



Chester-le-Street
District Council

REPORT TO: Council

DATE OF MEETING: 19th March 2009

REPORT OF: Director of Corporate Services

SUBJECT: Annual Audit and Inspection Letter

ITEM NUMBER:

1 Purpose and Summary

- 1.1 The purpose of this report is to advise Members of the Audit Commission's recently published Annual Audit and Inspection Letter for Chester-le-Street. The letter is incorporated as Appendix 1. Representatives of the Audit Commission will be present at the council meeting to present their audit and inspection findings and answer members queries.
- 1.2 The letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the 2007 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. It includes the councils Direction of Travel report for the previous year.
- 1.3 The letter provides generally positive messages about the council's progress over the last couple of years despite the additional pressures of Local Government Reorganisation (LGR).
- 1.4 Members are recommended to:
- 1) Receive and welcome the Annual Audit and Inspection letter;
 - 2) Consider the key messages set out within the letter; and
 - 3) Agree to build the key messages into the Handing Over the Baton Report.

2. Consultation

- 2.1 The Chief Executive, Directors, and Service Team Managers have been engaged in responding to aspects of the draft Annual Audit and Inspection Letter.

- 2.2 No other consultations were considered necessary at this stage including external consultations or engagement including the County Council.

3. Transition Plan and People and Place Priority

- 3.1 The Transition Plan replaced the Corporate Plan 2007/2010. The Transition Plan includes a schedule of proposals from the previous seven priorities which ought to be and can be achieved in the remaining life of the council.
- 3.2 The council's choice to move towards a single priority of '**People and Place**' priority was considered as part of the budget setting process.
- 3.3 The performance management framework has been a principal part of the Council's Transition Plan. This framework includes the reporting of performance to Executive and subsequently to Scrutiny on a quarterly basis. This annual report to council has been part of the embedding of the framework.
- 3.4 The Annual Audit and Inspection Letter assesses the council's progress against the Transition plan and the council's support of the Local Government Re-organisation process.

4. IMPLICATIONS

4.1 Financial implications and value for money statement

The Annual Audit and Inspection Letter assesses the council's Use of Resources, advises on the councils accounts and provides a value for money judgement. The letter unfortunately shows a drop in the Councils Use of Resources score which was a direct result of a combination of issues and principally the impact of the Transfer of the housing service to Cestria. The Audit Commission has stated that even much larger, better resourced councils would have struggled to maintain performance. They feel it is to the council's credit that it has maintained its performance in other areas of the assessment despite the additional pressures and uncertainties created in the demising period before LGR and the transition of services to the new authority. In particular the Commission have issued an unqualified opinion on the council's accounts and have concluded that the council's value for money arrangements are adequate. It is considered that the council has in overall terms remained on course for delivering and improving value for money in its final year.

4.2 Local Government Reorganisation Implications

The subject matter of this report has relevance to Local Government Reorganisation (LGR). The letter addresses how the council has supported the transition process. It is considered that the council has positively acted to

address the recommendations of last year's Annual Audit and Inspection letter in this regard. Furthermore the County Council ought to be assured of that the council is handing over services with a generally clean bill of health.

4.3 Legal

It is not felt that there are any significant legal issues arising from this report.

4.4 Personnel

The Annual Audit and Inspection Letter is relevant to all employees and Members. Its positivity is something that all associated with the organisation can be proud of.

4.5 Other Services

The Annual Audit and Inspection Letter has implications to all services delivered by the council.

4.6 Diversity

There are no specific diversity issues in respect of the Annual Audit and Inspection Letter.

4.7 Risk

There has been clear risks to the organisation in failing to continue to maintain and improve on its progress in its remaining year. The council remains committed to improving its services although it faced difficult capacity challenges through the transition period. The council undertook a strategic risk assessment once the delivery plans in relation to '**People and Place**' were developed.

4.8 Crime and Disorder

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

4.9 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation and the appendices attached are accurate, valid, reliable, timely, relevant and complete. The council's Data Quality Policy has been complied with in producing this report.

