

Annual Audit and Inspection Letter

January 2006



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Rutland County Council

Audit 2004-2005

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Introduction and key messages

- 1** This is our Audit and Inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, and is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council. Appendix 1 sets out the background in more detail.
- 2** This section of the letter summarises the main messages for the Council. Further details are set out in the body of the letter.

Council performance

- 3** Under the new CPA framework the Council is improving adequately and is demonstrating a two-star overall performance.
- 4** Reviews of a number of key services indicate a good level of achievement.
 - Ofsted and CSCI assessed integrated children's services as providing a service that consistently delivers above minimum requirements for users and that has good/promising capacity to improve.
 - BFI have assessed the Council's administration of HB and CTB as providing an excellent service.
- 5** However, service improvement has been inconsistent. Capacity issues have not yet been resolved and senior staff vacancies have impacted on service delivery in housing, planning and adult services.

Financial standing

- 6** The local government settlement announced in December 2005 means that members will again have to find a balance between council tax levels, finding savings in revenue expenditure, and meeting the Council's corporate priorities.

Other accounts and governance issues

- 7** System control account reconciliations have not been kept up to date during the year. These are basic controls and the reconciliations must be brought up to date in order to restore confidence in the integrity of the Council's financial systems. This is the second year we have had to report such problems.
- 8** Housing records to support the Council's housing subsidy claim were inadequate. The records must be brought up to date to prevent potential loss of subsidy in future.

Performance

Under the new CPA framework the council is improving adequately and is demonstrating a two-star overall performance.

The Council is making improvements in the delivery of local and national priorities but improvement is not happening consistently across all areas. There has been steady progress towards achieving community plan outcomes.

The Council has begun to address the lack of performance information, but needs to attend to the cultural/people issues that will enable it to accelerate the process, and take the next step to use the information collected to manage an improvement in performance and service delivery.

Capacity issues have not yet been resolved and senior staff vacancies have impacted in housing, planning and adult services.

The Council has made a positive and committed start on the journey towards integrated children's services.

CPA scorecard

- 9 Set out below in Table 1 is a summary of the latest assessment of the Council's performance.

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	2 stars
Current performance	out of 4
<i>Level 1</i>	
Children and young people	3
Social care (adults)	3
Use of resources	2
<i>Level 2</i>	
Benefits	4
Environment	3
Housing	3
Culture	2
Corporate assessment/capacity to improve (not reassessed in 2005)	2 out of 4

(Note: 1 = lowest, 4 = highest)

- 10 The CPA judgements this year have been made using the revised methodology: CPA - the harder test. This is now a more stringent test with more emphasis on outcomes for local people and value for money. We have also added a new dimension, a Direction of Travel judgement that measures how well the Council is improving. Under the new framework, the Council is improving adequately and is demonstrating a two-star overall performance.
- 11 The overall CPA category will be reassessed once the corporate assessment score has been determined early in 2006. Further details are given in 'Future audit and inspection work' later in this letter.
- 12 The CPA scorecard and Direction of Travel summary statement were published on our website at www.audit-commission.gov.uk on 15 December 2005.

Direction of Travel

- 13 The Direction of Travel judgement is provisional and will be superseded following the corporate assessment early next year. The Direction of Travel summary statement text is set out below and is expanded on in the subsequent paragraphs.

Rutland County is improving adequately.

The Council is making improvements in the delivery of local and national priorities but improvement is not happening consistently across all areas. For example, housing benefits has improved dramatically from a 'fair' to an 'excellent' service according to inspectors. There have been steady improvements in services for adults and children. Major capital projects have progressed well, such as the development of Barleythorpe, and the Oakham bypass.

However, less than half of the core performance indicators have improved over the past two years. Nearly all housing performance indicators have deteriorated in this period. Key aspects of environmental services such as planning and street cleansing have deteriorated or made less improvement than services in councils elsewhere.

There has been steady progress towards achieving community plan outcomes, for example by implementing traffic calming measures and in developing plans for affordable housing.

The Council has improved the way it works in partnership, for example in delivering services to young people. But capacity issues have not yet been resolved and senior staff vacancies have impacted in housing, planning and adult services.

What evidence is there that the Council is improving outcomes?

- 14** Some services have improved dramatically in the past 12 months, for example, the Benefit Fraud Inspectorate have recently upgraded the Council's benefits service rating from 'fair' to 'excellent'. There have been steady improvements in most aspects of services to adults and children. On the other hand, performance in key aspects of the Council's environmental services have deteriorated since last year.
- 15** There has been good progress in taking the preliminary steps to deliver the major projects included in the corporate plan. The Council has also been successful in identifying partners to deliver the housing management function and in building the Oakham bypass. The redevelopment of the Barleythorpe site is progressing well. Preliminary proposals to develop options for improving leisure provision in Oakham and children's centres offering extended services across the county have been drafted and consulted upon.
- 16** There has been steady progress towards achieving the wider community outcomes set out in the community plan. Improved road safety is being targeted through traffic calming measures, responsive speeding signs across the county and through new highways safety schemes. Businesses, schools and homes are increasingly benefiting from broadband now that all Rutland telephone exchanges have been upgraded. More people are visiting the Rutland and Castle museums following investment in these facilities. Funding is now in place to address the community plan's ambitious affordable housing targets over the next two years and good progress is being made in delivering completed affordable housing units.
- 17** Access to online services has improved (as measured by BV 157). There has been some slippage in reaching milestones in order to bring services online, although the Council's website has been re-launched and is now more effective. Services are also more accessible as a result of the introduction of a translation facility available to all services. The performance of the Council's customer service team has improved significantly in its second year although fewer services have migrated across. Accordingly the Council's customer service one-stop shop initiative remains limited.

