

Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

**Ryedale 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**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Key messages

- 1 The main messages for the Council included in this report are as follows.
  - Your rate of improvement slipped in 2006/07; only 48 per cent of your BVPIs improved, compared with a national average of 57 per cent and your own rate of 67 per cent in 2005/06. Your performance within your priority services was variable; you maintained your strong performance in council tax collection and housing benefit administration but the amount of waste collected and your staff sickness levels deteriorated.
  - Effective partnership working has allowed you to achieve wider community outcomes such as expanding community transport scheme. You are also improving access to services and engagement with 'hard to reach' people, including young people and homeless people.
  - A conclusion has been issued on your value for money arrangements to say that you had proper arrangements in place in 2006/07.
  - There are opportunities to improve your use of resources assessment. As a relatively small Council, the capacity to make sustained improvements remains a key challenge for you.
  - An unqualified opinion has been given on your accounts.
  - Your overall management arrangements regarding data quality are adequate, although we identified areas for improvement both at strategic and departmental level.

## Action needed by the Council

- 2 The key actions needed by the Council identified in this letter are to:
  - examine ways of reducing your costs in order to achieve costs that are below the average for services of comparable quality;
  - monitor the implementation of the agreed action plan to strengthen arrangements in relation to Data Quality; and
  - explore opportunities to accelerate your rate of improvement across all service areas - especially those services that contribute to your key priorities. In particular, focus on those priority areas, such as absence management, where performance deteriorated during 2006/07 and which will have an ongoing impact on your capacity to deliver, until satisfactorily addressed.

## Purpose, responsibilities and scope

- 3 This report provides my overall assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit for 2006/07 and comments on key issues.
- 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. This letter also communicates the significant issues to key external stakeholders, including members of the public.
- 5 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 (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.
- 6 This letter includes the latest assessment on your performance under the CPA framework, including our Direction of Travel report.
- 7 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 Ryedale Council performing?

- 8 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

### Direction of Travel: Summary

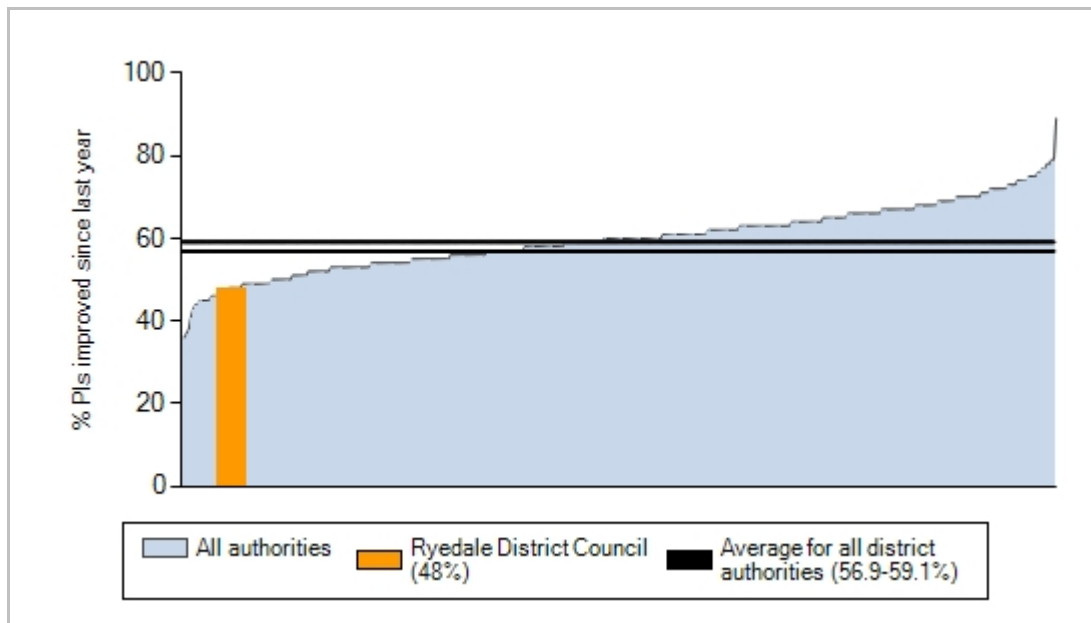
- 9 Your rate of improvement slipped in 2006/07; only 48 per cent of your BVPIs improved, compared with a national average of 57 per cent and your own rate of 67 per cent in 2005/06. Your performance within your priority services was variable; you maintained your strong performance in council tax collection, housing benefit administration and recycling, but the amount of waste collected and your staff sickness levels deteriorated. Effective partnership working has allowed you to achieve wider community outcomes such as expanding community transport scheme. You are also improving access to services and engagement with 'hard to reach' people, including young people and homeless people. You have strengthened your VFM framework, improved VFM through partnership working and have a clear framework for allocating resources with a robust set of linked plans. You have delivered many elements of your plans but there has been slippage in some key areas, including major slippage in the capital programme. Structural changes to members and officers roles have helped to re-focus your corporate capacity and you are building capacity through partnership working.

