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## **ANNUAL AUDIT & INSPECTION LETTER**

### **1 SUMMARY**

- 1.1 This report introduces the Annual Audit and Inspection letter (AAIL), attached as an appendix, for Members' consideration and discussion. The AAIL is written by the Audit Commission and brings together a number of reports from the Audit Commission and the Council's External Auditors, PKF, in line with the Audit Commission by 31 March 2009.

### **2 INTRODUCTION**

- 2.1 The Audit Commission, through the auspices of the Council's Comprehensive Area Assessment Lead, Mr Ian Davidson, working with and incorporating the comments from PKF, has now produced an assessment report on the Council's performance covering the period from 1 April 2007 to 31 December 2008. The sections on Use of Resources and the Audit of the Accounts primarily cover the period from 1 April 2007 to 31 March 2008 and do not reflect changes made since April 2008.
- 2.2 Ian Davidson will attend this meeting in order to present the AAIL.

### **3 DETAILED CONSIDERATIONS**

- 3.1 The AAIL draws on the findings and conclusions from the audit of the Council's accounts for 2007/08 and any other audit works undertaken in the above period. The AAIL includes a review of how well the Council has progressed (annual Direction of Travel report), the Comprehensive Performance Assessment and the external auditors' Use of Resources judgment. The latter is considered in more detail in a separate report to this meeting.
- 3.2 The AAIL is addressed particularly to Councillors, but is also available as a public document for stakeholders, including members of the community served by the Council.
- 3.3 The AAIL identifies a number of areas where the Council needs to improve performance and these are listed below:-

- A. Strengthen and embed the Council's risk management and asset management arrangements.
  - B. Fully develop the role of the overview and scrutiny function (Review Committee) to ensure effective examination of the performance of the Executive.
  - C. Council needs to ensure that cross-cutting initiatives, which can only be delivered by all partners working closely together, are consistently and reliably delivered.
  - D. The Council's published priorities need to be more specific or explicit in what the Council will do.
  - E. The community plan needs to be supported by clear, outcome based targets with deadlines and challenging and specific targets for the corporate plan need to be set.
- 3.4 Action points B to E are covered by the CPA Improvement Plan which was agreed by the Executive on 18 February 2009. The implementation of this plan will be monitored as part of the quarterly performance reporting to the Executive and also in the quarterly meetings between Leader, relevant Executive Members, officers, Audit Commission, External Auditors and the Government Office.
- 3.5 The Council's approach to risk management is to seek continual improvement and considerable progress has been made in embedding the risk management framework.
- 3.6 Asset management arrangements will be reviewed in the light of the new Use of Resources theme for strategic asset management which will be assessed in 2010 for the 2009/10 year. However, there is a need to balance having what inspectors and external auditors expect to be in place against proportionate arrangements which reflect the small asset portfolio of the Council.

#### **4 RISK IMPLICATIONS**

- 4.1 The AAIL is important in terms of the reputation of the Council as it presents an outsider's view as to how well the Council is addressing performance issues.

#### **5 RESOURCE IMPLICATIONS**

- 5.1 Preparing for the various inspections and assessments that take place during the year does impact on officers' time and needs to be managed within existing workloads.

**6 RECOMMENDATION**

6.1 It is proposed that the Committee **RESOLVES**

That the content of the report and the arrangements for addressing the areas highlighted for action be noted.

Yvonne Woodward

Head of Finance, Audit and Performance Management

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**Background Papers:-**

None.

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If you would like this report in large print, braille or another language please contact 01702 546366.

# Annual Audit and Inspection Letter

Rochford District Council

Audit 2007/08

March 2009





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## Status of our reports

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

- any member or officer in their individual capacity; or
- any third party.

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# Key messages

- 1 Rochford District Council has made good progress in improving frontline services, modernising its decision making structures and arranging to deliver improved recycling and waste collection. In 2004, Rochford District Council was a 'weak' council; now it is a 'good' council. The rate of improvement exceeds the average for district councils.
- 2 The Council has good political and management leadership. It provides good leadership for the community within its wider partnerships, which partners' value and acknowledge.
- 3 The Council is delivering good frontline services. It has been supportive of partnerships, such as Thames Gateway South East (TGSE) and the Essex Local Area Agreement (LAA). Good cross-cutting work with partners secures a wide array of outcomes against local priorities. This has improved access to services and the quality of life for all local people.
- 4 The Council has developed an effective approach to health inequalities.
- 5 The Council's appointed auditor gave an unqualified audit opinion on the Council's 2007/08 Statement of Accounts and an unqualified conclusion on the Council's value for money arrangements.
- 6 The Use of Resources arrangements at the Council are assessed as Good. The Council successfully completed a Large Scale Voluntary Transfer operation and presented a much improved Annual Report (the format and content of which was highlighted as notable practice) which contributed to an increased Financial Reporting score under the Use of Resources assessment.

