

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Ribble Valley Borough 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; and
- 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 and 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.

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Key messages

- 1 During the past year the Council has improved a number of priority services, particularly benefits and planning. Additional resources have been invested to introduce three stream waste collections.
- 2 Overall public satisfaction with the Council remains high, as do most service satisfaction levels.
- 3 The Council is contributing through effective work with partners to wider community outcomes, in particular very low levels of crime. The Local Strategic Partnership has been reviewed and the Council is now playing a more active role in partnerships across East Lancashire and the wider Lancashire sub-region.
- 4 The Council's approach to diversity and equality has been slow to develop and performance in relation the Local Government Equality Standard is poor.
- 5 Capacity is stretched, particularly in HR where the impact of the job evaluation process has delayed other projects.
- 6 The Council has improved its approach to delivering value for the money it spends. Its overall use of resources audit assessment continues to improve.

Action needed by the Council

- 7 Provide clear and consistent leadership of the Council's approach to diversity and equalities to ensure it is prioritised and integrated into service planning and delivery.
- 8 Review and prioritise the HR work programme in order to ensure that key tasks such as workforce planning are delivered within the available resources. Consider which elements of the HR work programme could be delivered by a more corporate approach and direct involvement from heads of services.
- 9 Develop the Council's role in sub-regional partnerships in order to address challenges such as health inequalities, economic development and regeneration.
- 10 Sustain recent improvements in the use of resources assessment by focussing future improvement efforts on financial management and value for money.
- 11 Address the areas for development identified in the latest corporate assessment inspection.

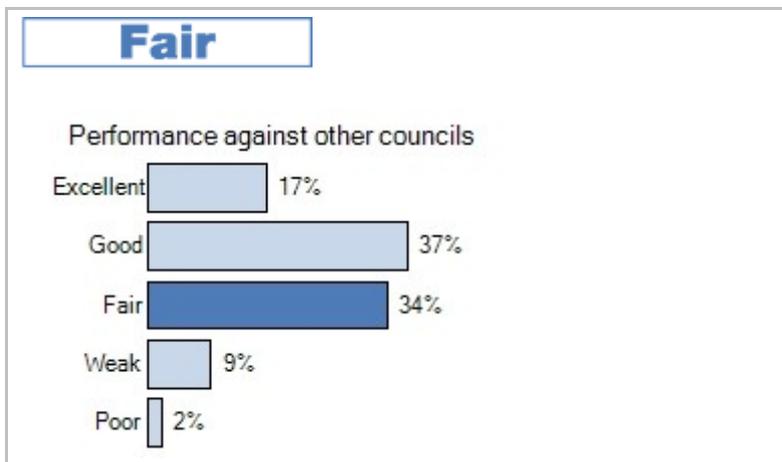
Purpose, responsibilities and scope

- 12 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.
- 13 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.
- 14 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].
- 15 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, the 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.
- 16 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.
- 17 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 Ribble Valley Council performing?

- 18 Ribble Valley Borough Council was assessed as fair in the Comprehensive Performance Assessment carried out in 2004. We are now reviewing these assessments, through an updated corporate assessment, in councils where there is evidence of change. Ribble Valley has applied to be re-categorised and a new assessment is currently in the process of completion. 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

Summary

- 19 During the past year the Council has delivered good levels of improvement across a number of priority services, for example benefits and planning. Additional resources have been invested to address priority areas such as the recent introduction of three stream waste collection into the borough. The Council is not achieving the speed of improvement in performance of the highest performing councils but overall public satisfaction remains high, as do most service satisfaction levels.

- 20 Partnership working with key partners in the Local Strategic Partnership continues to improve and the Council is making good progress in contributing to wider community outcomes. This is helping to deliver low levels of crime and to address housing needs. The Council is now developing its role with partner councils across East Lancashire and the county. However the approach to diversity and equality has been slow to develop.
- 21 Value for money is improving and the Council is delivering efficiency savings. A draft Sustainable Community Strategy has been developed with partners and the Council has aligned its Corporate and Improvement Plan to this strategy. Progress on implementing the Corporate Plan is monitored and reported. Capacity is being strengthened but remains stretched.

