



REPORT TO: Council Meeting

DATE OF MEETING: 25th May 2006

REPORT OF: Assistant Chief Executive

SUBJECT: Audit Commission Annual Audit and Inspection Letter and Progress Assessment Report

ITEM NUMBER: 16

1 PURPOSE AND SUMMARY

1.1 The purpose of this report is to inform the Council of two public Audit Reports issued by the Audit Commission in March 2006 relating to the performance of the council;

- The Annual Audit and Inspection Letter (Appendix 1)
- Progress Assessment Report (Appendix 2)

The Commission have also provided a copy of their audit and Inspection Plan. This forms Appendix 3.

The Councils Audit Commission Relationship Manager and Auditor will attend the Council meeting to present their findings.

1.2 Members are recommended to:

1. Receive and acknowledge the Audit Commission Reports;
2. Celebrate the progress achievement ;
3. Agree to build the key messages and recommendations into the councils improvement programme;
4. Acknowledge and thank the Audit Commission for their help and support in the council's progress to date.

2. CONSULTATION

2.1 The Corporate Management Team and Service Team Managers have been consulted on the report. The reports have been made available to the public and are displayed on the council's web-site.

2.2 No other consultations were considered necessary at this stage including external consultations or engagement.

3. CORPORATE PLAN AND PRIORITIES

3.1 The reports are relevant to all the council's priorities.

4. IMPLICATIONS

4.1 Financial

There will be financial implications as a result of implementing the recommendations of the reports. These are likely to be positive implications as a result of the council's work on developing its approach to Value for Money. There is a cost to the council in terms of fees for carrying out the Annual Audit and Inspection Plan. This will have been budgeted for by the Director of Resources.

4.2 Legal

There are considered to be no direct legal issues of significance arising out of this report.

4.3 Personnel

While there are no specific human resource implications to this report any choice of action to address under-performance may have an impact on human resources. This impact will be taken into account by service team managers in addressing remedial action to address under-performance.

4.4 Other Services

The corporate performance relates to all Services within the Council and has implications for improvement in Service Delivery.

4.5 Diversity

Progress on Equality and Diversity is a key issue in respect of the report. The council is improving on equality and diversity issues. The report has no implications on excluding any customer from accessing services delivered by the council.

4.6 Risk

The principal risk to the authority is failing to work to address the areas of improvement set out in the Audit letter and Progress report. It is crucially important to the council, its partners and the community that it improves is corporate health and continues to work hard to move out of recovery. If it fails to do so it may remain to be labelled a 'poor' council in future Comprehensive Performance Assessment. This will not be acceptable to the council. The council is committed to improvement and this risk can be managed by positively responding to the areas for improvement highlighted by the Audit Commission.

4.7 Crime and Disorder

It is not felt there are any specific implications of the report on Crime and Disorder

4.8 Other Implications

The report does not relate to a key decision. It is considered that the information can be communicated to the community by inclusion on the web –site and through media engagement and releases.

5. **BACKGROUND, POSITION STATEMENT AND OPTION APPRAISAL**

5.1 The Audit Commission have published two reports. The first is the **Annual Audit and Inspection Letter**. This 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. It takes a different form from previous years as a result of the way the Audit Commission now report on District Councils. The Letter includes the following:

- Key messages;
- Council performance in terms of the Direction of Travel report;
- Results of other audit work during the year;
- Use of Resources judgements;
- A statement on accounts and governance;
- Other work;
- A forward look to future audit work; and
- Closing Remarks

5.2 The second is the **Progress Assessment Report**. The Audit Commission are required to produce a separate report on progress of councils that have been categorised as being 'poor' or 'weak' in the last Comprehensive Performance Assessment. To assist the Audit Commission in the production of the report the council were required to produce a short assessment of the progress on recovery and improvement in the last year. The council provided this but also submitted a detailed CPA assessment to assist. The Audit Commission also carried out a spot audit of performance indicators in January to understand the accuracy of improvements being made. The report sets out;

