

14 March 2008

Dear Councillor

**AUDIT COMMITTEE - WEDNESDAY, 19TH MARCH 2008**

I am now able to enclose, for consideration at the above meeting of the Audit Committee, the following report that was unavailable when the agenda was printed.

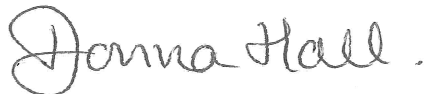
**Agenda No    Item**

5.    **Annual Audit & Inspection Letter (Pages 109 - 132)**

Report of Audit Commission (enclosed)

Will Members please note that this is the final report even though it has draft written on the pages.

Yours sincerely



Donna Hall  
Chief Executive

Gordon Bankes  
Democratic Services Officer  
E-mail: [gordon.bankes@chorley.gov.uk](mailto:gordon.bankes@chorley.gov.uk)  
Tel: (01257) 515123  
Fax: (01257) 515150

**Distribution**

1.    Agenda and reports to all Members of the Audit Committee (Councillor Anthony Gee (Chair) and Councillors Alan Cain, Mike Devaney, Keith Iddon and Shaun Smith for attendance.
2.    Agenda and reports to Gary Hall (Assistant Chief Executive Business Transformation) Donna Hall (Chief Executive) Andrew Doherty (Corporate Director of Governance) Garry Barclay (Audit and Risk Manager) Andy Armstrong (Assistant Audit Manager) James Douglas (Business Improvement Manager) and Dianne Scambler (Trainee Democratic Services Officer) for attendance.
3.    Agenda and reports to Mike Thomas (Audit Commission) for attendance.

**This information can be made available to you in larger print  
or on audio tape, or translated into your own language.  
Please telephone 01257 515118 to access this service.**

આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون

01257 515823

کیجئے:

Annual Audit and Inspection Letter

---

---

Last saved: 14/03/2008 12:18:00

DRAFT

# Annual Audit and Inspection Letter

**Chorley 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.

### **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.

© Audit Commission 2008

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)

# Contents

<b>Key messages</b>	<b>4</b>
Action needed by the Council	6
<b>Purpose, responsibilities and scope</b>	<b>7</b>
<b>How is Chorley performing?</b>	<b>8</b>
<b>Direction of Travel report 2006/07</b>	<b>9</b>
Improving outcomes	9
Contributions to wider community outcomes	10
Value for money	13
Improvement planning and sustaining future improvement	13
<b>Other reports</b>	<b>17</b>
Service inspections	17
Health Inequalities	17
Local Area Agreement	18
Data Quality	19
The audit of the accounts and value for money	19
Use of Resources	20
Best Value Performance Plan	21
<b>Looking ahead</b>	<b>22</b>
<b>Closing remarks</b>	<b>23</b>
Availability of this letter	23

## Key messages

- 1 The main messages for Chorley included in this report are as follows.

### **Council performance - Direction of Travel**

- The Council has maintained its good track record of improvement. In 2006/07, 66 per cent of national performance indicators improved, which is above the average for district councils.
- Public satisfaction with housing and planning services has improved, while recycling rates are increasing and remain in the upper quartile of performance. However, overall satisfaction with the Council, and with waste management and museums, galleries and concert halls in particular, has seen a significant down-turn. Performance against the homelessness for bed and breakfast also deteriorated. However, other homelessness measures improved including the length of stay in hostel accommodation.
- The Council is contributing successfully to wider community outcomes through its membership and support of the Local Strategic Partnership (LSP) and other key local partnerships. The Community Safety Partnership's performance in reducing vehicle theft, criminal damage and other types of crime has been commended by the Home Office.
- Performance management arrangements are highly effective and process redesign is contributing to improved services. Managerial capacity remains strong and the Council has further rationalised its management structure. However, there have been delays in establishing a strategic framework for workforce development due to focusing on the successful implementation of the job evaluation process and a workforce plan has yet to be produced.
- There has been good progress in strengthening the approach to equalities and diversity and the Council has progressed from level 1 to Level 2 of the Local Government Equalities Standard and on track to achieve the Council's target of achieving level 3 by March 2009...
- The Council is using partnership working effectively to supplement its existing capacity, outsourcing its housing function and property management and maintenance responsibilities during 2007. The Council is currently in the process of implementing shared financial service arrangements with neighbouring authority South Ribble and has achieved positive results through the Crime and Disorder reduction partnership and the LSP.