- 18** The Council is improving the way its services reach out to the county's diverse communities. During the past 12 months, the Council has given a strong priority to developing equality, diversity and inclusion across all Council services. The Adult Social Services, Health and Housing directorate has taken a corporate lead and has implemented a range of actions to heighten awareness, train staff and provide a corporate interpretation and translation facility to quality standards. In addition the Council has worked in partnership with Connexions and the Learning and Skills Council to open Jules, a one-stop shop facility in Oakham that serves the needs of young people. Children's Services have launched universal free access for all three year olds to early years education. Extended school grants have been used to deliver services in all villages and schools across the county which has provided extracurricular support for an additional 1,100 parents and children.
- 19** Using a basket of 63 core performance indicators (PIs) to compare the Council's performance since 2002/03, only 44 per cent of PIs have improved while 56 per cent have stayed the same or deteriorated (Table 2). Bottom quartile PIs have improved less than top quartile PIs, which indicates that the Council has been unsuccessful in achieving improvement in its poorest performing PIs. However we acknowledge that the Council focuses on its priority services.

Table 2 PI improvements since 2003

	<i>PIs that have improved</i>	<i>PIs that have not improved</i>
<i>PIs in 'best' quartile</i>	15	12
<i>PIs in 2nd quartile</i>	3	4
<i>PIs in 3rd quartile</i>	4	7
<i>PIs in 'worst' quartile</i>	5	12
	44%	56%

- 20** Making broader comparisons with other councils there is a more positive picture for adult and children's services. Children's outcomes across all key stages are similar to comparable LEAs but Rutland boys are underperforming in some areas (KS3 and KS4). Children's services have been judged jointly by OFSTED and CSCI to be consistently delivering above minimum requirements for users and to have good/promising capacity to improve. The Council has made a positive and committed start on the journey towards creating integrated children's services and good progress has been made. Similarly, Adult Services are judged by CSCI to be serving most people well, and to have promising prospects for improvement. The service is commended by inspectors for its achievement in promoting independence for older people. Increased investment in the use of intensive home care and other support services has resulted in a reduction in the use of residential care placements.

- 21** However, in housing, for eight out of the ten PIs where year-on-year comparison is possible, performance has deteriorated over the past three years. The percentage of highways which are clean has deteriorated. Analysis of environment PIs shows an equal number of PIs improving as deteriorating. Even where PIs are improving, as is the case for two of the planning speed PIs, the rate of improvement is slower than other councils. These key environment PIs remain in the bottom quartile in comparison to other councils. Poor performance in the collection of council tax, NNDR and in the administration of housing benefits during 2004/05 is attributed to the introduction of new IT systems, although problems have now been resolved.
- 22** The Council currently achieves good value for money and is following our recommendation to improve value for money by encouraging members and managers to actively use cost information to review and challenge value for money at service level, and by developing an understanding of costs compared to others and of costs in relation to quality. There has also been some progress in securing shared services and in efficiencies resulting from e-government.

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

- 23** Over the past twelve months the Council has been effective at ensuring that its corporate plan has been kept up to date, that the plan reflects members' priorities and that it is sufficiently robust to use as a means of monitoring and managing performance. A more focused set of priorities has been agreed for 2005/06. The community plan and the local (land use) plan have also been subject to ongoing review this year. A council review of corporate plan progress at the end of the 2004/05 year, indicated that around 70 per cent of 2004/05 milestones had been hit during the year and around 50 per cent of the outcomes sought were achieved within the original timescale.
- 24** There has been some slippage around delivering improvements in quality and efficiency, nevertheless steady progress is being made in developing the following areas:
- shared service delivery arrangements with other councils
 - e-enabled service delivery, and
 - re-engineering customer services across a range of services.
- 25** The Council is closer to agreeing which services should be jointly delivered with its Welland Partners, although the scope for improvement has narrowed as options for shared services delivery have become more limited. Some service reception functions have migrated across to the Council's customer service team, for example, waste collection and, to a substantial extent, planning. There has also been good progress in delivering efficiency savings through improved sickness absence management. At 6.5 days absence per member of staff last year, the Council performed above the top quartile during 2004/05.

