

Annual Audit and Inspection Letter

Colchester Borough Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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.

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- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Contents

Our overall summary	4
Action needed by the Council	4
How is Colchester Borough Council performing?	5
The improvement since last year - our Direction of Travel report	6
Service inspections	9
Financial management and value for money	10
Conclusion	13
Availability of this letter	13

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
 - The Council's approach to delivering value for money is effective and the Council is taking effective action to improve both performance and efficiency.
 - The Council's capacity has been improved through partnership working, but staff capacity (and continuing high sickness absence) are stretching the Council's ability to deliver its corporate objectives.
 - The Council has made improvements in a number of areas, for example in reporting to members on the financial position of the Council and in risk management.
- 4 The Council has been assessed as performing well in our annual Use of Resources assessment.

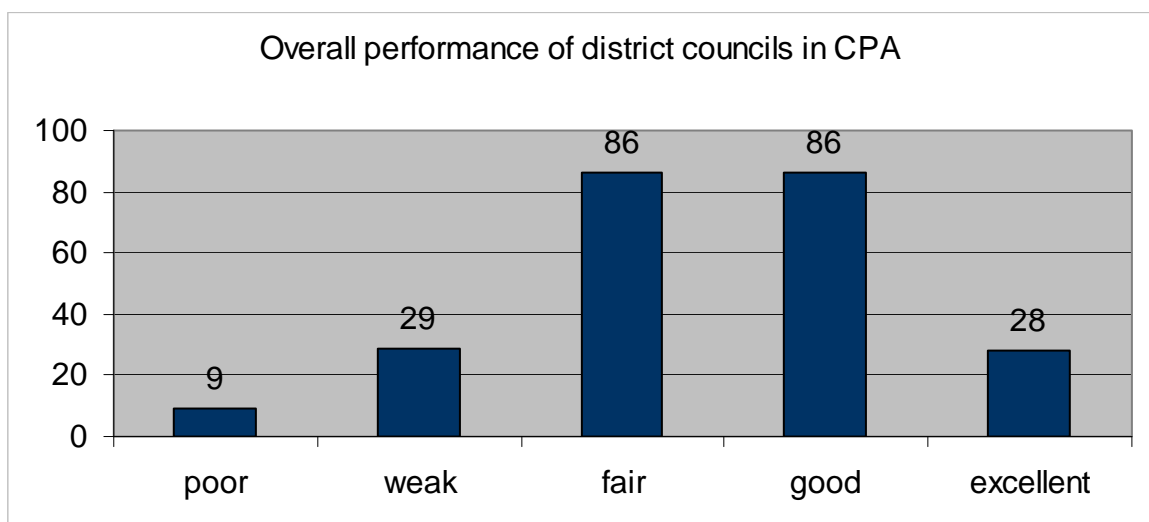
Action needed by the Council

- Monitor progress and outcomes against the various areas for improvement arising from the Use of Resources assessment for the Council.
- The Council needs to continue to develop its performance management systems to ensure more consistent service improvement.
- The Council needs to continue to improve its capacity through partnership working and monitor its own staff capacity to ensure that it can meet its objectives and improve services.
- Risk management training should be improved for members and officers, and there should be stronger links between financial planning and performance.

How is Colchester Borough Council performing?

- 5** Colchester Borough Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update 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

Summary

- 6 Services are improving in Colchester. In the last year 63 per cent of performance indicators have improved and 29 per cent are in the best performing 25 per cent of all district councils. The Council's revised corporate objectives are enabling it to deliver what is important to local people. It is increasingly delivering community leadership particularly as a member of the Local Strategic Partnership. Performance is improving but is not being maintained in planning. The Council has only limited information about the needs of hard to reach groups and whether it is meeting their needs consistently however its response to diversity issues is improving. Action is being taken which ensures that the Council is continuing to deliver improvement in value for money. The Council has robust plans for improvement although in some instances they do not focus sufficiently on outcomes for local people. Implementation of the plans is leading to improvements in services and regeneration of the borough. Capacity to deliver is improved through effective partnership working but staff capacity and continuing high sickness absence rates are stretching the Council's ability to deliver its corporate objectives. Governance and corporate systems are sound.

What evidence is there of the Council improving outcomes?

