

Annual Audit and Inspection Letter

Ryedale District Council

Audit 2007-2008

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

- 1 Ryedale District Council is a good council¹. Councillors and officers have shown a clear and focused commitment to improving the performance of the Council over the past few years. This commitment has made it more likely that the residents of the area and other Council customers will get better services that more closely match their needs.
- 2 The Council can not slacken its pursuit of the plans it has for itself and the area it serves. Working successfully in partnership with others is vital to achieving its aspirations and we will be examining this as part of the new Comprehensive Area Assessment which we and our colleague Inspectorates launch in April 2009.
- 3 Residents of Ryedale and businesses in the area are dealing with the impact of the current economic downturn. The Council is already considering the impact of this changed economic environment on both itself and the communities that it serves but it will need to remain vigilant in managing risks to its plans arising from the recession.
- 4 In the meantime there are a small number of key issues which Councillors should particularly pay attention to over the coming year.

Action needed by the Council

- 5 Councillors should satisfy themselves that sound arrangements are in place to deal with the following issues:
 - 2009 is proving to be a difficult year for all councils due to the national economic downturn. Pressures will increase further as the recession starts to bite. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.
 - A number of actions are underway and planned to address the outcomes of our previous work. Progress should be reported to councillors and remedial action taken where plans fall significantly behind target.

¹ Audit Commission - Comprehensive Performance Assessment rating

Purpose, responsibilities and scope

- 6 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.
- 7 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.
- 8 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).
- 9 Your appointed auditor, Deloitte LLP, 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.
- 10 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.
- 11 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 Ryedale District Council performing?

12 Ryedale District Council was assessed as good in the Comprehensive Performance Assessment carried out in 2004. 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

13 In our direction of travel work we consider two questions:

- What evidence is there of the Council improving outcomes?
- How much progress is being made to implement improvement plans to sustain improvement?

14 The following sections report our findings in answering those questions.

What evidence is there of the Council improving outcomes?

- 15** Ryedale District Council is improving performance in priority areas. Overall performance on a basket of Best Value Performance Indicators shows that the Council's improvement is below the average rate for district councils nationally with 54 per cent of the indicators improving in 2007/08. However, this figure is higher than the previous year's performance of 48 per cent, and the gap between Ryedale District Council's performance and the national average is smaller than it was in the previous year. At 37 per cent, the proportion of indicators which are within the top quartile has increased compared to 2006/07 and is higher than the national average of 33 per cent.
- 16** The Council has made progress in its priority area of **opportunity and choice of housing and employment**. Recent performance on homelessness and economic indicators show a general improvement, though not all targets are being met. There has been some progress on the key objectives of affordable housing. The Council has put extra resources into helping people into affordable private housing and has negotiated for 45 per cent of the housing on a new development to be affordable housing, exceeding its target by 10 per cent. Investment in the post of Rural Housing Enabler has led to more affordable housing units being delivered in rural exception areas. The performance on determining planning applications declined from 2006/07 to 2007/08 because of a staffing vacancy that it took the Council some time to fill, but the performance on this up to December 2008 has been better.
- 17** Progress towards meeting the Council's commitments under its **diverse and vibrant communities** aim has been good in all but one respect. Satisfaction levels with sport and leisure facilities have risen, but this has not been accompanied by increases in participation levels. The Council has made significant investment in sporting and cultural facilities, largely through partnership initiatives. The Council is on target to achieve its objective of all Council buildings complying with the Disability Discrimination Act by March 2009. It has met its commitment to target community grants at needs identified in the Community Plan so that money is spent on the things that matter to the local community.
- 18** The Council has made progress towards having **safe and inclusive communities**. In partnership with the police, the Council has taken action on crime hot spots and there has been a reduction in violent incidents from 13 per 1,000 population in 2005/06 to 7.5 per 1,000 in 2007/08. The Council has contributed to improving domestic violence outcomes for victims. The 'Making Safe' scheme on domestic violence has continued to show positive outcomes. The re-offending rate for those who have gone through the scheme has been 4.8 per cent compared to the national average of 47 per cent. The Council has contributed well to improving road safety. Road traffic collisions and injuries are significant issues for the area. The Council has also contributed to reducing crime. Action in partnership with the police on crime hot spots such as the use of mobile CCTV cameras funded by the Community Safety Partnership has contributed to a reduction in violent incidents from 13 per 1,000 population in 2005/06 to 7.5 per 1,000 in 2007/08. The Council has instituted a scheme with off licences, supermarkets and publicans aimed at reducing under-age drinking by tackling alcohol supply.