- 26** Capacity remains a key issue. The Council has been successful in managing the transition from separate education and social services functions into children's and adult services during 2004/05, and an Operations Board of service managers has recently been appointed. This restructure is intended to deliver additional capacity. In addition, key posts have proved difficult to fill (for example housing, planning and adult services) and this has hindered progress. In adult services, the lack of management capacity has delayed the review and development of the commissioning strategy and has delayed arrangements for the review of service provision, contracts and SLAs. In development control improvement in the handling of planning applications speed has not been sustainable due to turnover and capacity problems.
- 27** The Council remains committed to building capacity through working in partnership with others, particularly in delivering outcomes that address aspirations of the wider community:
- working effectively with the Police to fund and deploy four police community safety officers in 2005/06;
 - redeveloping the Barleythorpe site with a private sector partner;
 - contracting out the housing landlord role in January 2006;
 - exploring options for joint decriminalised parking enforcement with neighbouring councils; and
 - Children's Services collaboration with other agencies to develop more joined up services for older children and young adults, for example, resulting in an agreed 14-19 learner entitlement and the Jules project.
- 28** Over the past 12 months, the Council has demonstrated a willingness to improve in areas where weaknesses are known. For example, the Council's information and communications technology (ICT) arrangements have been subject to a full management restructure. The percentage of surplus school places in primary and secondary schools in the county has been growing over the past three years, but during the last year a major initiative has been launched to manage reorganisation. There has been good progress in developing strategic partnership working for 14-19 provision.

Other performance work

Implementing performance management arrangements

- 29** In last year's letter, we set out the key points from our work which was almost complete. Our final report on performance management was published in July 2005.

- 30** In the past, we have criticised the lack of performance information in the Council, so it is pleasing to note that the Council has begun to address this problem by:
- setting links between council aims, objectives and milestones;
 - considering quarterly reports on progress towards meeting the milestones; and
 - considering quarterly reports on progress with PIs.
- 31** Integrated reporting of finances, milestones and PIs will be introduced in February 2006. The Council needs to ensure that all staff are given a consistent message, informed of the benefits that can arise from the use of performance information and how it could improve service delivery, so that overall acceptance down through the organisation will lead to an improvement in performance and service delivery.

Procurement

- 32** In last year's letter, we set out the key points from our work which was not quite complete. In our final report (issued in March 2005) we set out a way forward for the Council.
- 33** Work is in hand to produce a procurement strategy within the Welland Partnership. In adopting what is hoped to be a generic strategy suitable for all the Welland Partners, the Council will need to ensure that it satisfactorily addresses its County tier responsibilities.
- 34** Notwithstanding the differences in service responsibilities between the Council and the other Districts in the Welland Partnership, there ought to be gains over time by working with the other Partners to develop procurement thinking and training.
- 35** There is clear evidence of expertise which needs to be spread across the Council. The immediate benefit of establishing a procurement network is that individuals will know about the strategy and the procurement processes and procedures which are in place for them to use.
- 36** Although some modest resource is needed to put these actions in place, well implemented efficiencies should be capable of being delivered.

Integrated children's services

- 37** The Children Act 2004 (the Act) sets out the government's vision for how services to children and young people can be improved through better integration and a focus on outcomes. The Act sets out an ambitious agenda for local authorities and their partners to deliver in a short timescale.
- 38** The Council has made a positive and committed start on the journey towards integrated children's services. Useful building blocks have been developed but there is much yet still to do to translate the early arrangements into robust structures which will deliver improved outcomes on a sustained basis within a strong governance framework.

- 39 Good progress has been made in becoming a children's services authority. The Council has approached this with vigour. A new corporate structure is in place and portfolios and scrutiny arrangements will reflect this structure. Staff in the children's services directorate are committed to the changes having been heavily involved in planning and implementation.
- 40 School heads and chairs of governors are informed about integrated children's services but this is not widespread amongst other school staff. Work remains to be done with these staff.
- 41 The Council is providing good leadership with the Director of Children's Services emerging as a clear champion for change, visible to staff and working with children and to partners. Consultation with communities has informed planning, for example, Vision 2010+, and further consultation with children and young people is being coordinated to inform the planning for integrated children's services. There is however a risk that a majority view prevails to the detriment of disadvantaged and hard to reach groups. The Council needs to ensure that both its consultation and service delivery is inclusive and meets the needs of hard to reach groups.
- 42 The Children and Young Person's Plan (CYPP) is being drafted within the Council without significant partner input. As the primary statement of how all children's services will be delivered, partners should be directly involved in its development. Work on a local needs analysis and workforce mapping which will inform the CYPP is also limited to information in the children's services directorate. By contrast, the planned consultation with children, young people, their families and the community to inform the CYPP will involve other agencies and be coordinated by the Children and Young Person's Strategic Partnership (CYPSP).
- 43 There is a strong commitment to inter-agency working at all levels in Rutland, but the development of the CYPSP as the inter-agency body overseeing the delivery of integrated children's services is at an early stage. A project plan and a risk assessment are needed. The relationship between the CYPSP and other children's partnerships (for example, the 14-19 partnership and the early years and childcare development partnership) needs to be clarified.
- 44 The Local Safeguarding Children's Board (LSCB) is being launched in February 2006.
- 45 The partners' survey showed a variable level of understanding of the programme for change among partners indicating the need for improved communication.

