place and the Council now has better focus on homelessness prevention. Inspectors also saw that initiatives with private sector landlords have improved access to privately rented property. Homelessness and housing advice services are becoming more accessible.
- 21 Inspectors found the prospects for improvement as promising. This positive judgement is based on the Council's recent track record in improving services, robust improvement plans, strong service leadership and the performance management framework.

Benefits

- 22 The Benefit Fraud Inspectorate (BFI) recently reviewed and updated its assessment of the Council's benefit services as part of the CPA re-categorisation process. BFI gathered information from a range of sources including the 2005 benefits inspection, performance indicators and the Council's 2006 self-assessment against performance standards.
- 23 The self-assessment showed that the Council achieved a score of 3 representing 'fair' performance. BFI's previous assessment in 2003 resulted in a score of 1 representing 'poor' performance.

Lancashire Children and Young People Partnership

- 24 Every Child Matters: Change for Children is a new approach to securing the wellbeing of children and young people up to the age of 19 years, underpinned by the Children Act 2004.
- 25 During the past year we conducted a review in order to evaluate the progress being made by key stakeholders, principally Lancashire County Council and the twelve district councils in Lancashire, in developing a partnership approach to improve outcomes for children and young people (CYP). The review included an appraisal of key plans and strategies developed at district and county level. We also evaluated the effectiveness of partnership working, specifically for the CYP agenda.
- 26 The review found that whilst there is a clear set of aims driving the CYP agenda nationally, local implementation within Lancashire needs greater clarity and ownership. Arrangements for partnership governance and accountability are underdeveloped and the level of engagement of all key partners responsible for this agenda is variable. The role that all district councils can play across the county on this agenda is not universally understood and as a consequence progress in developing a joint approach has been slow.
- 27 District councils and the County Council are developing awareness and capacity to ensure that the arrangements for joint working for children and young people are more effectively co-ordinated. However, to achieve the timescales set by Government for the implementation of children's trust arrangements, significant progress needs to be made in ensuring that all partners are fully contributing to this agenda.
- 28 Compared to other district councils, Rossendale's approach is relatively well established. A lead councillor and officer have been identified. There are clear links in corporate plans to children and young people and the Council is undertaking impact assessments of new policies. A local CYP strategy has been developed through the LSP and the Council has taken positive action to meet its safeguarding responsibilities under the Children Act. It has introduced a 'Safeguarding Card' for staff who come into contact with children, young people, their families and carers. This card has been issued to staff working in housing, revenue & benefits and leisure, and provides a contact number should they have any concerns about a child's welfare. The Council has organised safeguarding training for its staff to be delivered by the County Council.

Local Area Agreements and partnership working

- 29 The County Council and its partners, including Rossendale Borough Council, have successfully negotiated the Local Area Agreement (LAA) with delivery and performance management arrangements being established. The LAA aims to deliver 53 per cent of Ambition Lancashire targets. The County Council and its partners are working to build a delivery framework for the remaining 47 per cent. Overall, there is a need to better integrate the approach to the LAA and the county and district Local Strategic Partnerships (LSPs). Although it is recognised successful progress has been made on the LSP, which is the only non Neighbourhood Renewal Fund nationally to have green status.

Financial management and value for money

Annual Governance Report

- 30** As your appointed auditor I have reported separately to the Accounts Committee acting as those charged with governance on 28 September 2006, on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate with four except for qualifications; and
 - an unqualified report on the Best Value Performance Plan confirming that the Plan has been audited.
- 31** Six of the amendments to the accounts were of sufficient significance for us to bring them to your attention to assist you in fulfilling your governance responsibilities. The main amendments related to group accounts and the impact of housing stock transfer. None of the amendments had an impact on the consolidated revenue account bottom line.
- 32** The VFM conclusion has been reached by assessing whether the Council meets twelve specified VFM criteria for the 2005/06 financial year. The Council has met the minimum standard for eight out of the twelve criteria. As at 31 March 2006 it had below adequate performance for:
- managing and improving VFM;
 - internal control;
 - asset management; and
 - and probity arrangements.
- 33** From the recent use of resources work reasonable progress has already been made on all these areas, which will be reflect in a marked improvement on the 2006/07 VFM conclusion.

Use of resources

- 34** 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.

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- 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.

35 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

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

(Note: 1 = lowest, 4 = highest)

36 In reaching these judgements we have drawn on the above work and supplemented this with a review against specified Key Lines of Enquiry. A separate Use of Resources report has been agreed with the Management Team with the most significant areas where further development is needed outlined below.