Improving outcomes

Improvement in priority areas

- 22 Priority services have seen some good improvement in the past year. The Council is generally looking to develop services from a high base and this accounts in part for improvements not being delivered as quickly as the highest performing councils. However user satisfaction levels are high.

Protecting and enhancing environmental quality

- 23 Recycling and composting of household waste has shown only slow improvement in recent years, resulting in a level of performance comparable with the worst councils for these services. However the Council has now piloted and introduced a three-stream waste collection service and performance has improved considerably. Un-audited performance data for 2007/08 shows a 21.4 per cent improvement in recycling and composting against the previous year. The level of household waste collected was 401.7kg per head in 2006/07, which equates to above average performance.

Aiming to be a well managed council

- 24 The Council aims to provide efficient services based upon identified customer needs.
- 25 In benefits administration, a key service for vulnerable groups, the Council is delivering very good performance with most indicators showing it to be amongst the best performing councils. New benefits claims were dealt with more quickly with the average of 23 days in 2006/07 being slightly better than the previous year's performance.
- 26 Major planning applications were also dealt with more efficiently and performance for this element of the service is now also at a level being achieved by the best councils. Performance on processing minor and other applications also improved in 2006/07 and is good compared to others.

- 27 The Audit Commission uses a selection of performance indicators to assess changes in relative performance and improvement compared to other councils. This analysis shows the comparative level of improvement for Ribble Valley to be lower than the average. For this council, 51 per cent of indicators have improved between 2005/06 and 2006/07 against an average range for district councils of 57-59 per cent. Despite the slower than average rate of improvement, the proportion of indicators which place the Council in the best performing District Councils is above average at 39 per cent against an average of 33 per cent for other councils.
- 28 User satisfaction levels with the Council are high. Overall satisfaction with the Council was 63 per cent in 2006/07 which compares well with the levels achieved by the best councils. Satisfaction with the cleanliness of public space and with the planning service improved and also compare well with the best councils. Public satisfaction with recycling, parks and open spaces and waste collection is above average. However, satisfaction with sports and leisure facilities and with museums and galleries has fallen and is now below average.

Contributions to wider community outcomes

- 29 The Council is making good progress in developing its contribution to wider community outcomes, for example in reducing crime and addressing housing needs.
- 30 The council is supporting the development of an effective Local Strategic Partnership (LSP). The LSP has been reviewed and its draft Sustainable Community Strategy aligned with Ambition Lancashire (the county-wide strategy) and with the Lancashire Local Area Agreement. Ribble Valley is now playing a more active role in partnership working in East Lancashire and the wider Lancashire sub-region.

Making people's lives safer and healthier

- 31 The Council is working well with partners to reduce crime. Ribble Valley has the lowest crime rate of any council area in the North West of England. The British Crime Survey shows that in the first six months of 2007/08, crime was reduced by 25.5 per cent compared with the same period in 2006/07. The Crime and Disorder Reduction Partnership is on target to exceed its targets for 2007/08. Reductions achieved in crime and anti social behaviour levels are partly the result of an effective approach to targeting intervention and diversionary activities. Local people express high levels of satisfaction with the Council and its partners in their efforts to make the area safer. Ribble Valley is now the safest place in the North West and one of the safest places in England and Wales.

Improving the health of Ribble Valley residents

- 32 Increasingly strong partnership with the East Lancashire PCT is evident in joint work to address health priorities, for example in dealing with health issues that arise from homelessness. Leisure initiatives aimed at improving and maintaining health include physical activity programmes to reduce obesity and the incidence of heart disease. However, the Council's approach to reducing health inequalities is still developing. Action plans focus on health improvement rather than a strategy to reduce health inequalities.