Partnership diagnostic

- 46 Partnership working is vital for delivering improved, joined up and effective public services. Arrangements can be complex and it is often unclear how they work in practice and whether they effectively achieve their objectives.

- 47 We are currently developing a small scale cross-cutting overview of partnership arrangements in Leicestershire and Rutland covering local government, health, probation and police. The overview will be based on a self-assessment questionnaire and high level issues will be fed back to the Council in 2006 to help develop arrangements and inform future plans.

Performance information

Performance indicators

- 48 We have audited a selection of performance indicators (PIs) and concluded that the Council has adequate systems for collating information and calculating those PIs.
- 49 We also examined a number of targets set for future years relating to poorly performing PIs in the key services of education, social services, waste management and planning. For these particular PIs, targets are generally stretching, indicating that the Council is concentrating on improving its poorest performing areas.
- 50 The Best Value Performance Plan includes those matters prescribed in legislation and statutory guidance and the arrangements for publishing the plan complied with those requirements.

Implementing electronic governance

- 51 The Council's IEG5 statement, summarising progress against ODPM deadlines, was produced in December 2005. It shows that only 60 per cent of the priority service and transformation outcomes will meet the government deadlines. Officers have assessed further expenditure required to meet the targets as being in excess of funding currently available. Unless other sources of funding are secured, members may have to consider reallocating funds from other budgets.

Other Audit Commission inspections

Culture services

- 52 We have assessed the Council as providing a 'fair', one-star service that has uncertain prospects for improvement.
- 53 Rutland County Council is providing a fair range of opportunities for local people to participate in cultural activity through its investment in cultural services and its partnerships with others.
- 54 The Council's prospects for improving its cultural services are uncertain because there is not enough emphasis given to strategic planning and managing performance. Forward planning is weak and there is inadequate monitoring of progress against agreed action plans.

- 55** A summary of the inspection report, which was published in March 2005, is set out in Appendix 4.

Working with other inspectorates and regulators

- 56** 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. These include:
- Ofsted;
 - Commission for Social Care Inspection (CSCI);
 - Benefits Fraud Inspectorate (BFI);
 - DfES; and
 - Local Government Office contact.
- 57** We share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received assessments from Ofsted, CSCI and BFI.

Children's services

- 58** Ofsted and CSCI issued their first annual performance assessment (APA) of the Council's children's services in October. The assessment was based around five themes:
- being healthy;
 - staying safe;
 - enjoying and achieving;
 - making a positive contribution; and
 - achieving economic well-being.
- 59** The APA summarised strengths and areas for improvement in each theme, together with comments on the overall management of the service and areas for exploration in the joint area review.
- 60** The overall judgements are shown in Table 3 below, and are reflected in ~ Table 1 earlier in this letter.

Table 3 Ofsted / CSCI final judgements 2005

Areas for judgement	Final judgements
The contribution of the local authority's social care services in maintaining and improving outcomes for children and young people.	3
The contribution of the local authority's education services in maintaining and improving outcomes for children and young people.	3
The contribution of the local authority's children's services in maintaining and improving outcomes for children and young people.	3
The council's overall capacity to improve its services for children and young people.	3

(Note: 3 = A service that consistently delivers above minimum requirements for users and that has good/promising capacity to improve)

Source: Ofsted/CSCI APA Letter (December 2005)

Adult social care

- 61** In assessing performance for adult social care, CSCI reached judgements about performance against a set of standards and criteria, drawing on evidence from a number of standard sources, including:
- the published PAF performance indicators and other statistical data up to 2004/05, plus data supporting planned targets for 2005/06;
 - monitoring information from the Delivery and Improvement Statement; and
 - the reports of CSCI inspections and inspections conducted jointly with other inspectorates, where applicable.
- 62** The CSCI report, issued in August 2005, set out improvements since the last review together with priorities for further improvement that were discussed and agreed.
- 63** Improvements included:
- establishment of a new integrated children's services directorate and corresponding adult services directorate;
 - delivery of services that accord with national and local priorities for social care, National Service Frameworks and the Council's own strategic objectives;

- year on year improvements in a number of services, particularly in relation to the promotion of independence of older persons and services to carers and people with learning disabilities; and
- a significant improvement in performance in relation to service user waiting times for assessment, the percentage of service users receiving a statement of their needs and how they will be met and of service users receiving a review. There have been no delayed discharges from hospital attributable to social care.

64 Areas for further improvement included:

- failure to appoint a commissioning and contracts manager;
- performance in providing services post assessment;
- very low overall take up of Direct Payments;
- performance management needs to be consolidated and used to manage and improve performance rather than used to report statutory requirements; and
- a needs analysis for determining future service provision and quality assurance systems should be further developed to assist the Council in making the best use of its capacity and resources.

Benefits

- 65** In its response to the Housing Green Paper of November 2000, the Department for Work and Pensions agreed to develop a performance framework for housing benefit. The HB and CTB Performance Standards were launched and published in April 2002. They are standards the Department expects local authorities to aspire to and achieve in time.
- 66** In September 2005, BFI reported their assessment of the Council's benefits service as part of the overall CPA process. Their review did not represent a full inspection. They concluded that the Council met the Performance Standard for 9 out of 12 performance measures and 51 out of 65 enablers (which reflect the strategies, policies, practices and processes that should be in place in every council to ensure good performance and conformity with legislation). This resulted in a score of 4, which equates to an excellent performance, and has been reflected in Table 1 earlier in this letter.