### **Health Inequalities (HI)**

- 2 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 Health Inequalities. However, there is not a consistent model or strategic regional approach to reducing the gap in HI. Further work is scheduled to take forward this study during 2008/09.

- 3 Our findings show that the Council has a strong commitment to reducing HI in partnership with key agencies including the PCT and the voluntary sector. There are clear plans and initiatives in place which mean the Council is well placed to track improvements in HI across disadvantaged groups.

### **Local Area Agreements (LAA)**

- 4 The Council and its partners are making good progress in establishing robust arrangements for governance, financial and performance management of the LAA. The timing of the development of the new LAA meant that it is 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. In preparation for the review Chorley Council and its partners have refreshed the Chorley Community Strategy and identified key priorities and measures which have been used to inform the refresh of Ambition Lancashire and the development of the new LAA priorities and indicators

### **Data quality**

- 5 The Council's overall management arrangements for ensuring data quality have improved since our last review, most notably in terms of providing overall leadership and supporting officers in collating and compiling performance indicators. There is now scope to build on these improvements. In particular, there is a need to translate the data quality action plan into a formal strategy.

### **Accounts and value for money**

- 6 We issued an unqualified opinion on your accounts on 28 September 2007 and noted that further improvements in the standard of working papers provided in support of the draft statements had been achieved.
- 7 We are required to reach a conclusion to assess whether the Council has in place adequate arrangements to achieve value for money through the assessment of 12 specified criteria. We are able to place reliance on much of our work carried out as part of the Use of Resources assessment when reaching the VFM conclusion.

We concluded that Chorley had adequate arrangements in place to secure VFM. This is the maximum judgement that can be given as part of the audit opinion. This needs to be considered in the context of our other judgements under the use of resources assessment on VFM where the Council is one of only seven district councils in the country to achieve a VFM score of 4.

### **Use of Resources**

- 8 Chorley continued to perform strongly in terms of achieving good value for money, and overall arrangements for managing and using its resources were assessed as strong. This is a significant achievement with only 13 other district councils having been assessed at this level.

## Action needed by the Council

### In relation to the Direction of Travel.

- Continue work towards achieving Level 3 of the Local Government Equalities Standard in the next financial year.
- Complete preparation of a workforce plan.

### In relation to Health Inequalities

- Continue to work with partners to develop a strategic approach to the reduction of health inequalities in the Chorley area.

### In relation to Local Area Agreements

- Continue to work with the County Council and partners to implement the recommendations where relevant from the Lancashire County Council LAA Audit report 2007/08.

### In relation to Data Quality

- Translate the data quality action plan into a formal strategy, to ensure that all responsible officers have received appropriate training and to ensure the integrity of data received from third parties.

### In relation to use of resources

- Continue to develop closedown arrangements to further reduce the number of errors contained in the accounts submitted for audit.
- Develop linkages between the Medium Term Financial Strategy and other internal strategies and plans as appropriate, eg human resources, IT.
- Review effectiveness of Cabinet and the leadership it provides with regard to financial management, taking appropriate action to address areas of weakness.
- Review the changes to the use of resources key lines of enquiry and ensure that the Council can demonstrate compliance against these new and revised requirements for 2008.
- Ensure that the Council has effective arrangements in place to meet the challenge and requirements of the new performance assessment framework under the Comprehensive Area Assessment.



