

Annual Audit and Inspection Letter

March 2008



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East Cambridgeshire District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

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

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

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Copies of this report

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Contents

Key messages	4
Action needed by the Council	4
Purpose, responsibilities and scope	5
How is East Cambridgeshire District Council performing?	6
The improvement since last year - our Direction of Travel report	6
The audit of the accounts and value for money	12
Looking ahead	14
Closing remarks	15
Availability of this letter	15

Key messages

- 1 The main messages for the Council included in this Annual Audit and Inspection Letter are as follows.
 - The Council improved 50 per cent of performance indicators between 2005/06 and 2006/07, below the average for district councils nationally. The percentage of performance indicators in the best 25 per cent in 2006/07 was significantly below the average for district councils nationally and represented a substantial decrease from 2005/06. Some services such as recycling and waste collection are improving in line with the Council's priorities but several areas such as cleanliness of public spaces, fly-posting and the use of previously developed land for new housing remain in the worst 25 per cent in England. The Council is making a positive contribution to wider community outcomes and partnership working is beginning to deliver tangible improvements to the quality of life of many residents.
 - We issued an unqualified audit opinion on the 2006/07 statement of accounts and certified the completion of the audit.
 - We concluded that, in all significant respects, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.
 - We assessed the Council as performing at level 3 in our 'use of resources' judgement which indicates the Council is performing well.

Action needed by the Council

- 2 We recommend that the Council continue to:
 - strengthen its approach to prioritisation within corporate planning processes;
 - implement revised performance management processes to improve focus on monitoring achievement against objectives and allow it to deliver timely action plans to address poor performance; and
 - develop risk management arrangements which will assist the Council in assessing whether it has the capacity and processes to deliver its priorities.

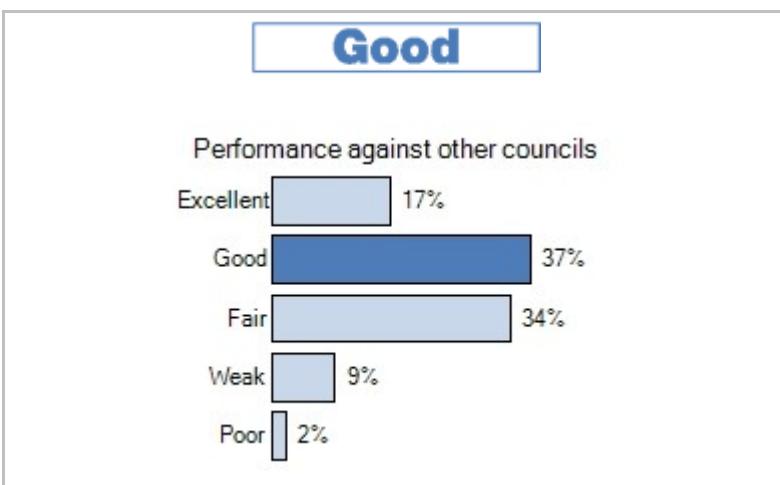
Purpose, responsibilities and scope

- 3 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 4 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.
- 5 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. In addition, the Council is planning to publish it on its website.
- 6 As your appointed auditor I am 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, I review and report on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the 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.
- 7 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.
- 8 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is East Cambridgeshire District Council performing?

- 9** East Cambridgeshire District Council was assessed as 'Good' in the Comprehensive Performance Assessment carried out in 2003. 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

The improvement since last year - our Direction of Travel report

- 10** East Cambridgeshire District Council improved 50 per cent of performance indicators between 2005/06 and 2006/07, below the average for district councils nationally. The percentage of performance indicators in the best 25 per cent in 2006/07 was significantly below the average for district councils nationally and represented a substantial decrease from 2005/06.
- 11** Some services such as recycling and waste collection are improving in line with the Council's priorities but several areas such as cleanliness of public spaces, fly-posting and the use of previously developed land for new housing remain in the worst 25 per cent in England.

- 12 The Council is making a positive contribution to wider community outcomes and partnership working is beginning to deliver tangible improvements to the quality of life of many residents. It still has to successfully engage with groups most at risk of disadvantage, such as gypsies and travellers and the Eastern European migrant community.
- 13 The Council is currently revising its improvement objectives following the change in political control in May 2007. Areas for improvement have also been agreed following the Audit Commission's recent review of performance management arrangements.

What evidence is there of the Council improving outcomes?

