

# Annual Audit and Inspection Letter

East Cambridgeshire District Council

Audit 2007/08

March 2009



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## Status of our reports

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

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**The main messages for the Council included in this report are as follows.**

- 1** East Cambridgeshire District Council was assessed as Good in the Comprehensive Performance Assessment (CPA) carried out in 2003. This is the last year of the Audit Commission's CPA framework. CPA is replaced by the Comprehensive Area Assessment the results of which will be published in November 2009.
- 2** The Council is delivering higher quality services in some priority areas, but overall performance is mixed with inconsistent improvement in some areas. Priority services such as, benefits, planning, recycling and waste collections are performing well and improving. Delivery of affordable housing units is amongst the best nationally. Value for money is good. However, performance elsewhere is mixed. For example, performance for the length of stay in hostel accommodation is poor and littering and fly-posting remain in the worst 25 per cent of councils nationally. The Council remains at Level 2 of the local government equality standard.
- 3** The rate of improvement in performance indicators, although improved, is below the all district average. In 2007/08 there was a marked improvement in the number of indicators which were among the best in the country, from 15 per cent in 2006/07 to 32 per cent against an all district average of 33 per cent.
- 4** The Council is making a positive contribution to wider community outcomes and has ambitious plans for the future. Revised corporate objectives were agreed in 2008. These are aligned to partner priorities and effective partnership working is enhancing capacity. There has however been limited progress on sustainable transport schemes during 2007/08. Financial management is strong and the Council has proactively assessed the potential impacts of the economic downturn.
- 5** The Council continues to demonstrate good and consistent performance which is consistently above minimum requirements in its overall arrangements for Use of Resources. We identified several examples of improvements in progress, such as development of a refreshed corporate capital strategy and asset management plan, further partnership working and improvements in internal control.
- 6** The Use of Resources score for Financial Reporting was reduced to a 2 this year due to the material error in the accounts. The arrangements for the production of the annual accounts were otherwise good and the appointed auditor was able to give an unqualified opinion on the Authority's accounts on 30 September 2008.
- 7** During 2007/08 the Authority had, in all significant respects, made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and the appointed auditor issued an unqualified value for money conclusion.

**Action needed by the Council**

- 8 The main improvement areas for the Council are to continue to strengthen and embed risk management arrangements and embed the use of benchmarking and information on costs, including comparatives with other councils.
- 9 Ensure quality assurance arrangements for the production and review of the accounts are strengthened in order to avoid material and 'non-trivial' errors in the accounts. In particular, ensure there is detailed review of the split of investments between under and over one year, and Section 106 agreements to ensure correct accounting treatment.

# Purpose, responsibilities and scope

- 10 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 11 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.
- 12 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 13 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 14 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.
- 15 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is East Cambridgeshire District Council performing?

16 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 (percentage figures may not add up to 100 per cent due to rounding)

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

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

- 17 In February 2008 the Council agreed three revised corporate objectives, supported by 14 priorities for action. These objectives are:
- high quality services;
  - partnership; and
  - sustainable growth
- 18 Progress against these objectives is set out below. There is improvement in some areas but this is not consistent across the board.

## How is East Cambridgeshire District Council performing?

- 19 During 2007/08, 54 per cent of the Council's performance indicators improved against an all district average of 57 to 59 per cent. This is better than the level of improvement over the last three years, when 48 per cent of indicators showed improvement. In 2007/08 there was a marked improvement in the number of indicators which were among the best in the country, with this rising to 32 per cent against an all district average of 33 per cent.
- 20 The Council is delivering higher quality services in some priority areas, but overall performance improvement is mixed with inconsistent improvement in some areas. Waste recycling and composting increased in 2007/08 and more recycling facilities were provided in the district. Kerbside collections were extended to include plastics. The volume of waste sent to landfill continues to reduce and performed amongst the best nationally in 2007/08. However the cost of waste disposal remains among the highest nationally. The Council has had some initial performance problems with its new waste management contract introduced in April 2008, but has taken prompt and robust action to address them. The Council, with its partners, is delivering the local priority to minimise the amount of waste to landfill. Performance in other areas is mixed and indicators such as length of stay in hostel accommodation, littering and fly-posting remain in the worst nationally.
- 21 Communication and consultation with residents is improving. The Press and Public Relations partnership with the County Council continues to deliver a flexible and value for money service. The Council also launched its Consultation Register in December 2007, for local interest groups and individuals to register to be consulted on specific local issues. The register now has over 100 consultees. Consultation events on Ely Country Park were held locally in January 2009 and the Council is seeking views on the Core Strategy for the Local Development Framework (LDF). Effective communication and consultation enables residents to influence developments.
- 22 The Council has improved its customer services but progress has been slower than anticipated. A Customer Service Strategy has been adopted and a customer care training programme developed for all staff. The introduction of a Council wide customer relationship management system (CRM) and electronic document management system (DMS) across services continues but is behind schedule. However, the Council website achieved 'Transactional' status from the National Survey of Local Authority Websites in February 2009. Customers are able to make payments on-line and submit enquiries and planning applications electronically. Improved processes and technology are making some of the Council's services more accessible for residents.