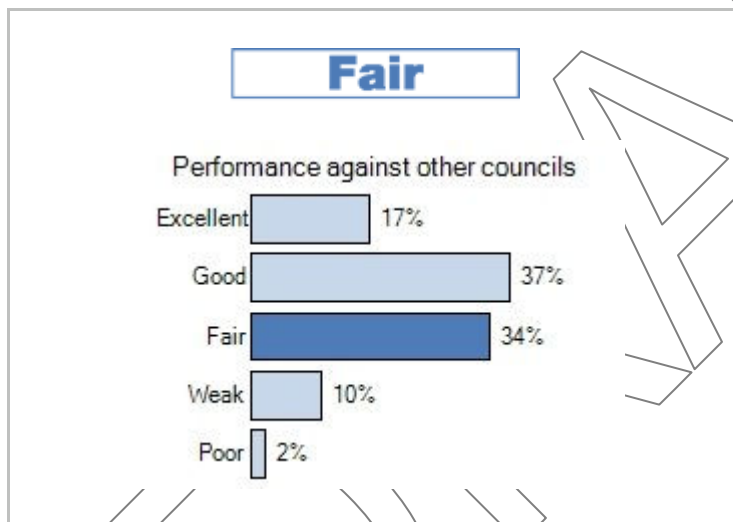
## Purpose, responsibilities and scope

- 9 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
- 10 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.
- 11 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.
- 12 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.
- 13 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.
- 14 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 Chorley performing?

- 15 Chorley was assessed as 'Fair' in the Comprehensive Performance Assessment (CPA) carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments. During 2007 authorities were offered the opportunity to apply for a re-categorisation review. In order to qualify for a review the authority had to be able to demonstrate evidence of improved performance.
- 16 Chorley was successful in applying for a re-categorisation review on the basis of a high level review of performance and changes made since 2004. As a result a corporate assessment inspection will be undertaken at Chorley during June 2008. The results of this assessment will not be finalised until later in the year.
- 17 The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

## Direction of Travel report 2006/07

### Improving outcomes

#### Improvement in priority areas

- 18 The Council has established a good track record of improvement. In the three year period between 2003/04 and 2006/07, the Council's performance relative to other district councils has improved more rapidly, with 74% of its Best Value Performance Indicators (BVPIs) showing improvements compared with an average of 65% for all districts. In 2006/07, 66 per cent of national performance indicators improved, which is above the average for district councils.
- 19 The Council is also making good progress in delivering its corporate priorities. By the end of the 2006/07 financial year, 73% of the targets included in the Council's corporate strategy had been met or exceeded. Particular success has been achieved in the economic development of the Borough. For example, average workplace earnings have risen to a level more in line with the County average and a survey undertaken by the former Department of Trade and Industry (now the Department for Business Enterprise and Regulatory Reform) in February 2007 identified that small businesses in Chorley now have amongst the highest survival rates in the country.
- 20 Some of the Council's achievements are now receiving national recognition. For example, its work with children and young people was a finalist in the Municipal Journal Local Government Achievement Awards 2007 under the 'Promoting Active Communities' category. Its bid for Beacon Council status under the theme of 'Transforming Services: Citizen Engagement and Empowerment' has also been successful in the first stage of the assessment process.
- 21 Nevertheless, the Council demonstrates self-awareness and recognises that there are areas where its performance needs to improve. For example, whilst levels of satisfaction with some services have considerably increased in the last year (namely housing and planning), overall satisfaction with the Council (and with waste management and cultural facilities in particular) has seen a significant down-turn. Similarly, the Council's performance against homelessness indicators has also deteriorated. However, other homelessness measures improved including the length of stay in hostel accommodation.
- 22 The Council has identified these issues and is taking action to address them. As part of its more strategic drive to further increase customer focus in the delivery of its services, the Council has taken immediate steps to try and improve satisfaction levels. These include:
  - a refresh of its Citizens' Panel ('Making Chorley Smile') and the introduction of a programme of 'listening days' for the public to gain a better understanding of public opinion and concerns;

- the establishment of cross-Council working groups and engagement of users in those areas experiencing poor levels of satisfaction to identify specific opportunities for improvement;
- increased marketing and communications in these service areas to develop public understanding and awareness.
- The provision of services for homeless people is now also under review and positive steps are being taken by the Council to bring it back under Council control before the end of the financial year.