Accounts and governance

We have given your accounts an unqualified audit opinion.

Your overall corporate governance arrangements are satisfactory in most key areas. However, the Council's financial standing remains under pressure and we have reported our concern at the lack of complete control account reconciliations.

Management structure

- 67** We welcome the establishment of a Strategic Board and an Operations Board, with a clear distinction drawn between their respective responsibilities, as a response to the Council's limited strategic capacity. More opportunities to share experience and good practice should also contribute to better service outcomes.

Audit of 2004/05 accounts

- 68** We gave an unqualified opinion on the Council's accounts on 26 October 2005.

Report to those with responsibility for governance in the Council

- 69** We are required by professional standards to report to those charged with governance certain matters before we give an opinion on the financial statements.
- 70** We have reported separately to members under Statement of Auditing Standard (SAS) 610:
- our concerns regarding the incomplete reconciliations between feeder systems (rents, council tax and NNDR) and the general ledger;
 - the lack of detailed working papers to support the non-preparation of group accounts; and
 - a potential mis-statement of the FRS17 entries in the consolidated revenue account due to a difference of views taken by qualified actuaries. We concluded that the Council was entitled to rely on the advice given to them by the actuary to the Leicestershire County Council Pension Fund, and consequently no amendment to the accounts was needed.

Accounts closedown and approval

- 71** The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 27 July 2005.

- 72** In last year's Annual Audit and Inspection Letter, we emphasised that timeliness in producing the accounts will become increasingly important over the next few years as the deadline for completion of the accounts is brought forward in line with the Government's requirement. Whilst the accounts have been prepared to meet the requirements this year, the deadlines will become increasingly more difficult to achieve - members will have to approve the 2005/06 accounts by 30 June 2006 - and will require early planning and scheduling of key meetings next year.

Financial standing

The council's financial position is still under pressure. Further savings are likely to be required in the next three years, and significant capital projects such as the Oakham bypass will need to be closely managed to avoid unforeseen revenue consequences.

Medium term financial plan

- 73** A medium term financial plan (MTFP) was presented to Cabinet in November 2005. It reflected the changed arrangements for education funding which remove the complications of 'passporting' as schools' funding is removed from local control. The MTFP also incorporated the revenue consequences of the Council's corporate plan priorities, including the Oakham bypass.
- 74** At the time, Central Government had not yet decided on local government funding levels so this plan presented members with three alternative outcomes which were dependent on education funding decisions at ministerial level. All three alternatives required savings to be identified in the three years up to 2008/09 if council tax is not to rise by more than 5 per cent (the Council's target maximum increase). Members were also shown the impact of council tax rises above 5 per cent.
- 75** The local government settlement for 2006/07 (together with a provisional settlement for 2007/08) was announced in December 2005. Rutland will receive £10.6 million in those two years. Expenditure of £0.8 million has been removed from the original budget proposals in order to keep council tax rises at 5 per cent. Further reductions in expenditure may need to be found in 2007/08.
- 76** The latest in-year expenditure monitoring (up to September 2005) forecasts a projected outturn for 2005/06 in line with the gross revenue budget, and a projected balance at March 2006 of £1.4 million. The proposed budget for 2006/07 anticipates a contribution from balances in 2006/07 of £115,000, keeping the projected general fund balance above the target minimum level of £1 million at March 2007. Officers will in any case review the case for setting the minimum balance at £1 million, by considering resource needs and risks.

Capital programme

- 77** The capital programme outturn for 2004/05 was reported to members in August 2005. The programme was underspent by £2.9 million. Projects amounting to £2.6 million have been carried forward. Most underspends occurred due to either funding being unavailable or because education projects funding is available up to August each year, rather than March.
- 78** The programme for 2005/06 includes £6.4 million in respect of the Oakham bypass, with a further £4 million to be spent in future years. Funding of £9.8 million for this project has been announced in total. If the scheme overspends, members will have to decide whether to take out further unsupported borrowing or divert resources from other capital projects.

Pensions fund deficit

- 79** An actuarial valuation of the Leicestershire County Council Pension Fund was undertaken in 2004/05 which states that assets held at the valuation date were sufficient to cover 87 per cent of accrued liabilities. This compares well with other local authority pension funds.
- 80** The Council's budgets already incorporate the latest employer's contribution rates as advised by the actuary, which have been set to achieve 100 per cent funding at a future date. The actuary has not proposed any further increase in employer's contributions before 1 April 2008.

Risk management

- 81** We assessed the Council's progress in developing a risk management framework since its last CPA in 2002, to determine whether its approach is effective and delivering benefits. In particular, we considered:
- progress in introducing and embedding an effective risk management strategy and structures;
 - use of risk management principles and process at strategic and operational levels; and
 - level of political and officer commitment and accountability.
- 82** The Council is making progress with an appropriate and proportionate approach to managing risk, but to maximise cost/benefit the approach needs to be more systematic and better integrated with other management processes.
- 83** The Council maintains and reviews a risk register, has a clear approach to identifying and evaluating risk and has at least high-level mitigating plans for corporate key risks.