- 14 Over the last three years, East Cambridgeshire District Council has improved 59 per cent of performance indicators against a national average of 55 per cent. In 2006/07 the pace of improvement has reduced however, with only 50 per cent of the Council's performance indicators improving against an all district average of 58 per cent. In 2006/07 only 15 per cent of the Council's performance indicators were amongst the best in the country, a significant reduction from 2005/06 and substantially below the average for district councils.
- 15 The Council is in the process of agreeing a new set of priorities following changes in political control at the May 2007 elections. This is being done as part of a process to reinvigorate the corporate performance framework. The current priority areas where efforts have been concentrated have shown some improvements

Improving recycling performance through partnerships

- 16 The Council has delivered a steady increase in performance for recycling or composting household waste. In 2006/07 it achieved 35 per cent compared with 31 per cent in 2005/06. However, this improvement has been slower than the best councils and the Council is now no longer in the best performing quartile nationally. The amount of waste collected, which had been increasing, is now starting to decrease and the Council intends to reduce this to below the 2004/05 level by March 2009. The Council has increased the percentage of residents with a kerbside recycling service to 99.8 per cent. The County Waste Partnership achieved Beacon Status in 2006/07 for its achievements in recycling and waste management. The Council, with its partners, is delivering a key local priority for residents of making improvements in recycling performance.

Increasing the delivery of affordable housing

- 17** The Council is meeting high local demand for affordable housing. Although the number of completions fell slightly in 2006/07 to 190 units, this is still well above the local strategic partnership target of 150 units completed annually and is in the best 25 per cent nationally. Grants from the Housing Corporation are projected to provide a further 350 affordable homes between 2006/07 and 2008/09, which combined with grant-free units is expected to see 500 homes completed over the three years. The Council is also working with partners to identify alternative ways of building affordable homes in smaller villages and market towns and is beginning discussions with parish councils to introduce community land trusts as a vehicle to achieve this. The Council is enabling the sustainability of local communities throughout the District by ensuring that affordable housing is available.

Improving service delivery through e-government

- 18** The Council has increased the number of services that can be delivered electronically to 98 per cent, a significant increase on the 2005/06 figure of 89 per cent, but still below the national average and its own 2005/06 target of providing all services that it is possible to deliver electronically. The Council's plan to implement a customer relationship management (CRM) system and data management system by April 2008 is on target and the Council forecasts that these systems will meet the 100 per cent e-enablement target. Customers are already able to make payments on-line and submit enquiries and planning applications electronically, making the Council's services more easily accessible by residents.

Seeking external accreditation to improve quality in services

- 19** The Council continues to achieve external recognition of its work in improving services. It has achieved a third Green Flag for Jubilee Gardens in Ely and six four-star or five-star 'Loo of the Year' awards. In an Audit Commission study of how councils can use competition to improve services, the Council was cited as an example of notable practice in its use of contestability to improve the quality and reduce the cost of its revenue and benefits service. The new service, provided as part of the Anglia Revenues Partnership, has been awarded Beacon status for excellent performance in its administration. External recognition provides reassurance to local residents that the Council is delivering high quality services.

Building partnership working through the local strategic partnership (LSP)

- 20** The Council is taking effective steps to strengthen the performance management of its partnerships. This includes the creation of a new full-time post to administer the Local Strategic Partnership (LSP) and ensure that Local Public Service Agreement targets are monitored and met. The LSP continues to be the key Council focus for partnership working and is on target to deliver a new sustainable community strategy by April 2008, which will link closely to the Cambridgeshire Local Area Agreement (LAA). A recent Audit Commission review of performance management arrangements found that 'both the Leader of the Council and the Chief Executive are energetically involved in moving the LAA forward'. The Council, with the support of the LSP, has extended the pilot of the neighbourhood panel in Soham to include the rest of the district to provide a forum for community access to public service providers. Close partnership working enables the Council to ensure that key local priorities are reflected in district and county-wide strategies.

Improving communication within the Council and with the public and partners

- 21** The Council has improved its ability to communicate key messages to the public and partners. Following a high-level review in 2006 the Council has formed a partnership with Cambridgeshire County Council which now delivers an enhanced press and public relations (PR) service on the Council's behalf. As part of the review the Council agreed a press and public relations improvement plan, which is regularly monitored against locally set PIs. Internal communications are also improving with the implementation of a 'Core Briefing' system to ensure a cascade of information from management team meetings. Results from the staff survey in 2007 show a high level of understanding of the Council's objectives and almost 80 per cent of staff declared that internal communication was good. Good communication engages staff, partners and residents in the improvement process by making them aware of the Council's objectives, priorities and performance.

Improving customer service and satisfaction

- 22** Customer satisfaction with the Council has improved in some areas since 2003/04. Overall satisfaction with council services has only improved from 53 to 54 per cent, but this is against a national picture of decreasing satisfaction. Satisfaction rates for some services have risen between 2003/04 and 2006/07 - for example cleanliness (up from 72 to 78 per cent), parks and open spaces (up from 71 to 76 per cent). However between 2003/04 and 2006/07 satisfaction with waste collection and recycling has fallen, markedly in the case of the former, and are now below average.