TTTHow is Ryedale District Council performing?

- 19 The Council set itself some testing targets in its Corporate Plan 2006-2009 for its aim of having a **clean and sustainable built and natural environment**. It has continued to make progress in this area, though it is not on target to achieve all its commitments. It had already exceeded its target for recycling waste and for the weight of residual waste collected per household in 2006/07 and improved the recycling performance slightly in 2007/08 while achieving nil growth of overall waste. Although its 2007/08 performance on litter and detritus did not match that of 2006/07, it was still better than the target in the Corporate Plan.
- 20 It is difficult to judge progress against the Council's commitments in its aim of having **effective and integrated communication and transport networks** as there is a lack of data on its key local performance indicators in this area. It does not have data on the number of heavy goods vehicles travelling through the centre of Malton and Norton, the proportion of people travelling to work by public transport or the percentage of all development that takes place in market towns and service villages. Progress on priority actions under this aim has been mixed, with action on road improvements not all going ahead as planned and delivery of the commitment to focus new developments in locations accessible by a variety of modes of transport being held back by lack of progress of the Local Development Framework Core Strategy because of new national requirements. There has been better progress against the commitment to increase the number of journeys made on community transport services. New initiatives include the Ryepod vehicle in partnership with NYCC, specifically designed for use as a community resource able to provide facilities for a wide range of organisations and events. The Council has also increased provision of interschool transport and assisted schools with cost-effective minibus hire. Usage of some existing community transport schemes such as the Ring and Ride scheme and Wheels to Work has increased.
- 21 The Council reports that its priority actions in the area of having **efficient and affective high quality services accessible to everyone in a way that suits them** are on target or close to being so. It has not, however, made consistent improvement on its key performance indicators in this area. It has increased the proportion of service enquiries resolved at the first point of contact and exceeded the Council target for 2007/08, though the performance of 40 per cent that year is not high, and still well short of the 80 per cent target set by the Council for 2009/10. On the other hand, it did not meet its targets in 2007/08 for the percentage of local transactions made electronically and face to face, though its performance on these indicators in the period from April to December 2008 has been positive.

- 22** There are a number of ways in which the Council has focused on people who are made vulnerable by their circumstances in improving services. It has responded positively to the Housing Needs Assessment having identified a growing need for support for older people to allow them to live at home. It is meeting its target of fully using the funding available to it for this, and has reduced the waiting list for adaptations and alterations. Through the Norton Extra Care scheme, in partnership with North Yorkshire County Council, it is on course to provide 54 units by September 2009 to enable supported living for people who would otherwise be in a care home. The Council has also made improvements for those who are made vulnerable by their circumstances through its support for the CAB Money Advice Worker, its use of disabled facilities grants to enable independent living and by improving security in temporary accommodation managed by the Council. It has improved access to services for disabled people by making open spaces such as Castle Paths accessible to wheelchair users and community transport changes have helped mobility of older and disabled people. The launch of a new, improved Council website has improved access to Council services, particularly for those with disabilities.
- 23** The Council has made some improvements in value for money. For example, the cost of waste collection per household improved in 2007/08, reversing the previous year's trend, as did the cost of council tax collection. However, performance on the recovery of housing benefit overpayments has declined. The Council exceeded its efficiency savings target and in 2007/08 the Council made savings in the net cost of services amounting to £541,000 compared with the original budget. Major sources of savings were restructuring in Central Services and the Benefits Service. There were also savings in procurement. Initiatives introduced by the Council that give improved value for money include the expansion of the Ryecare Lifeline Service provided by the Council to cover Selby as well as Ryedale and Richmondshire and the approval by Members of the introduction of charging for pre-application planning advice. In environmental services, the Council has achieved savings in the cost of its bring sites, reduced the cost of waste collection through human resources measures such as better targeted overtime, and commissioned a system for managing the logistics of routing its vehicles, which will provide efficiencies in the future.