## How is East Cambridgeshire District Council performing?

- 23** Partnership working is improving. With the support of the local strategic partnership (LSP), the Council has extended the pilot of the neighbourhood panel in Soham by introducing four more panels to cover the whole district. Representatives from the County, the District and parish councils attend as do the Police. This local access to partners enables speedy and effective partnership action to address local issues. The Council supported Cambridgeshire ACRE to research Post Office closures through the Post Office Network Change Group. This has had an impact in reducing the number of closures. Partnership approaches are helping to address some of the causes of rural isolation. Effective partnership working in the East Cambridgeshire Community Safety Partnership ensures that the district remains a safe place to live and work. In 2007/08 the number of domestic burglaries and thefts of a motor vehicle in East Cambridgeshire reduced but remained among the highest 25 per cent of the comparator group. Robberies, violence against the person and sexual offences also reduced and were among the lowest 25 percent of the comparator group.
- 24** The Council is effectively progressing sustainable development and encouraging local employment. The Local Development Framework (LDF) has met its planned milestones and progressed to examination stage of the Council's Submission Core Strategy and Proposals Map planned for the spring of 2009. The Council has strengthened its commitment to economic development and marketing of the district. During 2007/08, 3,500 businesses were recorded as VAT registered in East Cambridgeshire and increase from the 3,350 registrations in the previous year. The district has a new business survival rate of 94 per cent which exceeds the national average of 90 per cent. The Council's review of Economic Development prompted a special study in December 2008 to assess the local impacts of the economic downturn; it highlighted that the Council is rated 279 most vulnerable out of 408 local authorities. Reassessing priorities and resources has enabled the Council to adjust services to changing circumstances.
- 25** The Council has successfully delivered affordable housing to meet identified needs. It has exceeded its target of 150 affordable units per year, delivering 208 in 2007/08. The Council recognises that the housing market downturn will affect the continuing delivery of these levels of affordable housing. The number of homes started between April and September 2008 has halved compared to 2007. However, the Council continues to work with registered social landlords to develop small schemes on rural exceptions sites.
- 26** There has been limited progress on sustainable transport schemes during 2007/08. The Council has constructed a 220 space car park at Ely Station as a commuter car park on weekdays and Park and Ride at weekends. The Ely Transport Strategy is under review and, through the Sustainable Community Strategy, the Council is raising public awareness of more sustainable forms of transport and improving their viability compared to personal car use. However, public transport provision remains limited, especially in the more rural parts of the district.

## How is East Cambridgeshire District Council performing?

- 27 The Council is making a positive contribution to wider community outcomes. It is an effective partner in the Community Safety Partnership and has taken the lead locally to assess the impact of the economic downturn on the district. There is commitment to working in partnership to deliver the most cost effective services, for example through the Anglian Revenues Partnership for the Benefits service and the Community Sport Network to promote sporting opportunities. This approach ensures that partners are working to a common agenda for improvement in the district.
- 28 The Council is actively improving its equalities work. The Council attained level 2 of the Local Government Equality Standard in December 2007 and the Equal Opportunities Working Group is monitoring progress towards the next level of the new equality standard by March 2010. The Council has conducted Impact and Needs/Requirements Assessments (INRAs) on most Council policies and functions to assess whether policies and services meet the needs of all members of the community and whether service provision should be adjusted. However, performance on its duty to promote race equality remains among worst 25 per cent nationally. Failure to recognise the needs of diverse communities may restrict their access to services.
- 29 The Council is improving access and quality of service for residents, focusing on the most vulnerable. It has increased the opportunity for local communities both to identify and influence responses to local issues through the extension of Neighbourhood Panels. Panels have dealt with topics like anti-social behaviour, speeding and fly tipping and are encouraging residents to identify issues that are important in their locality. Public attendance is increasing steadily after a slow start. Strong performance in providing benefits services is also ensuring that the most vulnerable in society have improved access to services and advice. The Council is developing better play facilities and extending youth provision through the Better Play programme of the Big Lottery Fund. Investment in new play facilities has been targeted on rural areas without access to play facilities and the development of a mobile play development scheme. However, there has been little progress on providing new leisure facilities in the district because of the economic downturn.
- 30 The Council provides good value for money. It is a low 'council tax authority' and overall costs, including unit costs for key services, demonstrate best value compared to other councils, allowing for the local context. The Council ensures that a range of quality services is delivered appropriate to statutory duties and local needs, whilst maintaining relatively low overall costs including overheads and capital. Areas of higher spending, for example in planning or benefits, are in line with stated priorities and the investment has generally resulted in improved services. The Council has a small but well managed capital programme linked to service improvements and priorities. Projects are usually completed on time and on budget, and deliver fit for purpose outcomes. However, there are not yet significant improvements in service delivery linked to capital investments on CRM or DMS. The Council continues to explore the potential for shared services with other councils.