### Direction of Travel: Detailed report

- 10 Your rate of improvement, as measured by the Audit Commission basket of indicators, slipped in 2006/07. Only 48 per cent of your performance indicators improved (Figure 2), compared with the average rate of improvement of 57 per cent by other district councils and your own strong rate of improvement of 67 per cent in 2005/06. Over the last three years 56 per cent of your indicators have improved - in line with the national average for district councils

**Figure 2 Percentage of indicators improving during 2006/07**

Ryedale improved to a lesser extent than most other districts in 2006/07



*Audit Commission performance information profile December 2007*

- 11 Our assessment of your direction of travel is based on two key questions.
- Are your outcomes improving?
  - Are you progressing with plans that will sustain future improvement?

**Improving outcomes**

- 12 Your performance in delivering your priority services during 2006/07 was inconsistent. Some services, such as council tax collection, housing benefit administration and recycling have maintained and improved upon strong performance, whilst the performance of some others, such as the amount of waste collected, as deteriorated. The overall satisfaction of residents with your performance remains is 60 per cent compared with the average rate for district councils of 55 per cent
- 13 You have a clear framework for setting your priorities. You listen to local people and amend your priorities in response to their comments and the changing local environment. For example, you have recently given higher priority to action that address flooding risks, in conjunction with other national agencies. Your main aims, set out in your Corporate Plan, focus on the provision of:
- opportunity and choice of housing and employment for all;
  - diverse and vibrant communities;
  - safe and inclusive communities where young people can realise their ambition and potential;
  - a clean and sustainable built and natural environment;



- effective and integrated communication and transport networks; and
  - efficient and effective high quality services accessible to everyone in ways that suit them.
- 14** You are working towards the provision of sufficient affordable housing within Ryedale, but you are not meeting your own targets. You aim to provide 75 affordable houses per year; during 2006/07, 23 new affordable homes were provided in Norton - with a further 17 affordable homes within Pickering, in autumn 2007.
- 15** You recognise the importance of encouraging new higher-paid job opportunities into the area. One of the ways in which you intend to achieve this aim is through the creation of an employment and innovation park. However, your schedule for creating this park has slipped as a result of difficulties in acquiring appropriate land.
- 16** You have begun to make progress in addressing the diverse needs of your area. In particular you have taken positive action to meet equality standards and to ensure that your services meet the needs of young people. You recognise that there further work is necessary, to monitor the equality of access to services by diverse groups.
- 17** You have engaged with groups of young people in innovative ways as a way of avoiding potential problems. For example, you have assisted the development of the 'Malton Cruzers' for young people interested in cars, which has reduced the level of anti-social behaviour in the area, and provided development opportunities for the youngsters.
- 18** You have made very good progress on your environmental priorities, including a significant improvement to your recycling rates; at 51 per cent, your recycling rate is the fifth best in the country. This is a major achievement - in 2003/04 your recycling rate was only 15 percent. You have also established effective partnership arrangements with other organisations to develop environmental initiatives within the area.
- 19** You have made progress on the transport issues over which you have direct influence; community transport and 'Wheels to Work' have both developed positively over the year. These transport developments are linked to your aim of ensuring that high quality services are accessible to everyone. For example, 'Wheels to Work' provides transportation for people without access to a car to get to work. You have also improved accessibility for vulnerable groups such as homeless people.