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## Action needed by the Council

- 7 More work needs to be done to strengthen and embed the Council's risk management and asset management arrangements.
- 8 The overview and scrutiny function (Review Committee) has contributed to service improvement and policy development however it needs to fully develop its role to ensure effective examination of the performance of the Executive.
- 9 Performance management in partnerships is adequate however the Council needs to ensure that cross-cutting initiatives, which can only be delivered by all partners working closely together, are consistently and reliably delivered.
- 10 The ambitions and priorities for the Council are very broad, covering everything councils do however the published priorities need to be more specific or explicit in what the Council will do.
- 11 The community plan needs to be supported by clear, outcome based targets with deadlines, and challenging and specific targets for the corporate plan need to be set. These should support delivery of individual ambitions and priorities.

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# Purpose, responsibilities and scope

- 12** 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.
- 13** 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.
- 14** This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 15** Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, 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.
- 16** 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.
- 17** 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 Rochford District Council performing?

**18** Rochford District Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2008. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

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



Source: Audit Commission

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**Our overall assessment - the CPA summary of assessment scores**

Headline questions	Theme	Score
What is the Council, together with its partners, trying to achieve?	Ambition	2
	Prioritisations	2
What is the capacity of the Council, including its work with partners, to deliver what it is trying to achieve?	Capacity	3
	Performance Management	2
What has been achieved?	Achievement and Improvement	3
CPA Category		GOOD
<b>Key to scores:</b> 1 – below minimum requirements – inadequate performance 2 – at only minimum requirements – adequate performance 3 – consistently above minimum requirements – performing well 4 – well above minimum requirements – performing strongly		

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**Comprehensive Performance Assessment**

- 19** The Council is improving services in priority areas and the rate of improvement is above average. The Council delivers good quality frontline services which local residents are satisfied with. Compared to other English councils, a wide range of services have high satisfaction. These include waste collection, parks and open spaces, sports and leisure. Residents overall satisfaction with the running of the Council rates among the top 25 per cent of English councils.
- 20** The Council has focused attention on, and improved those services, that were performing poorly, such as homelessness, and revenues and benefits.
- 21** It has put considerable time and effort into planning the improvements around recycling and composting. This included consulting and involving local people and Essex County Council, and negotiating to get a value for money arrangement that will also deliver high levels of recycling across the whole district. The Council has agreed targets to almost double and then treble existing recycling rates within two years. There are also clear and challenging targets to reduce energy and water use, which all helps offset the fact that otherwise the Council has been slow to implement significant environmental initiatives.

- 22** There has been a concerted and successful effort to develop and secure the capacity the Council needs to deliver the level of service it aspires to. It has speeded up decision making by adopting the executive model of governance, and established mechanisms to involve local people, through three area committees. It works well in partnership with others and has used partnership to increase capacity. It has successfully developed its workforce, through comprehensive workforce development and training.

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

### Summary

- 23** Rochford has made good progress in delivering high quality services in a cost effective way. It performs well compared to district councils nationally. There have been sustained improvements with 41 per cent of performance indicators (PIs) in the best 25 per cent of all English district councils and 64 per cent of PIs improved in 2007/8.
- 24** The Council has continued to improve poorly performing areas including homelessness, paying benefits, recycling and waste collection. It has also improved value for money, for example in planning applications and in leisure and arts centres, where a contractor has delivered savings of 35 per cent whilst increasing investment and quality of services. The Council has increased the proportion of waste recycled. Sickness rates are falling. The Council has improved access to services and taken action to protect the most vulnerable people. The significant reduction in crime - 33 per cent since 2004 – is the largest decrease in Eastern England.
- 25** Ambitions and priorities are very broad and targets are not all outcome focused. These issues are recognised and being addressed. The role of the overview and scrutiny review committee is underdeveloped in examining performance.