- The context of the council
- What it is trying to achieve
- How it has set about delivering its priorities
- What it has achieved and not achieved
- What it plans to do next

The Annual Audit and Inspection Letter

5.3 The Annual and Inspection Letter is considered to a positive report on the council's direction of travel. The key messages out lined in the letter are as follows:

Council Performance

- The Council is making good progress in addressing the weaknesses identified in its CPA inspection and in delivering its improvement and recovery plan. Staff and councillors remain committed and enthusiastic and a new corporate management team is now in place.
- Specifically, the Council is making good progress in developing and implementing action plans for improvement; strengthening strategic planning; strengthening performance and financial management; and, promoting a culture of accountability.
- There are still gaps that the Council recognises and has plans to address these, largely through its Improvement and Recovery Plan 2 (IRP2). Progress made on processes and systems has yet to systematically drive service improvement and achieve better value for money and the housing service continues to face significant challenges. Community engagement has increased but the Council still does not know enough about local communities and is therefore unclear what the communities of interest in the area are.
- The Council is taking action to address the significant weaknesses in the housing service. Work is in progress and we will inspect the service in May 2006.

Accounts and Governance

- The Commission gave an unqualified audit opinion on the accounts on 31 October 2005. This represents a significant improvement on recent years. Corporate governance arrangements have also improved since last year, and officers have responded positively to our recommendations.
- For the first time in 2005, the Commission carried out a use of resources assessment. This is a new judgement which focuses on financial arrangements but links to strategic management and value for money. In overall terms, Chester-le-Street scored 2 out of 4. Our work confirmed that the Council has made significant improvements in financial management, with particular strengths in risk management and internal audit. To further improve, the Council needs to develop corporate processes for assessing and improving value for money, for example by implementing strategic procurement strategies; exploring alternatives to in-house service provision; and undertaking benchmarking and unit cost analysis on net cost of services.
- It should also develop a more corporate approach to asset management.
- Although most job evaluation was undertaken in 1996, single status implementation has not progressed significantly beyond this point. Experience at neighbouring local authorities suggests that this represents a significant risk and the Council needs to move forward as soon as possible.

Action Needed by the Council

- Concentrate on embedding the improvements sought in IRP2 consistently across the whole organisation.
- Ensure that the investment in performance management arrangements and monitoring systems delivers sustained and systematic improvements in all service areas and against all priorities.
- Continue to implement action plans for housing services.
- Develop consultation and engagement with local communities.
- Develop corporate processes for assessing and improving value for money.

- Develop a more corporate approach to asset management.
- Progress single status negotiations and arrangements with its employees.

5.4 It is considered that the letter is a fair reflection of where the council is. Indeed it is already addressing the key areas for improvement. In particular IRP 2 remains to be the concentration of effort for the councils improvement work, work is well underway in terms of addressing value for money, the housing service is the subject of an inspection in May, The Community Engagement and Involvement Strategy is the subject of a separate report to this Executive and single status is actively being progressed.

Progress Assessment Report

5.5 The Progress Assessment Report is equally considered to be a positive report on the council's progress since the CPA judgement in March 2004. Indeed it shows the significant move forward in the council in a relatively short period of time.

5.6 In March 2004, the Audit Commission published a CPA category for Chester-le-Street District Council. This assessment categorised the Council as 'poor'. The CPA inspection (carried out in autumn 2003) found that the Council had no clear ambitions or plans and that it suffered from poor leadership and decision making. It carried out only limited consultation with local people and although it provided some good services it had significant weaknesses in others and did not focus on service improvement. The Commissions Progress Assessment in 2004 reported that Chester le Street District Council had begun to make progress to tackle the weaknesses identified in CPA but was at an early stage in its recovery. It was making some progress on its first Improvement and Recovery Plan. Consultation and engagement with local communities was being improved, and better internal communications were helping to involve staff in the council's recovery activities. Internal processes such as performance and risk management were being developed. National performance indicators showed a mixed picture of service performance.