Financial reporting

37 The Finance Section needs to continue to improve the final accounts quality assurance arrangements to ensure the statement of accounts is fully SoRP compliant and free from material and non trifling errors. The Council needs to continue to promote external accountability in line with the recently produced Annual report and summary accounts to demonstrate fully embedded arrangements.

Financial management

38 The Council has taken effective action to ensure that its Medium Term Financial Strategy (MTFS), budgets and capital programme are soundly based and are adequately designed to deliver its strategic priorities. Further improvements to the Council's financial management arrangements can be made through incorporating other internal plans into the future MTFS to assist in the delivery of its strategic priorities.

- 39 Following on from the Large Scale Voluntary Transfer of the Council's housing stock and Capita revenues outsourcing it is important to closely monitor the impact of overhead allocation between the retained services.
- 40 Performance is actively managed against budgets and the Council now has adequate arrangements to manage its asset base, and the capital strategy reflects current priorities. It is important for the Council in the future to review the financial performance of partnerships on a regular basis and link to outputs, sharing results with partners and ensuring corrective action is taken where necessary.
- 41 There is still a lack of specific vfm targets for property and limited use of benchmarking, which may reduce the overall effectiveness of member challenge on VFM. The Council recognises that this is an area that will be strengthened through the establishment of clear and measurable vfm indicators and targets.

Financial standing

- 42 Financial monitoring information, which is regularly reported to members, shows that collections rates for material categories of income are improving, although there is some scope for further improvements to arrears recovery arrangements.

Internal Control

- 43 Risk management has been improving in recent years through the establishment of impact and likelihood of individual risks in 2006, planned future monitoring and periodic review. Further work is required to further embed risk management throughout the organisation and its significant partnerships, through formulating a partnership risk management policy framework including the development of joint risk registers. Strong performance on a more risk aware culture can be secured through continued explicit consideration of opportunity upside of risks in decision making.
- 44 Arrangements to maintain a sound system of internal control have been strengthened through the introduction of service statements of assurance. However, production of the statement on internal control could be more clearly aligned to CIPFA guidance. Recent Internal Audit and Audit Commission work has also identified areas where the systems of internal financial control could be strengthened.
- 45 Internal Audit arrangements have improved with management and delivery of the service performed by the Lancashire Audit Service. The Authority has also established an Audit Scrutiny Panel, the terms of reference of which take into account recent CIPFA guidance for Local Authority Audit Committees.
- 46 It is important that the Audit Committee can explicitly demonstrate it is embedded through the proactive nature and impact of its work. In that it provides effective challenge across the Council, including independent assurance on the risk management framework and associated internal control environment to members and the public.

- 47 Whilst the Council has identified its significant partnerships, it has yet to confirm whether appropriate governance arrangements are in place. The Council has made significant progress in the last year to strengthen arrangements to promote and ensure probity and propriety in the conduct of its business, providing appropriate guidance and Audit Commission facilitated training for officers and members.
- 48 Improvements in the conduct of the Council's business have been made through an adopted and well communicated whistle blowing policy to ensure probity and propriety. Regular reviews of registers of interests and of gifts and hospitality is required to ensure members and staff are making appropriate disclosures.

Value for money

- 49 The Council is committed to driving down its costs and spending and has taken action to address high levels of Band D Council tax (in comparison with other Lancashire districts). In 2006/07, Rossendale set one of the lowest rates of CT increase in the country and there is now a robust plan in place to bring the level of CT in Rossendale closer to the average.
- 50 The Council has a good basic understanding of the underlying reasons why its costs and spending differ from nearest neighbours and other district councils. Areas of apparent higher spending such as central services, parks and open spaces, economic and community development, all of which remain above the median, are known and the reasons understood. However, the Council does not yet have a track record of using information on costs and quality to actively manage performance, improve vfm and to target resources in all areas. The use of benchmarking on cost and quality needs to be further developed in order for the Council to secure greater benefits from its benchmarking activity.
- 51 There is generally a positive relationship between costs and the range, level and quality of services provided, including overheads and capital costs. However, the Council does not yet have sufficient information on unit costs to be able to consistently demonstrate that costs for key services are also in line with the quality and level of service being delivered. It is recognised that despite an absolute rate of improvement the Council is 'running to catch up' in some priority areas. Costs do not yet demonstrate best value in comparison with others.
- 52 The Council has evaluated the outcomes from its capital programme in accordance with objectives for some major investment proposals. Capital projects are being appraised more clearly and consistently against objectives with most projects completed on time and within budget. New investment has resulted in service improvement in areas such as housing, CT/HB administration, waste and planning.
- 53 There is evidence that the Council has evaluated costs when making key policy decisions.