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

- 26** Rochford District Council has made good progress in improving frontline services, modernising its decision-making structures and improving recycling and waste collection. The rate of improvement across all services in 2007/08 was above the average for all English district councils with 64 per cent of PIs improving. Forty-one per cent of PIs are high performing which is above the national average of 33 per cent. Improvement was above average in all areas except housing.
- 27** Councillors, staff and partners lack a consistent understanding of what the Council's priorities are. The corporate plan sets 16 priorities but most of these are vague or non specific, such as 'improve the environment'. The Council has recognised the weaknesses in their approach, and the latest draft corporate plan to 2013 contains specific targets. However, this has yet to be adopted and is still based around the six existing broad priorities. There is a lack of clarity about the council's priorities, which hinders planning as well as joint working.

- 28** The Council has effectively focussed its efforts on poorly performing areas including homelessness, revenues and benefits, recycling and waste collection. The speed of processing new benefit claims is improving from a below average 31 days to 16 days in 2006/07. Processing changes in circumstances is now undertaken more quickly; falling from 22.6 and 9.5 days in 2007/8. The Council increased the proportion of waste recycled from 12 per cent in 2004 to 19 per cent in 2007/8. The contract for the new scheme being implemented has a target of recycling 55 per cent of household waste by 2009/10. Focus from the Council is improving some key services.
- 29** Action has been taken to protect the most vulnerable people in the community. The Council has worked with Essex County Council to convert a sheltered housing scheme into affordable rented flats and create a new elderly persons housing complex in Rayleigh. A women's refuge is now provided together with ten units for people with learning disabilities. Separate initiatives have improved the Council's response to homelessness including revision of the lettings policy to give greater priority to homeless families. The average length of stay in hostel accommodation has decreased significantly in the year to 2007/8 from 27 to eight weeks.
- 30** Housing services and planning are improving. For example the speed of planning decisions is improving and the number of empty homes is reducing. The proportion of major planning applications determined within 13 weeks increased from 78 to 95 per cent, and minor planning applications determined in 8 weeks increased from 69 to 89 per cent. In both categories this placed the Council amongst the best 25 per cent of English district councils. The percentage of private sector homes vacant for six months or more reduced, although remaining in the worst 25 per cent.
- 31** The Council is effectively tackling community safety concerns in partnership. This has resulted in a significant reduction in crime of 33 per cent since the 2004/05 baseline. This is the largest drop in Eastern England, exceeding the target of 13.5 per cent overall crime reduction. Council initiatives included establishing 'no cold calling' zones, a handy-person scheme which reduces opportunistic crime, targeted schemes to reduce car and bike thefts, joint solutions to reduce anti-social behaviour, and arranging activities for young people. Local people are enjoying a safer district.
- 32** The Council contributes towards wider community outcomes. It has set up three area committees to involve local people. The Council and its partners have developed their strategies to respond to the Essex local area agreement (LAA). It also contributes to wider strategies such as the Thames Gateway strategy and the community strategy. It has increased biodiversity within the area with the development of Cherry Orchard Jubilee Country Park and has set ambitious targets to reduce the amount of carbon dioxide by 30 per cent in five years. Actions have already been implemented, for example, new boilers and better heating controls have reduced gas use by 40 per cent and refurbishment of toilets across the council has reduced water use by a million litres a year. However, future plans for the provision of affordable housing are underdeveloped. Overall the Council is taking a wider community role.
- 33** The Council has improved access to services through investment in information communications technology, text messaging for people with a hearing impairment and the re-launched website with adaptations for those with visual impairment. The access to services strategy and consultation strategy are focused on those groups who do not normally engage with the council.



- 34** The Council has worked well to deliver high quality services in a cost effective way. This has included work with partners. As well as the work to reduce crime rates and improve revenues and benefits processing, it has worked with a private contractor to deliver significant savings of 35 per cent (£65,000) in running the leisure and arts centres, whilst also increasing investment..
- 35** The Council's approach to equality and diversity is improving. The Council recently achieved Level 3 of the Equality Standard for Local Government. The access to services strategy and consultation strategy are focussed on those groups who do not normally engage with the Council, including those with a disability and those living in rural isolation. Mystery shopping which provides feedback on what it is like to use services includes consideration to equality and diversity. In response recent developments include a text messaging service for people with hearing difficulties.
- 36** Improvements in value for money (VfM) have been made, although the lack of clear outcomes within the corporate plan has meant it has been hard for the medium term financial plan to identify the overall cost of its delivery. Routine VfM assessments are only just being introduced and the VfM strategy is still in draft. However, some savings have been achieved, such as flexible working in development control and efficiency savings in bed and breakfast accommodation.