## Contributions to wider community outcomes

- 23 Over the past twelve months, the Council has worked hard to improve the capacity and capability of its key local partnership to deliver wider community outcomes. Having initiated a reconstitution of the Local Strategic Partnership (LSP), the Council reinforced its commitment to the partnership with a discrete investment of £80k. This, together with the additional £285k of investment since made by partners, has provided funding for projects aligned to the community strategy. The renewed vigour of the LSP is evidenced by joint projects (for example, around vulnerable households) now being undertaken in partnership with the neighbouring South Ribble LSP.
- 24 The Council is now planning to continue its financial support for the LSP by mainstreaming provision within its budget for 2007/08. Although it is still too early to comment on the impact of these changes, a much stronger foundation for improving outcomes for local people is now in place. These views are echoed by a recent peer review of the LSP undertaken by the Improvement and Development Agency (IDeA).
- 25 At the same time, action is now being taken at a county level to strengthen joint working. The Council is one of several Lancashire districts currently piloting the development of a locality plan to set out the respective responsibilities of Lancashire County Council and district councils for service provision, as well as areas where the two will work together. Again, whilst it is too early to comment on impact, these changes will help to improve accountability and understanding which, in turn, offers potential for services to improve from the customers' perspective.

Along with the above investment the Council continues to achieve tangible success through other partnership arrangements. For example, more targeted work facilitated by multi-agency tasking and the establishment of 22 joint-funded police community support officer posts has resulted in a further reduction (18%) in crime levels within the Borough. Indeed, the Community Safety Partnership's performance in reducing vehicle theft, criminal damage and other types of crime has recently received commendation from the Home Office. The Council's partnership with the private sector is also having an impact in terms of the economic development of the Borough, and discussions are on-going with a major retailer to open an outlet in the town centre.

- 26 The Council remains committed to improving the environment and, as part of this, is continuing to demonstrate community leadership in championing sustainability. Promoting the concept of environmental stewardship in its public marketing campaigns around waste management, the Council's recycling and composting rates are still within the upper quartile of all district councils and are improving. Positive steps have also been taken to promote sound environmental practice with local businesses through a 'Recipe 4 Health' initiative, for which the Council has received its sixth 'Green Apple' award. However, the Council has recognised the need for a more strategic approach and, as a reflection of this, both the community strategy and its corporate strategy have been revised to include provision for developing local solutions to climate change. It is too early to assess the outcomes of these changes.

### **Inclusion and accessibility**

- 27 As evidenced by its updated corporate strategy, the Council remains committed to involving local people in decision-making and ensuring the accessibility of its services. Despite the recent down-turn in public satisfaction levels, it has established an excellent track record for its focus on customers and inclusiveness. However, the Council is seeking to build on this and, over the past twelve months, has started taking action to ensure that addressing local needs becomes the core of its business.
- 28 Significant steps have already been taken to ensure services are better placed to achieve this aim. The Council has played a leadership role in developing a blueprint for the structure of district councils through its involvement in the Business Process Architecture project. On the back of this work, the Council has further rationalised and reconfigured its management structure, establishing three strategic directorates to mirror the distinct groups of customers it serves (neighbourhoods, business and people). The Council's Overview and Scrutiny Environment Committee is now concluding an enquiry on how a neighbourhood approach to service delivery may be extended to support the new Neighbourhoods Directorate in fulfilling its role.
- 29 At the same time, the Council has taken the lead on work in developing arrangements to facilitate a more holistic approach to service provision. In partnership with five other authorities, the Council has completed the first stage of a 'circle of need' project to identify opportunities for better collaboration between public sector bodies in the delivery of services. This has been presented to the Department for Communities and Local Government (DCLG) and Cabinet Office as part of the National Process Improvement Project. The Council is also starting to adopt a more systematic approach to assessing service needs. It has been working with the County Council on a profiling exercise using Experian's MOSAIC public sector data to develop a clearer understanding of the make-up of its local community. This will ultimately allow it to better target provision.