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

- 24** The Council has adequate plans for delivering improvement. The Council Plan for 2009 to 2013 provides a vision for the area and is aligned with other plans and strategies such as the Local Development Framework, Local Area Agreement and North Yorkshire Housing Strategy. Proposed major plans such as this are communicated to citizens and their views sought. Almost, all, of the top 20 objectives in the current Corporate Plan meet SMART¹ criteria. Each objective has priority actions linked to it including target dates. The Corporate Plan identifies key performance indicators for each of the objectives and these will help with the management of the actions required to achieve them. Priorities for action are kept under review and are changed when necessary.
- 25** The Council has significantly reviewed its capital programme and revised some of its plans as it became evident that the original objective was not achievable. Some

¹ SMART - specific, measurable, achievable, realistic and time-bound

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ambitious capital projects slipped, partly because of the lack of the Local Development Fund Framework, and some, such as the Malton Enterprise Centre, have been deferred. Decisions of what stayed in the plans were based on achievability and priorities. There has been a shift towards the Council commissioning rather than trying to fully fund projects itself. Examples where this partnership approach has enabled progress to be made and savings to be achieved include the Leisure Centre at Malton School, Helmsley sport and recreation facility and expansion of Ryedale Folk Museum.

- 26** We reported last year that the Council had made slower than expected progress in some areas including developing a Business Continuity Plan and ensuring all staff receive development reviews. There has been further slippage on both these. Although the Business Continuity Plan has been developed for high priority services, the target date of December 2008 for having the finalised Plan approved by Members was not met. The Council is also behind target in the proportion of staff that have had development reviews.
- 27** The Council's Performance Management system provides a good tool for helping managers and Members to identify serious risks and measure performance in addressing these. However, the Council is not making full use of the system. For example, although it is used effectively for the management of corporate risks, the service risk logs on the system have not been updated and the system cannot therefore be used for effective monitoring of progress. There are a number of areas where a lack of data is hampering the Council's ability to monitor its progress against plans. The Council is still waiting for targets on some disaggregated data, for example young people's involvement in sport. Although there are some where the Council has set a local target without a North Yorkshire target having been set, this makes it difficult for the Council to assess where and to what extent improvement is needed, and therefore, where to direct its resources. Where it has identified the need for additional capacity to deliver its plans, the Council has taken action to create this. For instance, The Council has allocated appropriate resources to deliver plans on housing. It has allocated £100,000 for affordable housing schemes in the 2009/10 budget and £200,000 for mortgage support.
- 28** We commented last year that high staff absence levels impacted on capacity to deliver plans in 2006/07. The performance on days lost to sickness absence showed some recovery in 2007/08 and went from worst quartile nationally to second quartile. The performance between April and December 2008 suggests, however, that this improvement may not have been sustained. A new process of absence management is being introduced.
- 29** The Chief Finance Officer has reported that the Council's reserves are in a healthy position and are sufficient to cover emergencies and unforeseen liabilities. The Council is confident it has the resources in place to manage the likely impact on services of the current economic downturn.
- 30** The Council is continuing to make progress in its approach to equality and diversity. It has revised the way equality impact assessments are done and is working through an Equality and Diversity improvement plan. The Council has made faster progress than average in the promotion of race equality. It has gone from worst to best quartile on this indicator in the last three years. The Council remains at level 2 of the Equality Standard. It has revised its target from level 5 to a more realistic level 3, and produced

an action plan to achieve this. The performance indicators on equality and diversity aspects of staffing are variable with some targets being met and an improving trend, while others are behind target and not showing improvement.

- 31 There are no significant weaknesses in corporate governance that would prevent improvement levels being sustained. Corporate governance arrangements are in place to give assurance to councillors that improvement is being secured. Councillors review the adequacy of key plans and act to improve these if necessary. Changes to the constitution are now having an impact reducing duplication and giving greater clarity on delegation of decision making.

Service inspections and follow up of previous assessments

Affordable housing follow up

- 32 We are currently concluding a small-scale review of the progress made by district councils in North Yorkshire in achieving the changes identified as necessary in our review of this area in 2005. The outcomes of this review will be reported to the Council and its partners shortly and will be part of our evidence base for developing our thinking on the new area assessment which will be reported in November 2009.