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

- 37** The Council has plans in place for continuous and sustained improvement of services. For example, it has put considerable time and effort into planning the improvements in recycling and composting. These included consultation with local people and negotiating a value for money arrangement to deliver high levels of recycling across the whole district. Targets have been agreed which will almost double and then treble existing recycling rates within two years. There are also clear and challenging targets to reduce energy and water use. However, this rigorous approach is not fully embedded across the Council and targets are not all outcome focused. For example, the ambitions within the community strategy are not consistently supported by clear, robust outcome based targets or action plans.
- 38** Improvement planning has been implemented in a number of areas. The Council has focused attention on, and improved, those services that were performing poorly, such as homelessness, and revenues and benefits. Targets for service improvement are set and good mechanisms are in place to ensure projects are delivered on time.
- 39** There has been a concerted and successful effort to develop and secure improved capacity. A consistent focus on addressing sickness absence has resulted in low and reducing staff sickness rates from an average of 7.5 days per employee to 5.3. This is amongst the best performance nationally. The Council works well in partnership with others and has used partnership to increase capacity. It has successfully developed its workforce, through comprehensive workforce development and training.



- 40** Some aspects of performance management do not support the delivery of improved services. The ambitions and priorities for the Council are very broad and explicit actions are not spelt out. This weakens the scope to use performance management to deliver priorities but more importantly, leaves councillors, staff and partners unclear about what is, and is not, a priority for the Council. Performance management in partnerships is adequate but not sufficient to ensure that cross-cutting initiatives are consistently and reliably delivered. Performance reports generally do not allow easy tracking of progress against ambitions and priorities, and lack full integration with resource management. The role of the overview and scrutiny function (the Review Committee) is underdeveloped in examining and challenging performance.
- 41** There are no significant weaknesses in arrangements for securing continuous improvements. The Council has speeded up decision making by adopting the executive model of governance, and established mechanisms to involve local people, through the area committees.

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# The audit of the accounts and value for money

**42** Your appointed auditor has reported separately to the Audit Committee on the issues arising from their 2007/08 audit and has issued:

- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements on 30 September 2008 to say that these arrangements are adequate as at 31 March 2008;
- a cross-cutting report on Health Inequalities in March 2008, covering Essex 'Public Services' (all local government bodies, PCTs and Essex County Fire and Rescue), resulting from a piece of work carried out in close partnership with the Audit Commission. The high-level findings from this review were reported in last year's Annual Audit and Inspection Letter, published in March 2008; and
- a report on the Best Value Performance Plan in December 2007 confirming that the Plan has been audited.

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## Use of Resources

**43** 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).

- 44** For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

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

Note: 1 – lowest, 4 = highest

### The key issues arising from the audit

- 45** The Council was judged to have significantly improved its accounts preparation processes and no significant issues were identified during the accounts audit. These improvements, alongside successful completion of a Large Scale Voluntary Transfer operation and a much improved Annual Report (the format and content of which was highlighted as notable practice), contributed to an increased Financial Reporting score under the Use of Resources assessment.
- 46** Further improvements were evident in the Council's Use of Resources arrangements, resulting in the increase of overall score from 2 to 3. These included:
- improved debt recovery monitoring arrangements; and
  - improved matching of priorities to spend levels such that the Council can now demonstrate appropriate outcomes in service delivery for areas of high spend that are supported by corporate priorities.
- 47** More work needs to be done to strengthen and embed the Council's risk management and asset management arrangements.

### Health Inequalities

- 48** Following the issue of our joint Audit Commission and PKF report in March 2008, the Essex Chief Executives Forum collated an Essex-wide response to the Action Plan included in that report. We have undertaken a short review of local action-planning at Local Strategic Partnership (LSP) level, taking the Essex-wide Plan as a starting point and obtaining an understanding of how certain aspects, for example performance management, cascade from Local Area Agreement level through LSP working of the District Council with South East Essex PCT and other partners, to the individual contribution to targets of Rochford District Council.

- 49** Our review considered a number of structural and other arrangements changes already achieved and also other development plans being progressed. We have concluded that the Council and the LSP are making good progress in this area. We intend to revisit Health Inequalities by way of a more in-depth follow-up review in 2009/10.

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**Advice and Assistance work**

- 50** There was no advice and assistance work undertaken during 2007/08.

## Looking ahead

- 51** 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.
- 52** 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.
- 53** 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.

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# Closing remarks

- 54** This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Council's Audit Committee on 29 April 2009. Copies will be provided to all Council members
- 55** 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.

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**Table 2      Reports issued**

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

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- 56** 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.

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## Availability of this letter

- 57** This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Ian Davidson**  
**Comprehensive Area Assessment Lead**

31 March 2009

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# 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.

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## Copies of this report

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