Matching the supply of homes in the borough with the identified housing needs

- 33 The Council has made good progress in ensuring people have satisfactory homes to live in. In 2006/07 only two per cent of Council housing did not meet the decent homes standard, a level of performance that compares well with the best performing councils. Tenants had high satisfaction levels with their landlords, over 85 per cent.
- 34 Following a vote by tenants, the Council is now transferring its housing stock to a registered social landlord and is on target to complete this project by 31 March 2008. The transfer will release funding of £65 million to be invested in tenants' homes over the next 30 years.
- 35 The Council is working well with partners to increase the supply of affordable homes. In 2006/07, 62 affordable homes were provided. For 2007/08 54 proposed homes have received planning permission with secured funding, and a further 57 homes are at an advanced stage of discussion. The Council has also secured an investment from the Housing Corporation for 2008/11 of £6.5 million to provide a further 84 affordable homes.

Inclusion and accessibility

- 36 Ribble Valley has been slow in developing its approach to equality and diversity. In 2006/07 the Council was at level zero of the Local Government Equality Standard but this has recently moved to level one. The Council's performance against the duty to promote race equality has improved but was still comparatively poor for 2006/07. Since then, a comprehensive Equality Policy has been approved by the Council, in November 2007, but training for staff and councillors on equality and diversity has not yet been provided. The use of Equality Impact Assessments is being piloted but results suggest that information on the needs of minority groups is limited. Ribble Valley is a borough with widespread and diverse communities and further progress is needed in this area if the Council is to ensure that it meets the needs of all of its residents and communities.

- 37 Access to services has improved. Council buildings are now more accessible and a mobile office is used to meet the needs of more dispersed communities. The Council web-site has been improved and progress has been made on improving telephone access through the contact centre. The Council has recently installed a customer relationship management system which should improve the Council's ability to handle customer enquiries more effectively.
- 38 Consultation is widely used through various mechanisms including electronic surveys. There are some good examples of engagement with specific groups, such as young and homeless people.

Value for money

- 39 The Council has been assessed by auditors as providing "adequate" levels of value for the money it spends. Council Tax levels and costs are comparatively low. The Council targets resources at improving performance in line with its priorities, for example through the investment in three stream waste collection.
- 40 The Council also has "adequate" arrangements for managing and improving value for money. Corporate savings targets have been exceeded and further service efficiencies have been achieved through a better approach to procurement, including joint work with other East Lancashire councils. Good use is made of external funding to help deliver priorities, such as the redevelopment of Clitheroe Castle.

Improvement planning and sustaining future improvement

Quality of improvement plans

- 41 The Council has developed with partners a draft Sustainable Community Strategy (SCS) for the period 2007 to 2013. The strategy outlines a clear vision for Ribble Valley with objectives and key priorities identified. However, an effective monitoring framework for the SCS is still in the process of being developed and longer term targets have not been agreed.
- 42 The Council's ambitions are based upon the shared vision for Ribble Valley and are clearly set out in the Corporate Performance and Improvement Plan. The three overriding ambitions are to make people's lives safer and healthier, to protect and enhance environmental quality and to match the supply of homes with identified housing needs. Specific actions and targets are developed from these ambitions but targets are mainly short or medium term. The plan provides a framework within which services develop business plans. Service planning has improved and is now more clearly linked to corporate and financial planning.

Implementation of improvement plans

- 43 The Council has strengthened its approach to monitoring the implementation of improvement plans. A comprehensive performance management framework has been introduced with councillors and managers receiving regular reports on key indicators and plans to enable corrective action where necessary. These changes have helped lead to improvements in previously poorer performing services such as planning and housing. Sixty per cent of the targets were met in 2006/07, with a further 21 per cent close to achievement.