- 54 Achieving and improving vfm is integral to the Council's approach to vfm/efficiency and some effective structures and processes have been put in place to support it. However, there is a need for greater integration between cost, performance and operational activity to more effectively challenge vfm. A lack of specific vfm targets and indicators in some areas suggests that the council has still to integrate regular vfm monitoring into day to day management.
- 55 Members and senior managers are developing a clearer emphasis on vfm as opposed to savings. Improvement planning has led to service improvement and better vfm in some areas although comparative performance is still bottom quartile in some key priority areas. The Council has the best performing CDRP in terms of crime reduction in the county.
- 56 Structures and processes for monitoring savings and efficiency gains have been strengthened. Gershon efficiencies are now more clearly reflected in service business plans and monitored through Corporate Management Board. There is evidence that targets are being used 'intelligently' to reflect potential for improvement within individual services and to support priority areas.
- 57 The procurement function has been strengthened and some significant and identifiable savings have been achieved without unintended loss of quality (or quality increased at no extra cost) but officers recognise that there is more to be done to enable it to secure full benefits from all its procurement activity.
- 58 The Council generally has a successful track record of securing external funding and for using funding to deliver required outcomes and increased value for local residents.

Ethical governance review

- 59 A diagnostic review including survey and Member/officer workshops were carried out during July to September 2006. The workshops were well received by both members and officers with member workshop being very well attended with further cascade training provided by the Monitoring Officer for those unable to attend. The workshops provided a useful platform to further promote the importance of embedding ethical governance culture Council wide, including anti fraud and corruption measures.
- 60 The Council fully complies with the requirements of Part III of the 2000 Act, in relation to standards committees, the member code of conduct and disclosure of member interests. Since our review, arrangements for promoting ethical standards have been strengthened and carrying out local investigations developed.
- 61 The number of responses to the online survey means that the outcomes are not statistically significant. However, when compared to national survey results, the responses indicate that the leadership, accountability and management of standards are seen as areas of strength.

- 62 The workshops indicate that overall officers have a good understanding of how to deal with ethical situations and feel that the Council has made a clear commitment to fraud, including arrangements for staff to express concerns. Whilst there was less clarity on registering interests and gifts and hospitality, the Council has since taken action to address this. Members gave a positive view on exchanges with officers and the role of the overview and scrutiny process, although views were less positive on the balance of political debate and decision making at committee meetings.

Data quality and Best Value Performance Plan

- 63 The Council's data quality arrangements for people and skills, together with data use are performing well. The effectiveness of the Council's management arrangements for data quality, together with its data quality systems and processes continue to show improvement and are currently performing at an adequate standard. The Council has arrangements for the Governance of data and whilst these are not yet formalised, it is currently consulting with relevant stakeholders on the adoption of an over-arching Data Quality Strategy, with the purpose of achieving consistently high standards of data quality across the Council.
- 64 Our review and spot checks of three specified PIs revealed that one had been fairly stated, with two requiring amendment.
- 65 The BVPP complied with statutory guidance, and consequently we have no recommendations to make on procedures in relation to the plan in our statutory report.

Your Business @ risk

- 66 Public sector bodies are exposed to increased risks as a result of the growth of the e-agenda, the anticipated increase in the use of new technologies and greater public access. Computer viruses, IT fraud, hacking, invasion of privacy and downloading of unsuitable material from the internet remain real threats to many organisations. An Audit Commission facilitated online IT risk assessment was issued in June 2006 to all members, all ICT staff and 180 officer ICT users, which generated 73 respondents equating to a 33 per cent response rate.
- 67 It is apparent from the results of the survey that most staff are not aware of the risks from the use of Information Technology and therefore how these risks should be managed.
- 68 The overriding message from the self-assessment tool is that, even when policies are in place, staff are not aware of them to a level which will protect the Council. Several issues were identified across the following four main risk categories which may be subject to IT fraud or abuse:
- business disruption;
 - financial loss;

- reputational damage; and
- loss of user confidence.

69 The Council has responded positively to the survey findings and recommendations and a detailed action plan has been produced to mitigate the risk areas identified as part of the ICT Strategy.

Conclusion

- 70 This letter has been discussed and agreed with the Chief Executive and Executive Director for Resources. A copy of the letter will be presented at the full council on 27 March 2007.
- 71 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

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

Tom Keena
Relationship Manager
March 2007