- 30 The Council has a good reputation for public consultation and its success in the first stage assessment for Beacon Council status on citizen engagement and empowerment is a testament to this. Nevertheless, arrangements have been put in place to further strengthen its approach. To facilitate greater consistency, a consultation and participation strategy and supporting tool kit have been developed, providing services with guidance on how to engage with the community. As previously referenced, the Citizens' Panel has been refreshed and a programme of listening days introduced which will allow the Council to better gauge public opinion. The membership of the Council's ethnic and disabilities advisory and liaison committees has similarly been revised to ensure that they are properly representative.
- 31 The Council is now seeking to improve its arrangements for involving local people in decision-making. The area forum scheme rolled out within the last year has not resulted in the level of engagement which the Council had hoped, and future options are now being considered.
- 32 Good progress is being made by the Council on strengthening its approach to equality and diversity. Having set itself a target to achieve level 3 of the Equalities Standard for Local Government within the current financial year, the Council has reviewed existing arrangements through its Overview and Scrutiny Corporate and Customer panel. A corporate equalities scheme has been produced and revised which draws on good practice from other district councils and includes specific provision for rural communities in recognition of the risk of exclusion which they face. Impact assessments have also been carried out on all Council policies.
- 33 Over and above the wide range of work being undertaken at a more strategic level, the Council is continuing to improve the accessibility of its services. Over the last twelve months, its website has been further developed to allow residents to make on-line payments and bookings and, in a mystery shopping exercise, the website attained a good practice score of 94% against an average of 79% for all councils. To provide residents with a single point of contact, services are continuing to be migrated to the Council's One Stop Shop and this facility came second in the same mystery shopping exercise. The Council is now set to become involved in a more county-wide approach to dealing with enquiries about services, and a customer contact system (CRM) is on schedule to go live in February 2008. This will help optimise efficiency and effectiveness in the way in which calls are handled.
- 34 The Council is also continuing to undertake more targeted work to promote inclusiveness. For example, the changing facilities at its leisure centre have now been upgraded to better meet the needs of people with disabilities.



- 35 However, consistent with the principles behind the 'circle of need' project, the Council is now considering how its own services can improve the accessibility of those provided by other agencies, and is working in partnership to achieve this aim. For example, as a result of joint work between the Council and Chorley and South Ribble PCT, local residents have been able to access this year's programme of 'flu vaccinations through the Council's One Stop Shop. The Council has worked with Asian Women's Forum and housing benefits outreach team to further market this service.

## Value for money

- 36 The Council is maintaining its focus on improving the cost effectiveness of its services and has made significant achievements in this respect. Within the context of overall improvements in its performance, the Council achieved efficiencies of £1.88m in 2006/07. This is well in excess and ahead of the £1.29m target set for March 2008. The restructure following the Business Process Architecture project has, itself, resulted in £100k of financial savings.
- 37 Strategic arrangements for delivering value for money (VFM) have also been considerably strengthened. A three year VFM strategy and implementation plan has been produced, and progress against this is now being monitored on a quarterly basis by the Strategy Group with annual reports to the Executive Cabinet. A benchmarking strategy has also been developed to provide a more structured framework for evaluating cost and performance, and a three year programme of service reviews has now commenced.
- 38 As a reflection of its progress, the Council attained the highest possible score on VFM in our recent assessment.

## Improvement planning and sustaining future improvement

### Quality of improvement plans

- 39 The Council has maintained a coherent framework for planning and delivering improvements. The updated corporate strategy continues to support the community strategy and to provide a clear and concise statement of the Council's medium term vision, priorities and objectives. As we found last year, most priorities are underpinned by specific, measurable targets, and clear links remain between business and financial planning with resources being aligned to priority areas.

### Implementation of improvement plans

- 40 The Council is continuing to be effective in its approach to improvement planning.

- 41 As previously highlighted, the overall trend of improvement in performance against national indicators is continuing, and significant improvements are still being achieved in services subject to process redesign. For example, a review of working practice and procedures in Revenues and Benefits has resulted in a significant reduction in the average length of time taken to process new housing benefits claims from 27 days in 2005/06 to 18.7 days in 2006/07. The three year programme of VFM reviews being undertaken in services now provides a coherent framework for further improvements in performance to be potentially made.
- 42 The Council is similarly maintaining its track record in delivering against its corporate priorities. At the end of March 2007, 73% of the measures included in its corporate strategy were on or ahead of target and, by October 2007, 95.5% of its key projects were completed or on schedule.