Diversity

- 23** The Council has made mixed progress on its programme for equalities and diversity. There is awareness of diversity issues and the impact these have on service delivery and the Council and its LSP have worked with Fenland DC and LSP to produce information on health and local government services for migrants from new EU member states. The Council also attained level 2 of the CRE Equality Standard in December 2007. It has, however, failed to advance its score for BVPI 2b (duty to promote race equality) and is now in the worst 25 per cent nationally. Failure to ensure that services are designed around the needs of the diverse communities of East Cambridgeshire will increase the danger of exclusion for those groups most at risk of disadvantage.

Value for money

- 24** The Council is able to demonstrate that it achieves value for money. It has performed well and has achieved significantly in excess of its targeted level of efficiency savings in the last two years. Overall costs of services remain below average compared with other similar councils and average council tax levels are amongst the lowest in the comparator group. The Council has used a variety of procurement approaches in the past to deliver savings, such as in leisure and revenues and benefits. It has now taken steps to update and link its procurement strategies and approaches more clearly with its corporate aims. It has also entered discussions with 4 other neighbouring district councils to investigate potential savings from sharing of “back-office” financial services. Savings and efficiencies have been reinvested in priority areas improving the services delivered to the population of East Cambridgeshire.

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

- 25** The Council's improvement plan 'Breakthrough to Excellence' has been a valuable driver for ensuring that key objectives and milestones have been met. This whole programme is now to be revised and re-launched as a Corporate Improvement Plan in line with the new Corporate Plan 2008/11. The Council plans to ensure a close fit between the Council's Corporate Plan, the Community Strategy and the Local Area Agreement, which will be supported by a robust framework of plans for delivery. Each of the LAA themes is linked to the strategic themes of the community strategy and the Council's corporate objectives. National priorities included in the LAA, such as crime reduction, are included in the corporate plan and its supporting plans as well as those of partners. This approach is intended to ensure that the ambitions are shared between partners.

- 26** There is an effective approach to risk management. This is built into corporate and service planning and decision making processes. For example, the Council ensures that all senior officer and members receive training on risk management processes. The Council also sought external audit of its risk management activity in 2007 by Zurich Municipal, resulting in an action plan that is in the process of implementation. Robust risk management enables the Council to ensure that it has the capacity and processes to deliver its priorities.
- 27** An integrated service planning and budget model is in place. It ensures that value for money is challenged regularly and before agreement of new policies or projects. Annual workshops ensure that corporate priorities are included in future plans. A scored matrix is used to assess and evaluate new developments to ensure new resources and efficiency savings are directed to priority areas. For example savings of £280,000 in 2007/08 from staff restructuring and procurement efficiencies have been redirected to key areas such as recycling and improving customer satisfaction.
- 28** The Council is strengthening its approach to performance management. The Audit Commission carried out a review of performance management arrangements at the Council, published in November 2007. This identified that there were strengths in service planning and performance monitoring, but that project management processes were not yet fully embedded and that there was lack of clarity over the role of members in the performance management process. The Council has agreed a set of recommendations that will build on current strengths to ensure the delivery of a robust performance management framework.
- 29** The Council has built an increasingly effective political and managerial leadership. The integrated service planning and budget setting process enables better cross service working with a much greater focus on service delivery and priorities. There is an enhanced outward focus and an improved external profile for the Council through an increase in partnership working. The Council has revised its Overview and Scrutiny function to recognise this, and has created an External Partnerships Review Committee. This committee has a remit to 'take an overview of the policies, activities and forward plans to all tiers of government and related authorities as they affect the Council's area or its inhabitants'. It will provide regular reports to the Council on the function of partnerships and ensure that the Council is adequately represented on all key partner bodies.

The audit of the accounts and value for money

- 30** As your appointed auditor I have reported separately to Policy and Resources Committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your VFM arrangements to say that these arrangements are adequate on 26 September 2007; and
 - my report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 31** 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).
- 32** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment (out of 4)
Financial reporting	3
Financial management	3
Financial standing	3
Internal control	3
Value for money	3
Overall assessment of the Audit Commission	3

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 33** The Use of Resources assessment covered the year to 31 March 2007 and the overall score of 3 indicates that the Council was performing well overall. The key issues arising from the audit, as reflected in the above judgements are set out below.
- 34** Over the year of assessment the Council has continued to maintain its performance score (3) in each theme despite some of the assessment criteria being strengthened and so becoming more difficult to achieve.
- 35** Sub themes of the use of resources assessment identified management of significant business risks and improving value for money, as the two particular areas where performance was below that of well performing Councils. The comments in the earlier direction of travel summary indicate that the Council is striving to move these two areas forward.

Looking ahead

- 36** The public service inspectorates are currently developing 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.
- 37** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 38** 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 Local Area Agreements.

Closing remarks

- 39 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Policy and Resources Committee in June 2008. Copies need to be provided to all Council members.
- 40 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.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	October 2007
Review of performance management arrangements	January 2008
Annual audit and inspection letter	March 2008

- 41 The Council has taken a positive and constructive approach to our audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

**Andy Perrin
Relationship Manager**

March 2008