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

- 31** The Council has robust plans in place for continuous improvement. It is an active partner in the Local Area Agreement (LAA) and has supported the Cambridgeshire Together Partnership to publish the Sustainable Community Strategy (SCS). There is a good fit between LAA themes, Corporate Plan priorities and the strategic priorities of the SCS. Three revised corporate objectives were agreed in 2007/08, supported by 14 priorities for action. These were informed by consultation on service priorities, and LSP consultation to develop the SCS published in April 2008. There are individual plans to address issues arising from reviews or service specific initiatives, for example the responses to the economic downturn report and the equalities action plan. An updated Community Safety Plan 2008/11 was completed during 2008, with six priorities and two cross cutting themes, informed by a comprehensive Police analysis of crime and disorder in the district and by public consultation. The Council is also developing master plans for each of the market towns; Ely, Soham and Littleport. These will consider growth issues such as housing, retail provision, economic development, community facilities and services and environmental conservation for each community.
- 32** Overall key objectives and milestones are being achieved through improved performance management. There is slippage against some plans, for example the introduction of CRM, but most performance management arrangements are ensuring delivery as expected. The Council has strengthened performance management through 2008 with the introduction of an on-line electronic performance management system, which is being rolled out to all services and councillors. Progress against corporate priorities is monitored through Policy and Resources Committees and individual service committees. Service planning is a strength and integrated to the budget process. This ensures that links are made to corporate priorities and the resources available to deliver them. Targets are mostly SMART (specific, measurable, achievable, resourced and time bound) with identified lead officers and timescales. There has also been project management training. Effective performance and project management supports the Council's continuous improvement.
- 33** The Council's capacity is improving. There is effective political and managerial leadership and councillors have demonstrated more of an outward focus through 2008. Effective partnership arrangements have enhanced the Council's capacity to deliver service resilience and improvement. Management capacity has been strengthened through 2008 without increasing the costs. Restructuring of some posts has provided a better fit to the revised corporate priorities and there are low levels of sickness absence. Overview and Scrutiny is proving effective in identifying areas for review. The Council is better able to deliver improvement.

## How is East Cambridgeshire District Council performing?

- 34 Financial management is strong, enabling council tax rises at or below the retail price index (RPI). The medium term financial plan provides the context for service planning, so the Council knows what resources are available for essential service delivery. Cash savings, for example £151,000 from re-tendering the waste management contract, are redirected to front line services such as the introduction of kerbside plastics recycling or the recycling marketing budget. The economic downturn threatens many of the Council's income streams including interest on savings and fees and charges. This may impact on Council aspirations on sustainable growth and as part of 2009/10 service planning each service is carrying out a risk assessment of the potential impacts. The Council secures external funding to enhance capacity. For example £650,000 from the Housing Growth Fund used to facilitate sustainable development and £25,000 from LABGI funding allocated to resource an online marketing campaign. The Council is in a strong position to maintain, and possibly develop, services through good financial management.

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# The audit of the accounts and value for money

- 35** Your appointed auditor has reported separately to the Policy and Resources Committee on the issues arising from our 2007/08 audit and has issued:
- her audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008; and
  - her report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Use of Resources

- 36** 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).

## The audit of the accounts and value for money

37 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**

<b>Element</b>	<b>2008 Assessment</b>	<b>2007 Assessment</b>
Financial reporting	2 out of 4	3 out of 4
Financial management	3 out of 4	3 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	3 out of 4	3 out of 4
Value for money	3 out of 4	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>	<b>3 out of 4</b>

Note: 1 = lowest, 4 = highest

### The key issues arising from the audit

- 38 The Council continues to demonstrate good and consistent performance which is consistently above minimum requirements in its overall arrangements for Use of Resources. We identified several examples of improvements in progress, such as development of a refreshed corporate capital strategy and asset management plan, further partnership working and improvements in internal control.
- 39 The score for Financial Reporting was reduced to a 2 this year due to the material error in the accounts in relation to the classification of investments that affected the face of the Balance Sheet. The arrangements for the production of the annual accounts were otherwise good.
- 40 The main improvement areas for the Council are to continue to strengthen and embed risk management arrangements and embed the use of benchmarking and information on costs, including comparatives with other councils.

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# Looking ahead

- 41 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 42 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 43 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

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# Closing remarks

- 44 This letter has been discussed and agreed with the Chief Executive and the Executive Director of Finance, Legal & Democratic Services. A copy of the letter will be presented at the Policy and Resources Committee on 28 April 2009. Copies need to be provided to all Council members.
- 45 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

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**Table 2     Reports issued**

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

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

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## Availability of this letter

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

**Debbie Hanson**  
**District Auditor**

March 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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