- 84** There is a systematic process for informing members about the risks inherent in key decisions. However, there remains scope to increase the profile of organisational risk management and to better integrate it with other planning and management processes. Importantly, the council needs to ensure that its plans to manage risks are secure and resourced.

Systems of internal financial control

- 85** In last year's annual letter, we commented on the problems encountered following the implementation of new financial management systems. Officers have worked throughout the year to address the operational problems and these have largely been overcome.
- 86** However, difficulties still remain with producing control account reconciliations as at 31 March 2005. Reconciliations between the general ledger and control accounts for rents, council tax and NNDR were incomplete at the time of our final accounts audit. Some differences are still being investigated by officers.
- 87** Internal Audit have recently produced their annual report for 2004/05. Completion of their programme has been restricted by vacancies and the report recommends that sufficient budget is made available to enable Internal Audit to comply with CIPFA standards. Significant findings and risks have been summarised, together with action taken, although there is no formal conclusion or opinion on the system of internal financial control which would give better assurance to members.
- 88** The Council recognises the importance of, and is making progress in, resolving these internal financial control issues which provide the basics of good financial governance.

Legality of transactions, standards of financial conduct and the prevention and detection of fraud and corruption

- 89** We have not identified any significant weaknesses in your arrangements for ensuring the legality of significant financial transactions or for preventing and detecting fraud and corruption.

Use of resources judgements

- 90** The use of resources assessment is a new assessment which focuses on financial management but links to the strategic management of the authority. It looks at how the financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money. It will be carried out annually, as part of each council's external audit. For single tier and county councils, the use of resources assessment forms part of the CPA framework.

91 For the purposes of CPA we have assessed the Council’s arrangements for use of resources in five areas. Table 4 summarises our assessments and sets out the significant areas where further development is needed.

Table 4 Use of resources assessments and areas for development

Element	Assessment	Significant areas where further development is needed
Financial reporting	1	<ul style="list-style-type: none"> Produce more comprehensive and detailed working papers to support the accounts entries and to explain variances. These will help to detect errors that can be adjusted prior to approval of the draft accounts.
Financial management	2	<ul style="list-style-type: none"> Develop links between the council's medium term financial strategy, other internal strategies/plans as appropriate (eg human resources, IT), and cascade down to service level. Record the risks associated with material items of revenue and capital income and expenditure and show how these influence the overall budget. Carry out a formal risk assessment in terms of value/financial impact in order to support decisions regarding high level variances shown in outturn budget reports. Develop action plans, and report progress regularly to members, to show how planned savings will be achieved.
Financial standing	2	<ul style="list-style-type: none"> Consider the cost effectiveness of recovery actions by obtaining and using information that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly.

Element	Assessment	Significant areas where further development is needed
Internal control	2	<ul style="list-style-type: none"> • The strategic risk management group should report to members at least quarterly so that members can take appropriate action to ensure that corporate business risks are being actively managed. • Identify risks in relation to partnerships or provide for assurances to be obtained about the management of those risks. • Prepare a forward looking programme of meetings and agenda items for the Corporate Services scrutiny panel to ensure comprehensive coverage of all responsibilities in relation to the internal control environment. • Evaluate assurances regarding the general effectiveness of key controls and prepare and monitor action plans to address weaknesses. • Raise the standards of ethical behaviour amongst members and staff, including the provision of ethics training.
Value for money	3	<ul style="list-style-type: none"> • Encourage members and managers to actively use costs information to review and challenge VFM at service level. • Develop understanding of costs compared to others and of costs in relation to quality. • Develop understanding of changes in costs over time. • Introduce pursuit of VFM as part of senior managers' appraisal. • Ensure all policy proposals have built in cost analysis enabling informed cost vs quality vs performance choices. • Strengthen commitment to managing costs alongside quality of service in response to local needs. • Develop clear policies and effective processes for reviewing and improving VFM.

Element	Assessment	Significant areas where further development is needed
		<ul style="list-style-type: none">• Apply and manage joint procurement arrangements.
Overall	2	

(Note: 1= lowest, 4= highest)

- 92** In reaching these judgements, we have drawn on the work we have carried out as part of our planned audit approach and supplemented this with a review against specified Key Lines of Enquiry.

Other work

Grant claims

- 93** In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We no longer audit claims below £50,000.
- 94** Our ability to reduce work further depends on the adequacy of the Council's control environment. Arrangements for managing and quality assuring grant claims submitted for audit have not improved, particularly in respect of the quality of working papers, timeliness and completeness of supporting information and lack of evidence of review.
- 95** We have qualified our report on the housing subsidy base data return for 2006/07: records exist with regard to the data supplied, however, there is no audit trail that would prove that these records are substantiated with results from property surveys of usable floor area. ODPM have decided not to restrict the amount of subsidy receivable. Officers have drawn up an action plan to address ODPM requirements.