4.10 Other Implications

It is considered that the information will be communicated to the community and stakeholders by inclusion on the web-site. The Annual Audit and Inspection Letter has already been made available to staff and Members through the intranet in a draft form. There are considered to be no significant issues arising out of the subject matter of the report.

5. BACKGROUND, POSITION STATEMENT AND OPTION APPRAISAL

5.1 The letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the 2007 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. It includes the council's Direction of Travel report for the previous year. The letter provides some very positive messages about the council's progress over the last couple of years taking into account the impact of Local Government Re-organisation.

5.2 The key messages arising from the Commission's inspection work are:

- The Council moves towards its demise having made notable progress over the last few years;
- The prospect of abolition through local government reorganization has not distracted it from maintaining a focus on its priorities and providing quality services;
- It has made steady progress on its priorities although the rate of service improvement has been slower than others; and
- Members and officers have worked hard to keep disruption of services to a minimum and has played a key role in LGR workstreams.

5.3 The key messages arising from the Commissions audit work are:

- The Commission were able to issue an unqualified opinion on the Council's accounts;
- The Commission issued an unqualified conclusion on arrangements for securing value for money ;
- The Council continues to ensure that its medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities; and

- The Uses of Resources Assessment represented a harder test and new requirements along with the challenges facing the council, including stock transfer, led to a reduction in scores for financial reporting and financial management. As a result the overall Use of Resources Score reduced for the year.
- 5.4 It is considered that the Annual Audit and Inspection Letter demonstrates the significant progress the council has made over the last few years. The report acknowledges that the council was the first council in the country to make such a significant improvement in its CPA. It notes that it comes to the end of its final year with good achievements. While for the previous year improvement against the previous Best Value Performance Indicators slowed this has to be assessed against the massive improvement made in previous years. Indeed it remains to the council's credit that over 40% of indicators were still in the best 25% in the country which the letter acknowledges. The letter also acknowledges that generally where performance has dipped performance monitoring over the last year has shown improvement as staffing issues have stabilised.
- 5.5 The letter acknowledges that the council has changed its ways of working to help build the capacity to meet the challenges faced by LGR. It concludes that it has continued to make steady progress against previous priorities and good progress against the **'People and Place'** priority. It acknowledges that the council works well with its communities and that strong leadership and staff commitment have resulted in significant cultural change over recent years.
- 5.6 It is disappointing that the council's Use of Resources score has reduced in the final year. However, as the Audit Commission point out, much larger council's would have struggled to maintain the previous years score in the light of the challenges the council has faced. It is to the council's credit that it has continued a generally positive direction of travel in its final year. This ought to be celebrated.
- 5.7 In their letter the Audit Commission identify action needed by the council largely based on risks to the new unitary:
- Reducing capacity, coupled with the demands of LGR remains a concern leading up to the councils demise. The loss of knowledge and experience through the lack of continuity among senior officers which represents a significant risk to service continuity ;
 - As the council enters its final phase of its existence members need to maintain an appropriate focus on delivering services, particularly as key staff take up new posts inside or outwith the new unitary;
 - Members need to work alongside officers to manage financial pressures that flow from the higher than planned transition costs of LGR, the credit

crunch and meeting the challenging savings targets built into its 2008/2009 budget; and

- There are key issues arising out of the Inspection work on access to services and managing sickness that need to be addressed by the new unitary.

5.8 There is no doubt that there has been significant loss of knowledge already as a result of LGR. It is considered that the new unitary ought to understand this and do everything in its power to avoid such loss in the implementation of further structure tiers. The Handing Over the Baton Report has been designed to assist in knowledge transfer. The new unitary has been party to the Inspection work and are building recommendations into their improvement planning. Members and officers of the District Council will continue their improvement endeavours through the full life of the district council.

6. RECOMMENDATIONS

6.1 Members are recommended to:

- 1) Receive and welcome the Annual Audit and Inspection letter;
- 2) Consider the key messages set out within the letter; and
- 3) Agree to build the key messages into the Handing Over the Baton Report.

7. BACKGROUND PAPERS / DOCUMENTS REFERRED TO

7.1 Annual Audit and Inspection Letter – Audit Commission March 2009

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24th February 2008
Version 1.0

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