The audit of the accounts and value for money

- 33** Your appointed auditor, Deloitte LLP, has reported separately to Overview and Scrutiny Committee on the issues arising from the 2007/08 audit and has issued:
- an 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;
 - an opinion to state that the whole of government accounts submission was consistent with the audited accounts;
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 34** 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).

35 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 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

36 The above performance represents an improvement on the prior year scores in respect of financial management, financial standing and internal control reflecting the work undertaken by the Council to address the issues identified by the Audit Commission Use of Resources Judgements 2006/07.

The key issues arising from the audit

37 The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources. Members approved the Council's annual accounts on 26 June 2008 which was within statutory guidelines.

38 A small number of misstatements were noted within the draft accounts. These were not material but were not trivial and were reported to those charged with governance. These misstatements would have decreased the income and expenditure deficit by £8,673 and were not adjusted in the final accounts as management concluded they were not material, both individually and in aggregate, in the context of the financial statements taken as a whole.

Financial standing

39 The balance on the General Fund at 31 March 2008 was £1,339,000, after the Council contributed £191,000 in 2007/08. This is within the target range for reserves set by the Council. A review of revenue outturn against budget for recent years indicated that while some over and under spends were incurred within individual directorates these were managed within the overall budget.

Systems of internal financial control

40 Deloitte did not identify any fundamental weaknesses in the financial and accounting systems which they need to bring to the Council's attention in the context of the accounts approval process.

TTTThe audit of the accounts and value for money

41 As part of their evaluation of the general control environment Deloitte assessed the quality of the Internal Audit function in accordance with the requirements of International Standards of Auditing (ISA) 500. This review did not highlight any significant issues.

Data Quality

42 The mandatory work Deloitte performed around data quality was a three stage process, as detailed below:

- stage 1: Management arrangements - review of overall management arrangements to secure data quality;
- stage 2: Completeness check - analytical review of specified Best Value Performance Indicators (BVPIs) and non- BVPIs (taking into consideration the Audit Commission's plausibility checks, range analysis and variance analysis of BVPIs); and
- stage 3: Spot check - an in-depth review of a sample of BVPIs (taken from the list of specified BVPIs and non BVPIs).

43 The objective of stage 1 was to determine whether proper corporate management arrangements for data quality were in place, and whether these were being applied in practice. The assessment covered arrangements in place to 31 March 2008. Some improvements were noted in the arrangements when compared to the prior year and the Council remained at an overall assessment of performing well.

44 Stage 2 involved a reasonableness check of the BVPI data submitted by the Council. In accordance with Audit Commission guidelines explanations were sought for variances falling outside a 15 per cent tolerance limit when compared to prior year data. Reasonable explanations were obtained for the variances noted.

45 For stage 3 the Audit Commission mandated the testing of housing and council tax benefits indicators. These indicators cover the time taken to process new claims and change of circumstance. The necessity of testing, if any, of other indicators was driven by the results of stages 1 and 2. In accordance with the guidance Deloitte selected two indicators covering housing benefit and council tax benefits. In both cases the work programme issued by the Audit Commission was completed satisfactorily and Deloitte concluded that the indicator was fairly stated.

Grant claims

46 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk based approach to the certification of grant claims.

47 All of the grants audited relating to the 2007/08 year were issued with unqualified opinions.

Advice and Assistance work

48 No additional work has been carried out using Advice and Assistance powers.

Looking ahead

- 49** 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.
- 50** 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 assessment examining and reporting on the priorities, progress on them and the prospects for improvement in North Yorkshire;
 - a reporting of performance on the new national indicator set which will also allow for comparison between areas
 - an annual scored organisational assessment which will incorporate a joint inspectorate assessment of the Council's management of its performance and use of resources assessment by the appointed auditor. 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.
- 51** The first results of our work on CAA will be published in the autumn of 2009.

Closing remarks

- 52** This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented to the audit committee on 2 July 2009. Copies will be provided to all Council members.
- 53** 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	April 2007
Report on Best Value Performance Plan	September 2008
Report to Those Charged with Governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of resources report (in draft)	March 2009
Annual audit and inspection letter	March 2009

- 54** 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

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

Michael Newbury
Area Assessment Lead

Date

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.

Copies of this report

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