- 20 Although you have improved a range of service areas, there are some priority areas in which your performance has deteriorated. These include an increase in the amount of waste collected and a consequent increase in costs per household for waste collection. In 2003/04 you collected 416 kg of waste per head, but by 2006/07 this had increased to 430kg, an increase of 14kg. Over the same period the national average waste collection rate increased by only 6kg. This increase was caused by your introduction of a green waste collection service in response to local demand. The amount of green waste you collected in 2006/07 was 133kg per head. You believe this is offset by reductions in the green waste taken directly to waste disposal sites by residents.
- 21 Other areas in which performance has worsened include increasing levels of staff sickness absence and reductions in the quality of your planning service. You have identified both of these problems and are taking corrective action.
- 22 You aim to work in partnership with other organisations to achieve wider community outcomes that it would be difficult for you to achieve alone. It is sometimes difficult to get agreement between organisations across the whole of North Yorkshire because of the diverse needs of each area. You have, therefore, adopted a pragmatic approach of participating in partnerships that are aligned with your priorities.
- 23 You have improved value for money (VFM) through partnership working. For example, by sharing a building in Kirkbymoorside you have increased the hours your services are available to the public and reduced your running costs.
- 24 Working in partnership has enabled you to address wider issues such as sustainability. For example, you've worked with a wide range of organisations, including English Nature and the Environment Agency, to create a biodiversity action plan for Ryedale. You have also worked with some local parish councils to help them improve the sustainability of their facilities.
- 25 You are making progress in improving access to services and engaging with people that have been 'hard to reach', or excluded from services in the past. You have improved your performance against the equality standards and have carried out specific work to engage with young people. This includes a dedicated website offering advice to young people and the development of 'Our Lives Our Plans'. This plan will play a key role in determining the way services are provided for young people throughout Ryedale.
- 26 Other developments that are helping local people to access services include the expansion of the community transport schemes and the creation of a residence for homeless people. Both these developments will enable vulnerable local people to access services more easily. You have already realised some of the benefits of the new homeless facility; homeless presentations reduced by 54 per cent in 2006/07. However, the average length of time spent in bed and breakfast accommodation increased from 2.0 to 3.1 weeks over the same period. You will need to ensure this does not continue to deteriorate.

- 27 During 2007 you improved value for money in some areas, but not at a faster rate than comparable authorities. Members have become actively involved in the development of a strategic approach to promote value for money and you now have a clear assessment framework which has informed a planned programme of targeted reviews.
- 28 Your costs are above average, but not significantly so, after taking into account the small size of the authority and its local circumstances. There is a reasonable relationship between the cost of services and the quality of the services; higher cost services in Ryedale tend to have better quality or outcomes.

### **Progress with implementation plans**

- 29 You have created a robust set of linked plans, the majority of which are SMART<sup>1</sup>. You have created a clear framework for allocating resources to the activities within the plans.
- 30 At this stage the 'Our Lives Our Plans' document does not contain specific timescales and responsibilities are shared. This will need to be firmed up as the plans develop in order to set clear expectations and accountability.
- 31 You have delivered many elements of your plans but there has been slippage in some key areas. A major area of slippage is the capital programme; although you had earmarked the necessary resources to develop an employment park the anticipated employment benefits will be delayed.
- 32 Other areas in which you have made slower progress than expected include:
- ensuring all relevant staff are trained in risk management and governance;
  - developing a business continuity plan; and
  - ensuring all staff receive development reviews. In March 2007, only 36 per cent of staff were covered by development reviews.
- 33 You have good arrangements for identifying where performance is slipping and are aware of all the above issues. You bring together key actions in the Council Improvement Plan and progress against this plan is monitored.
- 34 There are many areas of your Improvement Plan in which you have made good progress over the last year. These include:
- engaging with diverse elements of the community;
  - developing performance information systems;
  - co-ordinating planning mechanisms to allocate resources according to priorities; and
  - re-defining the roles of members.