National Fraud Initiative

- 96** In 2005, the local authority took part in the Audit Commission's National Fraud Initiative. The NFI, which is undertaken every two years, aims to help identify and reduce fraud by bringing together data from NHS bodies, local authorities and government departments and other agencies, to detect a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud as well as, new for 2004/05, right to buy scheme fraud and providing new contact details for former tenants with arrears in excess of £1,000.
- 97** We have discussed the review of matches with officers. All benefits and payroll matches are reviewed. From this process no savings have been identified or are expected, which indicates that the Council is not exposed to a high level of loss through fraud.

Looking forwards

Future audit and inspection work

- 98** We have an agreed plan for 2005/06 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2005/06 accounts, will be reported in next year's Annual Letter. Our planned work, together with that of other inspectorates, is included on both the Audit Commission and LSIF (Local Services Inspectorates Forum) websites.
- 99** We have sought to ensure, wherever possible, that our work relates to the improvement priorities of the Council. We will continue with this approach when planning our programme of work for 2006/07. We will seek to reconsider, with you, your improvement priorities in the light of the latest CPA assessment and your own analysis, and develop an agreed programme by 31 March 2006. We will continue to work with other inspectorates and regulators to develop a co-ordinated approach to regulation.

Corporate assessment

- 100** A major component of our programme next year is the corporate assessment element of the Council under CPA. The overall CPA framework for single tier and county councils comprises:
- annual use of resources assessments by the Commission, based on work by appointed auditors;
 - annual service assessments by the Commission or provided to the Commission by Ofsted, the Commission for Social Care Inspection (CSCI) and the Benefits Fraud Inspectorate (BFI);
 - annual direction of travel statements, with straightforward labels, reported by the Commission; and
 - periodic corporate assessments by the Commission.
- 101** The first three elements have already been completed and are reported in Table 1 earlier in this letter. The corporate assessment (covering the Council's ambition for the community, prioritisation, capacity, performance management and achievement) is currently under way. The score will be determined early in 2006 and will feed into the overall CPA 'star rating'.

Joint area review

- 102** In order to reduce the burden of regulation and the extent of duplication of assessment of corporate governance within councils, the joint area review (JAR) of children's services will take place at the same time as the corporate assessment.

- 103** The JAR will cover all services for children and young people that are directly managed or commissioned by the Council, as well as services, such as health and youth justice, provided by other bodies. It focuses on the contributions made by services to improving outcomes for children and young people.
- 104** An Audit Commission performance specialist will be a member of both the JAR and the corporate assessment team.

Revision to the Code of Audit Practice

- 105** The statutory requirements governing our audit work, are contained in:
- the Audit Commission Act 1998; and
 - the Code of Audit Practice (the Code).
- 106** The Code has been revised with effect from 1 April 2005. Further details are included in our Audit Plan which was published in April 2005. The key changes include:
- the requirement to draw a positive conclusion regarding the Council's arrangements for ensuring value for money in its use of resources; and
 - a clearer focus on overall financial and performance management arrangements.

Closing remarks

- 107** This letter has been discussed and agreed with the Chief Executive and the Director of Corporate Services. A copy of the letter will be presented to the cabinet in March 2006.
- 108** 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

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

PW Jones
District Auditor and Relationship Manager
January 2006

Appendix 1 – Background to this letter

The purpose of this letter

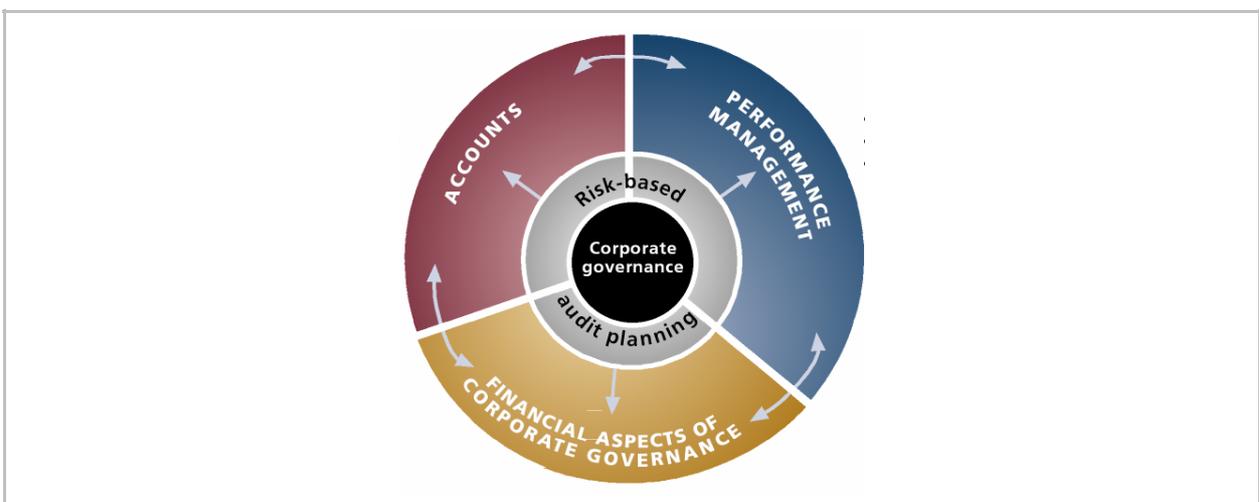
- 1 This is our Audit and Inspection 'Annual Letter' for members which incorporates the Annual Audit Letter for 2004/05, and is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the Council.
- 2 We have issued separate reports during the year setting out the findings and conclusions from the specific elements of our programme. These reports are listed at Appendix 2 for information.
- 3 The Audit Commission has circulated to all audited bodies a statement that summarises the key responsibilities of auditors. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.
- 4 Appendix 3 provides information about the fee charged for our audit and inspections.