Capacity

- 44 The Council is improving its approach to making best use of limited capacity and resources. However, staff are often stretched and some HR projects have been slow to develop which could hinder further improvement.
- 45 Capacity gains have been achieved through better joint working, for example with the East Lancashire E Partnership on procurement and consultation. Financial capacity is in place to deliver priorities and visible improvements are seen in some projects such as the implementation of new CCTV systems to improve community safety.
- 46 HR resources are stretched. The job evaluation project has understandably been given priority but this has restricted progress in developing the Council's approach to workforce planning. Other developments awaiting completion included full implementation of the performance appraisal system, further progress on equality and diversity and modernising the Council's decision making processes.

Continuous improvement and corporate governance

- 47 The Council's improvement processes have been used effectively to drive improvement in areas such as benefits and planning. The performance management framework has been strengthened and there are now effective systems to monitor performance but these have yet to be fully developed with partners. Performance clinics have been introduced to improve poorly performing services. The Council has appropriate processes in place to ensure ethical governance is in place and operating satisfactorily.

Looking forward

- 48 The Council will shortly receive the details of its corporate assessment inspection. This will determine the overall CPA rating, highlight areas of good performance and areas for further development.

Other reports

- 49 We have undertaken a number of audit studies to support our value for money conclusion. During the year these included work on the approach to addressing health inequalities across the county and the Council's contribution towards the Lancashire Local Area Agreement.

Health Inequalities

- 50 In our audit plan for 2007-08 we stated our intention to undertake a study of Health Inequalities (HI) across Lancashire to include councils, primary care trusts and other stakeholders. HI is an issue for this borough and the county of Lancashire generally. There is significant variation within the borough and the county area on key measures of health such as:
- average life expectancy;
 - death by suicide and/or by accidents;
 - infant mortality rates; and
 - cancer, heart disease and stroke rates.
- 51 Our initial findings show that health and local government bodies across the county are investing time, effort and money to address the complex challenges in HI. However, there is not a consistent model or strategic regional approach to reducing the gap in HI. Activities suffer from the lack of a robust planning and project management framework and there is limited performance management of HI specific indicators. As a result there is a high risk that the investment will not help reduce the HI gap across the county over the next three years.
- 52 Health partnerships tend to develop individual initiatives but a lack of project management and performance reporting to cabinet/board level is preventing progress. HI information is available and being used to target resources towards deprived communities and groups. Better leadership on public health, and identification of HI champions at local level would facilitate more progress.
- 53 Our second phase of work, to be conducted in 2008-09, will be directed towards assisting organisations to develop co-ordinated strategies in order to ensure their corporate and partnership resources are used more effectively. This work will be aligned with HI developments within individual councils including Ribble Valley, health bodies and other significant stakeholders such as Government Office North West and the Department of Health.

Local Area Agreement

- 54 Our review, undertaken in autumn 2007, concluded that there is a strong, shared commitment to developing targets, systems and structures to make sure that the Local Area Agreement (LAA) delivers good outcomes for local people across the County. Agreeing and delivering an LAA in a county as large, complex and diverse as Lancashire is a huge challenge. The County Council, Lancashire district councils and other partners recognise this and are rising to the challenge.
- 55 This commitment is bringing some real benefits in terms of improved partnership working, more productive relations between district councils and the County Council and greater consensus around what is important for the diverse communities that make up the county. The LAA has informed and improved community leadership locally and driven greater acceptance of joint working.
- 56 The LAA focuses on increased life expectancy, improving life chances, sustainable Lancashire communities and narrowing the gap between the most and the least disadvantaged. The overarching aims and targets are clear and were agreed following consultation with the wide range of partners involved.
- 57 The partnership is maturing and becoming more established. Leadership is developing well. Arrangements comply with LAA terms and conditions and statutory requirements. The Internal Audit function of the County Council plays a key role in assurance of arrangements.
- 58 The County Council is investing substantial capacity into building good governance and accountability. As a result some important building blocks are in place including good systems for performance monitoring and management. Others such as arrangements for financial management are developing well.
- 59 There has inevitably been a strong focus in the first phase on setting up systems and delivery chains. There is currently a risk of delivery mechanisms and processes becoming overly complex and bureaucratic so that the capacity of partners to participate in the range of processes, meetings and groups is strained.
- 60 Arrangements for decision making have been agreed but in some areas there is a lack of transparency. For example in relation to allocation of funds. The decisions of the steering groups and the performance group need to be more clearly stated and better communicated so that the rationale behind them can be understood.
- 61 Governance arrangements for delivery of county targets at a district level are not yet in place. There has been slow progress in drafting and agreeing suitable service level agreements and contracts. This means that accountabilities, responsibilities and resources are not clearly defined. It currently presents a risk to delivery.
- 62 The County Council and the leadership of the LAA are maintaining momentum around delivery and have gained the commitment of partners despite some of these problems of processes.