- 7 The revised community and corporate plans are providing an effective focus for service delivery and improvement which is important to local people. The corporate strategic plan has been revised to make it more relevant to local needs. The community strategy is being reviewed and will be subject to public consultation in June 2007. Corporate objectives and associated plans reflect consultation with local people and specify the medium term priorities for improvement. Robust strategic plans enable the Council and its partners to focus on what is important to local people.
- 8 The Council provides strong strategic leadership for the Borough. The Council is providing leadership through its membership of the Local Strategic Partnership. It has a strong focus on the Borough although work with individual local communities, such as rural villages, is at an early stage but is gaining impetus for example through neighbourhood action panels in Partnership with the police. Effective leadership will ensure that corporate and community objectives are delivered effectively.

- 9 The Council has delivered broad performance improvement across both corporate and community priorities although there have been recent declines in planning. A comparison of performance between 2004/05 and 2005/06 covering indicators for corporate health, sustainable communities, safer and stronger communities and healthier communities shows that the extent of improvement is 63 per cent compared to the District average of 61 per cent. Colchester is performing in the best quartile for 29 per cent of these indicators compared to a District average of 31 per cent. Action to reduce sickness absence has not been effective and the Council has not achieved some of its own ambitious targets for example in the levels of waste composted and recycled although this is still top quartile performance when compared to other District Councils.
- 10 The Council's response to equality and diversity issues is improving but impact is mixed. The Council is committed to promoting equity and equality for access and participation for everyone. Diversity is part of the new strategic plan monitored by an overarching group of councillors and officers. The Council has a lead member and officer to champion equity and equality. It has achieved level 2 of the equality standard and it is above the median for its duty to promote race equality. Engagement with young people is improving for example through the 'I'm a celebrity' initiative. However the Council has only limited information about how well its services are meeting the needs of hard to reach groups and in particular its Black and Minority Ethnic (BME) population. The Council acknowledges that there are insufficient facilities for children and particularly teenagers and a lack of affordable decent housing. Few residents think that Council listens to them and there are concerns that they cannot influence decisions.
- 11 The Council's approach to delivering Value for Money is effective. The Council is taking effective action to improve both performance and efficiency. Councillors are actively engaged in both performance improvement and the achievement of efficiency savings. The Council is redirecting resources effectively to underpin the delivery of priorities. Spend on achieving the decent homes standard is high but this is matched by the high number of non decent homes being tackled. The Council has used outsourcing to create efficiencies in its support services which now deliver yearly savings in the region of £150,000. The Council has taken action to improve procurement for example a procurement HUB has been developed with Braintree and five other Essex Councils although this is at an early stage and impact is limited. However Colchester Borough Homes recently adopted VfM strategy is too new to have a demonstrable impact. Improving performance whilst reducing costs will enable the Council to deliver better value for money.

- 12 The monitoring of budgets is not fully integrated with performance management. Budgets are linked to the delivery of corporate priorities. The analysis of cost benefit is improving with a review of returns on investment being undertaken. The Council's investments in the waste service were clearly linked to targets for service improvement and efficiency. However the Council does not consistently link additional investments to specific targets for improvement such as the additional investments in street scene. Whilst financial performance and service performance are reported together they are not linked to give a clear picture of how resources are impacting on performance. To effectively deliver value for money the Council should know what improvements investments in services will deliver.

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

- 13 Corporate and service plans provide an effective focus for improvement but not all are related to outcomes for local people or SMART¹ targets. The Strategic Plan action plan provides a robust mechanism for the delivery of the corporate objectives. It sets out high level targets, outcomes and performance measures. Service plans support the delivery of strategic plans. Plans include tasks, responsibilities and timescales but are not always outcome focused or linked to SMART targets. Service improvement strategies are effectively underpinned by action plans although some plans have not yet been developed. The Council has prioritised service plus areas which the public has identified as important and where the Council expects to make significant changes to direction, quality or level of service.
- 14 The Council is taking effective action to deliver plans. It is redirecting resources effectively to underpin the delivery of priorities. The Council and its partners are making progress in delivering regeneration initiatives for example the construction of the visual arts facility firstsite:newsite has started. Effective action has been taken to improve the performance of waste collection and the Council is now prioritising improvements in street care which is a public priority. Action has been taken to address underperformance in planning and in March 2006 the Office of the Deputy Prime Minister advised the Council that it was no longer having performance scrutinised. It has received positive feedback on its progress from the Planning Advisory Service.
- 15 Robust systems are in place to monitor the delivery of plans. Action plans and targets are monitored by the strategic overview and scrutiny panel and by the Cabinet. The plan includes a traffic light system to show the progress against individual actions. Service plans are monitored through portfolio holders who review progress against milestones. Performance reviews provide robust information on service effectiveness and efficiency but less on outcomes. Effective monitoring of plans will increase the chances that targets and outcomes for local people will be delivered.