Audit objectives

- 5 Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.
- 6 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Figure 1.

Figure 1 Code of Audit Practice

Code of practice responsibilities



- 7 Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as shown below.

Accounts

- Opinion.

Financial aspects of corporate governance

- Financial standing.
- Systems of internal financial control.
- Standards of financial conduct and the prevention and detection of fraud and corruption.
- Legality of transactions.

Performance management

- Use of resources.
- Performance information.
- Best value performance plan.

Appendix 2 – Audit reports issued

Table 5

Report title	Date issued
Procurement	March 2005
Audit and Inspection Plan 2005/06	April 2005
Implementation of the Prudential Code	May 2005
Financial Aspects of Corporate Governance	May 2005
Implementing Performance Management Arrangements	July 2005
Integrated Children's Services	September 2005
Auditor's SAS610 Report to Those Charged with Governance	October 2005
Opinion on the Council's Accounts	October 2005
Risk Management	December 2005
Report on the Best Value Performance Plan	December 2005
Report on Best Value Performance Indicators	December 2005
Final accounts matters arising	January 2006

Appendix 3 – Audit fee

Table 6 Audit fee update

Audit area	Plan and actual 2004/05 £
Accounts	47,900
Financial aspects of corporate governance	22,500
Performance	51,000
Total Code of Audit Practice fee	121,400
Additional voluntary work (under section 35)	0
Total	121,400

Inspection fee update

- 8 The full year inspection fee is £42,600 (net of ODPM grant). The work reported in this Audit and Inspection Letter has been funded by an element of the fee covering 2004/05 and by an element of the fee covering 2005/06. In both years, the actual fee will be in line with that planned.

Appendix 4 – Culture services - summary of inspection findings

- 9** We have assessed the Council as providing a ‘fair’, one-star service that has uncertain prospects for improvement.
- 10** Rutland County Council is providing a fair range of opportunities for local people to participate in cultural activity through its investment in cultural services and its partnerships with others.
- 11** Culture has a high profile in the community strategy with three of the top priorities relating to leisure and culture. These aspirations have been developed through consultation with the community. There is a strong focus throughout the service on learning and young people in particular.
- 12** However, there is a lack of a clear, coherent and consistent vision for culture and the Council’s role in providing cultural services. The contribution that cultural services can make to wider Council objectives is not fully understood or clearly articulated. This leads to confusion over priorities and no sense of common purpose. Progress towards making significant change has been inhibited by slow decision-making. The aspirations within the community plan are very specific and may not be achievable and the Council has not yet developed a shared understanding amongst staff, officers, stakeholders and the community of what can realistically be achieved and over what timeframe.
- 13** There are some examples of where cultural services have achieved good outcomes for local people and young people are generally well served. However, the lack of clear priorities makes it difficult to track achievements and evaluation is weak meaning that the Council is not clear how cultural services are improving the quality of life of local people.
- 14** There is some evidence to show that the cultural services are providing a quality user experience. Libraries have improved their performance against national library standards and are now rated as excellent by the Department for Culture Media and Sport (DCMS). There are some obvious service improvements such as increased opening hours and improvements to Rutland County museum. Public use of libraries is below average but improving. Satisfaction rates for libraries and museums are amongst the top 25 per cent of councils. A number of schools and sports clubs have gained external accreditation for the quality of their work and access to services is generally good. However, satisfaction rates for sports and arts are amongst the worst performing 25 per cent of councils and the Council has not adequately explored the reasons for these poor rates. Local facilities for casual sports use are limited.
- 15** The Council’s prospects for improving its cultural services are uncertain because there is not enough emphasis given to strategic planning and managing performance. Forward planning is weak and there is inadequate monitoring of progress against agreed action plans.

- 16** However, facilities are generally well run on a day-to-day basis and the Council's biggest strength is its workforce. Front line staff are motivated, enthusiastic and committed.
- 17** Whilst stakeholders and partners are generally positive and there is evidence of an emerging political leadership at a corporate level, this leadership is not visible and effective in driving improvement in cultural services. Capacity is clearly an issue but the Council has done little to build capacity through effective member development and clear direction around priorities for improvement.
- 18** The Council has been successful in gaining external funding for projects and works well in partnership to build capacity. However, the Council has not fully explored alternative means of delivering services or whether there are opportunities for a greater engagement with the private sector.
- 19** The full text of our inspection report is available at www.audit-commission.gov.uk