5.6 The Commission now feel that:

- Chester-le-Street District Council is progressing well in addressing the weaknesses identified in the CPA inspection in 2003 and in our Progress Assessment published in December 2004.
- During 2005 the Council set out its ambitions for the district clearly in its new Corporate Plan and strengthened its strategic planning and performance management framework significantly. Senior politicians and managers are providing good leadership both internally and externally; the Council is working with the Local Strategic Partnership to update the Community Strategy.
- The Council is making progress on new strategies and plans including community engagement, equality and information management. **7** The Council has made good progress in developing and implementing its plans for improvement, in line with its Improvement and Recovery Plan. In doing so it is addressing many of the weaknesses identified in CPA. It has improved its capacity through the appointment of a good senior management team, and is developing its councillors and staff.
- The performance of the Council's services remains mixed but is improving overall. There have been significant improvements in the planning service, in the revenues and benefits service and in e-government. The Council is progressing

regeneration projects and improving access to its services. However, the housing service continues to face significant challenges.

- The Council is developing its plans for the future, with a number of strategies in place including a three-year corporate plan and medium term financial strategy. It is developing a culture of improvement and is beginning to learn from others.

5.7 The report recommends

- actively and promptly shares the findings of this progress assessment with staff;
- takes it to an appropriate public committee meeting; and
- uses the key findings as the basis for revising the recovery plan in conjunction with any direction from the Monitoring Board, (if one exists).

The reports have already been made available to the public and staff through the web-site and the intranet. They are being reported to this Executive, Audit Committee and Annual Council. The report recommends that key findings are built into the council's Improvement Programme.

Annual Audit and Inspection Plan 2006/2007

5.9 The Annual Audit and Inspection Plan 2006/2007 (Appendix3) is a plan of Audit Commission work for the coming year. It includes:

- BVPP opinion and PI audit memorandum
- Health inequalities work
- Reports to Government Monitoring Board
- County-wide regeneration inspection
- Annual Audit and Inspection
- Letter 2006 (including direction of travel review)
- Interim audit memorandum
- Report on financial statements to those charged with governance (ISA 260)
- Opinion on financial statements
- VFM conclusion
- Final accounts memorandum
- Annual audit and inspection letter 2007 (including direction of travel review)

The Plan may need to be amended if circumstances allow the Council to be re-categorised from a Comprehensive Performance Assessment point of view during the year. Discussions have been held with the Commission and it has agreed that the Plan will be flexible to meet the needs of the Council and the Commission.

The Way Forward

510 While this marks a significant shift forward, and the council ought to acknowledge and celebrate this there is no room for complacency. The council cannot afford to relax in its efforts in its improvement programme and there remains a number of areas where the council has to improve. The council wants to an excellent council in the true sense of the word. In addition, while the process for the next round of CPA for District Councils remains to be determined it is clear that it will be a 'harder test'. This suggests that the council will have to raise its game in the coming months. The answer lies in good action planning and the learning from these important Audit Reports needs to be built both into the next review of IRP 2 and the Audit Commission recommendations Action Plan which forms part of the councils quarterly Corporate Performance Report. Finally the council ought to acknowledge the help and support of the Audit Commission in the progress the council has made.

6. **RECOMMENDATIONS**

6.1 Members are recommended to:

- 1 Receive and acknowledge the Audit Commission Reports;
- 2 Celebrate the progress achievement;
- 3 Agree to build the key messages and recommendations into the councils improvement programme;
- 4 Acknowledge and thank the Audit Commission for their help and support in the council's progress to date.

7. **BACKGROUND PAPERS / DOCUMENTS REFERRED**

- 7.1 Chester-le-Street Progress Self Assessment October 2005
- 7.2 Audit Commission Annual Audit Letter and Inspection Letter March 2006
- 7.3 Audit Commission Progress Assessment - Chester-le-Street District Council March 2006
- 7.4 Audit Commission Annual Audit and Inspection Plan Chester-le-Street District Council 2006/2007

Ian Forster
Assistant Chief Executive
9th May 2006
Version 2.0

Ian Forster Tel 0191 3872130 e mail IanForster@chester-le-street.gov.uk