- 63 District councils have revised their community strategies and corporate plans to reflect and integrate the LAA. Local community strategies and Ambition Lancashire are not currently well integrated. The county vision is not well linked to local visions. The timing of the development of the LAA meant that it is also not well aligned with Ambition Lancashire. This has been recognised and the County Council has driven a review of the structure of the county LSP and of Ambition Lancashire.

The audit of the accounts and value for money

- 64** As your appointed auditor, PwC reported separately to the Accounts and Audit Committee on the issues arising from their 2006/07 audit and have issued:
- their audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
 - their report on the Best Value Performance Plan confirming that the plan has been audited.

Use of Resources

- 65** 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).
- 66** For the purposes of the CPA, PwC have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	4 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 67 The audit of the Council's 2006/07 financial statements demonstrated that the arrangements in place for the production of the draft accounts and supporting working papers are operating very effectively. The Council adopted a logical approach to the accounts restatement process, evidencing required adjustments in a clear manner. Accordingly, the draft accounts were of a high standard with only two insignificant unadjusted errors reported to the Accounts and Audit Committee - these strong arrangements were reflected in the score of 4 for the Financial Reporting theme of the Use of Resources assessment.
- 68 The Council should continue to address changes to the local government SORP. This is in addition to preparing for the new challenges that will inevitably arise as a result of CIPFA's commitment to implement International Financial Reporting Standards by 31 March 2011. The Council should prepare to restate its 1 April 2009 balance sheet on an IFRS basis at the earliest opportunity.
- 69 As a result of our mandated data quality work, we concluded that the Council's data quality arrangements in place during the 2006/07 financial year justified an adequate rating for the purposes of the Code of Audit Practice Use of Resources criterion 4.
- 70 The 2007 Use of Resources transitional assessment was completed in November 2007 - the results of which are summarised above. This transitional year meant that the Council had relatively limited time to significantly improve internal arrangements (and thus achieve higher scores) between the 2006/07 and transitional 2007 Use of Resources assessments. The results should therefore be read in this context.
- 71 The Council continues to demonstrate good arrangements in place with regards to Financial Reporting, Financial Standing and Internal Control. Financial Management and Value for Money remain the areas where the Council should continue to focus its future improvement efforts. This will be in addition to meeting any new or changed criteria across the other themes - the proposed 2008 key lines of enquiry bring new requirements around environmental footprint and risk management that will require continued development of the Council's arrangements in order to maintain previous scores.
- 72 Whilst no significant issues have been identified from the audit and use of resources work in 2006/07, it is important that the Council continues to enhance and improve its existing arrangements to ensure that they remain fit for purpose and reflect best practice wherever possible.

Looking ahead

- 73** 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.
- 74** 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.
- 75** 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

- 76 This letter has been discussed and agreed with senior officers of the Council. A copy of the letter will be presented at the audit committee on [date] 2008. Copies need to be provided all Council members.
- 77 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
Annual audit and inspection letter	March 2008

- 78 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.

Availability of this letter

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

Tom Keena
Relationship Manager

March 2008