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<sup>1</sup> Specific Measurable Achievable Realistic Timebound

- 35 You recognise the ongoing challenges associated with developing corporate capacity at a relatively small district. During the year you have made some positive changes to enhance your capacity within priority areas. The structural changes to members and officers roles have helped to re-focus your corporate capacity and support efforts to maximise your impact.
- 36 At an operational level you have sought opportunities to build internal capacity - such as enabling 12 members of staff to become internal 'Investors In People' assessors. You have also created posts to address specific priority issues, including:
- capital programme delivery officer;
  - access to services manager; and
  - website manager.
- 37 You are also seeking to build capacity through partnership working. These developments are helping you to achieve priorities for local people that it would be impractical for you to deliver alone. You have made some use of shared services, but there are likely to be further opportunities to enhance your capacity, which you will need to explore.
- 38 You have arrangements in place to ensure continuous improvement and good governance. Your Overview and Scrutiny Committee regularly reviews performance against targets and requires action where necessary. Internal audit has reviewed your governance arrangements and found them to be satisfactory. During this transition year, as we hand over to a new external auditor, our work has not identified any significant weaknesses in arrangements for securing continuous improvement, or failures in corporate governance, that would prevent you from sustaining or enhancing your improvement levels.

## The audit of the accounts and value for money

- 39** As your Appointed Auditor I have reported separately to the 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 28 September 2007; and
  - my report on the best value performance plan confirming that the Plan has been audited.

### Use of Resources

- 40** My audit findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from my assessments made in the following areas.
- Financial reporting (including the preparation of your accounts and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support your priorities).
  - Financial standing (including the strength of your financial position).
  - Internal control (including how effectively you maintain proper stewardship and financial control).
  - Value for money (including an assessment of how well you balance service cost and quality).
- 41** For the purposes of the CPA we have assessed your arrangements for use of resources in these five areas as follows.

**Table 1**

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

*(Note: 1 = lowest, 4 = highest)*

### **The key issues arising from the audit**

- 42 There were no issues from the Annual Governance Report that require reporting in this letter. The pre-audited financial statements contained no material errors, and were supported by detailed working papers.
- 43 Your use of resources scores demonstrates you continue to achieve adequate performance. We have identified a number of improvements since 31 March 2007, such as the development of the assurance framework, whilst in a number of areas (such as managing budgets and estate management) you are making further improvements to your procedures. As a relatively small Council, however, the capacity to make sustained improvements remains a key challenge for you. Key areas to address are:
- reducing costs to at or below the average cost except for priority areas;
  - ensuring capital programmes are delivered on schedule;
  - monitor and take action on information about equity of access to services across the community; and
  - ensuring the staff appraisal system is fully embedded and addresses performance on VFM.
- 44 Our mandatory review of Data Quality concluded that your overall management arrangements are demonstrating adequate performance. However, we identified areas for improvement both at strategic and departmental level, and an action plan has been agreed with officers.

## Looking ahead

- 45 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.
- 46 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 use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainability.
- 47 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

- 48 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Overview and Scrutiny; Policy and Resources; and Community Services Committees during April 2008. Copies need to be provided to all Council Members.
- 49 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued 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	November 2007
Data Quality	November 2007
Use of resources	November 2007
Annual audit and inspection letter	March 2008

- 50 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank your officers for their support and cooperation during the audit.

## Availability of this letter

- 51 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 your website.

**Mark Kirkham**  
**District Auditor and Relationship Manager**

March 2008