### Capacity

- 43 The managerial capacity of the Council remains strong. Its effectiveness is now being recognised at a national level as the Council was recently one of the finalists in the Municipal Journal's 'Team of the Year' awards.
- 44 The Chief Executive is continuing to provide good leadership, combining clear strategic vision with a highly consultative and inclusive approach to drive change through the organisation. Senior managers were fully involved in all stages of the Business Process Architecture project, and proposals for the restructure which followed this were revised on the basis of the feedback which they provided.
- 45 Indeed, the Council has taken specific steps to ensure that its top tier management is engaged with staff at a more operational level, and this is now fostering a real sense of corporacy. In addition to the programme of staff road shows hosted by the Chief Executive, the Council now runs a 'Back to the Floor' scheme in which chief officers spend a day shadowing front-line staff, and a reciprocal arrangement where middle managers shadow chief officers for a day. These arrangements are helping to improve mutual understanding and overall staff satisfaction. In a recent employee survey run by the Times newspaper, the Council was assessed as being one of the top ten authorities nationally to work for.
- 46 The Council has not been able to make the progress it wished in establishing a strategic framework for workforce development to meet its future business needs. The outcomes of the cross Lancashire workforce planning exercise reported last year did not fulfil the Council's requirements and, with the new Director of Human Resources (HR) heavily committed in the job evaluation process, a workforce plan has not yet been developed. However, remedial action is being taken. The production of a workforce plan has been included as a priority in the refreshed corporate strategy, and a first draft is expected in spring 2008. At the same time, the Council is now restructuring its HR function to strengthen its support role.



- 47 Increasing emphasis is also being placed on improving levels of staff utilisation. Whilst sickness absence has continued to be reviewed by the Strategy Group on a weekly basis, levels of absence increased marginally from an average of 10.10 days in 2005/06 to 10.24 days in 2006/07. As such, the Council's overall approach to managing sickness absence has been subject to evaluation by a working group of the Corporate and Customer Overview and Scrutiny Committee. Identifying examples of good practice from other authorities and the private sector, the recommendations from this enquiry are expected shortly. In the meantime, the Council's sickness absence rate stood at an average of around three days per employee by the second quarter of the 2007/08 financial year.
- 48 The Council has long recognised the value of technology in optimising its capacity and, already within the top quartile of performance relating to e-enablement, is continuing to invest in this area. For example, between 2007/08 and 2008/09, the Council will be replacing its existing computer system with thin client technology. In contrast with more traditional IT systems where data is simply passed from a network of personal computers to a central server for storage, thin client technology is where all significant processing activities actually take place on the server itself. The benefits of this technology are that it helps to improve operational efficiency by significantly reducing the risk of loss of data and facilitating more flexible working. At the same time, it is expected to deliver financial savings relating to reduced maintenance and energy consumption.
- 49 Similarly, the Council is also continuing to build on its good track record of partnership working with a range of agencies to supplement its existing capacity. The outsourcing of its housing function was completed in April 2007 and responsibility for property management and maintenance was transferred to an external provider the following month. At the same time, the Council is collaborating with its neighbouring authorities on extending shared service arrangements. Whilst plans for the establishment of the joint financial service with South Ribble Borough Council reported last year are now being progressed, the Council is now supporting Blackpool Council in the delivery of its policy function and is leading on the development of shared service arrangements across Lancashire. A joint approach to procurement is also being developed. These actions will help the Council to improve efficiency by further streamlining its business functions, and to potentially achieve financial savings.
- 50 The Council is continuing to make good use of external funding to supplement its existing resources. For example, the Council has secured £3m through a S106 agreement to build affordable housing in Buckshaw Village, and £50k from the Department for Environment, Food and Rural Affairs (DEFRA) to work with Lancashire County Council on developing a procurement model for outsourcing waste collection contracts.