¹ Specific, Measurable, Achievable, Relevant, Timely

- 16** The Council's capacity to deliver its strategic priorities is stretched. Partnership working has been further developed to enhance capacity. The Council is accessing external funding through effective partnership working such as a successful growth point bid for £4.1 million. However planning performance has recently been affected by staff capacity and the significant challenges posed by the Council's regeneration agenda. The potential of the learning academy has not been fully exploited despite being in place for some years.
- 17** The effectiveness of corporate systems is being improved but their embeddedness and impact is variable. The Council has improved its performance management systems through further guidance on roles and responsibilities. The impact of the new performance system on service improvement is variable for example whilst the revised performance document will provide greater clarity over roles and responsibilities it is not linked to performance improvement targets. The performance monitoring of partnerships is improving but is not yet consistent. Scrutiny is making a difference for example it is playing a major role in considering the impact of initiatives such as the Community Stadium. The Council has taken action to ensure the consistent implementation of corporate systems such as appraisals in all service areas. The effective and consistent implementation of corporate systems will contribute to improved service delivery.

Service inspections

- 18** As the Council is an 'excellent' authority under CPA, and in accordance with the Audit Commission's principle of 'strategic regulation', no formal inspections were carried out during 2005/06 or 2006/07.

Financial management and value for money

- 19 As your appointed auditor I have reported separately to the Accounts and Regulatory Committee on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 20 The accounts and supporting working papers were timely and prepared to a good standard however the Whole of Government Accounts return was submitted late and was not supported by adequate documentation at the time of submission.
- 21 The Council continue to review the information to support the Benefits claim although there was a need to qualify the claim this year. We will continue to work with the Council to achieve improvement for future claims.

Use of Resources assessment

- 22 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).

- 23 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	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	3 out of 4
Overall assessment	3 out of 4

(Note: 1 = inadequate performance, 2 = adequate performance, 3 = performing well, 4 = performing strongly)

- 24 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- There were no material amendments to the accounts. Adjustments were only made to the accounts to clarify disclosures.
 - There was an improvement in working papers provided by the Council to support the entries in the accounts and these facilitated the smooth operation of the audit.
 - The Council continue to manage the financial aspects of their operation successfully. There are clear links between the Medium Term Financial Strategy (MTFS) and strategic objectives. The MTFS takes into consideration future developments such as changes to the RSG allocation and inflation.
 - Improvements since last year were identified and included evidence of whole life costing for major projects, action taken to avoid overspends in some areas, improved reporting to members on the financial position of the Council and asset management and usage.
 - Balances and reserves continue to be maintained at a time when the budget is bearing significant pressure not only as a result of Central Government changes but also from key services.
 - The risk management process continues to be implemented and there have been improvements in reporting to members.
 - For the future, the Council should look towards improving risk management training for both officers and members, develop stronger and more transparent links between financial planning and performance and promote fraud investigations and any corrective action taken.

Going forwards

- 25** The 2007 Use of Resources assessment will be a harder test for the Council as a number of criteria at both level 2 and 3 will change to 'must have' status. Consequently, in order for the Council to sustain or improve upon its current performance at the next assessment, it will need to meet these criteria. Furthermore, in order to achieve scores of 3 and above, arrangements must be 'embedded'; that is have been operating consistently with clear outputs and impact. The assessment will also, for the first time, be aligned to the financial year and will therefore only take into consideration arrangements in place as at 31 March 2007, although information up to the date of the actual assessment can be taken into account in assessing embeddedness.

Conclusion

- 26 This letter has been discussed and agreed with the Chief Executive and officers. A copy of the letter will be presented at the Finance and Audit Scrutiny Panel on 26 June 2007.
- 27 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Paul King
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March 2007