## Arrangements for securing continuous improvement and corporate governance

- 51 A strong performance culture is now in place and the Council's performance management arrangements are highly effective. The quarterly business plan monitoring reports to overview and scrutiny and the programme of quarterly 'round table' meetings with each service area introduced last year have allowed the Council to readily identify and respond to areas of poor performance. This is evidenced by the prompt action which the Council has taken in relation to, for example, public satisfaction and sickness absence as referenced earlier. Indeed, the Council is now also receiving regional recognition for its approach to project management as it has been invited to sit on an Expert Guidance Group organised by the North West Improvement Network to disseminate best practice.
- 52 The Council recognises the importance of having good quality data to support performance management, and good progress is being made in strengthening arrangements in this area. Leadership on data quality issues and the guidance available to staff in collating and compiling indicators have been particularly strengthened and, in contrast with previous years, we found no significant problems with the Council's performance information. However, arrangements to ensure the integrity of data provided by third parties should now be developed as part of the Council's approach to strengthening the governance of its partnerships.

DRAFT

## Other reports

### Service inspections

- 53 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has not received any inspections from other inspectorates.
- 54 However, we have undertaken a number of risk based pieces of work to support our value for money conclusion. During the year these included work on the arrangements surrounding the Local Area Agreement and Health Inequalities.

### Health Inequalities

- 55 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.
- 56 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.
- 57 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.
- 58 Our findings show that the Council has a strong commitment to reducing HI in partnership with key agencies including the PCT and the voluntary sector. There are clear plans and initiatives in place which mean the Council is well placed to track improvements in HI across key groups.

- 59 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 the Council, health bodies and other significant stakeholders such as Government Office North West and the Department of Health.

## Local Area Agreement

- 60 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.
- 61 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.
- 62 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.
- 63 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.
- 64 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.
- 65 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.
- 66 There is the potential to use the expertise and capacity available in district councils more efficiently. For example drawing on their experience of managing Neighbourhood Renewal Funding. This would help to reduce the substantial capacity burden on the County Council.

- 67 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.
- 68 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.
- 69 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.

The Council and its partners are making good progress in establishing robust arrangements for governance, financial and performance management of the LAA. The timing of the development of the new LAA meant that it is 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. In preparation for the review Chorley Council and its partners have refreshed the Chorley Community Strategy and identified key priorities and measures which have been used to inform the refresh of Ambition Lancashire and the development of the new LAA priorities and indicators.

## Data Quality

- 70 During the year we undertook a review of the Council's data quality arrangements. We concluded that the Council's overall management arrangements for ensuring data quality had improved since our last review, most notably in terms of providing overall leadership and supporting officers in collating and compiling performance indicators. There is now scope to build on these improvements. In particular, there is a need to translate the data quality action plan into a formal strategy, to ensure that all responsible officers have received appropriate training and to ensure the integrity of data received from third parties.

## The audit of the accounts and value for money

- 71 As your appointed auditor, I have reported separately to the Audit Committee on the issues arising from our 2006/07 audit and have issued my audit report on 28 September 2007, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate.

## Use of Resources

- 72 The findings of the auditor are an important component of the CPA framework and the VFM assessment. 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).
- 73 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

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

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

- 74 A separate Use of Resources report was discussed at the Audit Committee on 17 January 2008. This report the highlights that the Council continued to perform strongly in terms of achieving good value for money, and overall arrangements for managing and using its resources were assessed as strong. This is a significant achievement with only 13 other district councils having been assessed at this level.
- 75 We have summarised the key messages and key actions required by the Council at the beginning of this report.

## Best Value Performance Plan

- 76 The Council's Best Value Performance Plan complied with statutory requirements and we issued an unqualified opinion in December 2007 and made no statutory recommendations.

DRAFT



## Looking ahead

- 77 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.
- 78 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.
- 79 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.

DRAFT



## Closing remarks

- 80 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Audit Committee on 19 March 2008. Copies need to be provided to all Council members.
- 81 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	June 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Auditor's Report on Best Value Performance Plan	December 2007
Use of Resources Auditor Judgements 2007	January 2007
Data Quality report	January 2008
Annual audit and inspection letter	March 2008

- 82 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

- 83 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.

Michael Thomas  
**District Auditor and Relationship Manager**

Date March 2008

This page is intentionally left blank