

Annual Audit and Inspection Letter

February 2008



Annual Audit and Inspection Letter

Rotherham Metropolitan 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.
- 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.

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Contents

Key messages	4
Action needed by the Council	4
Purpose, responsibilities and scope	5
How is Rotherham Council performing?	6
The improvement since last year - our Direction of Travel report	7
The audit of the accounts and value for money	13
Looking ahead	15
Closing remarks	16
Availability of this letter	16

Key messages

- 1 Rotherham Council has attained four stars this year as a result of its continued improvement to services over the last few years. This year in particular has seen the impact of the Council's significant investment in leisure facilities in improving both quality and access.
- 2 Although the rate of improvement generally has slowed over the last year the Council understands where further improvement is needed and has focussed action plans which are tracked through the performance management system.
- 3 The Council makes a strong contribution towards wider community outcomes and working with partners it has strengthened the economy and provided support to new businesses. Partnership working is also playing a significant part in plans to address longer term health issues and through the Safer Rotherham Partnership to target specific crime and community safety issues.
- 4 The Council provides a comprehensive range of opportunities to help young people develop socially and emotionally. In addition, education results have continued to improve faster than average so narrowing the gap with national averages.
- 5 Although satisfaction with the Council overall is below average, satisfaction with individual services is good and the Council actively involves all sectors of the community in service development.

Action needed by the Council

- 6 The main issues for the Council to address which are included in this report are as follows.
 - To continue to focus attention on improving attainment at key stage 2. Although children and young people are continuing to achieve better at GCSE level than in the past, improvement at key stage 2 is not progressing at the same pace and further action is still needed to address the issues behind the results.
 - To continue to ensure adequate arrangements are in place to effectively manage the significant risks associated with the implementation of the major projects that are currently in progress whilst ensuring attention is not diverted from day to day management and service priorities.

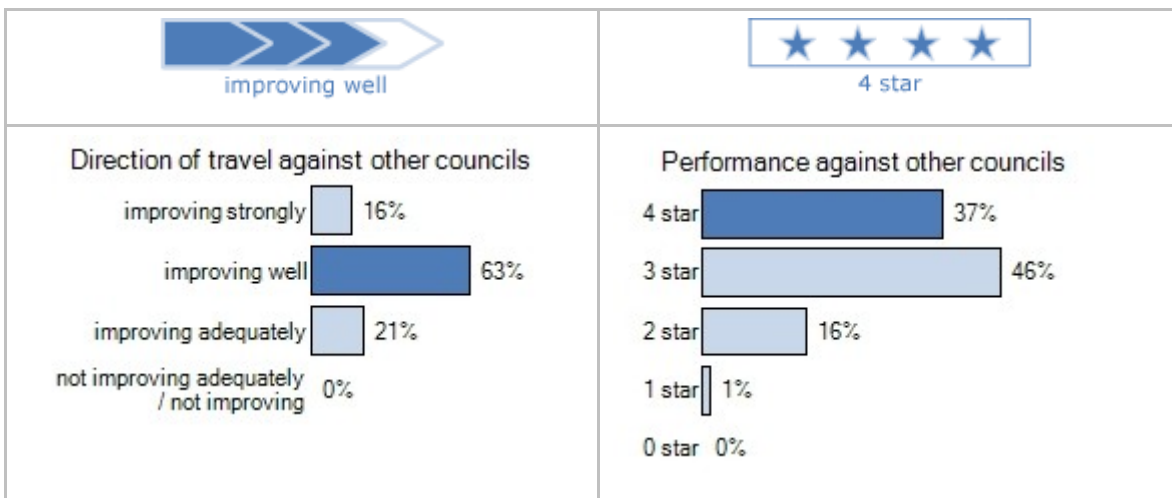
Purpose, responsibilities and scope

- 7 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 8 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.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 10 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 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.
- 12 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 Rotherham Council performing?

- 13 The Audit Commission’s overall judgement is that Rotherham Council is improving well and we have classified Rotherham Council as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1



The above charts are correct at time of publication, but may be subject to change.

Source: Audit Commission

- 14 The detailed assessment for Rotherham Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 star
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

Evidence of the Council improving outcomes

- 15 Rotherham Metropolitan Borough Council is improving well, particularly in what it has defined as priority areas. The Council has a track record of improvement from a low base. The Council has retained its scores in all CPA service blocks with the exception of the culture block which has increased to a three, reflecting the impact of the significant investment in leisure services. As a consequence, the Council has earned an overall assessment of four stars.
- 16 In terms of comparative performance the rate of improvement has slowed during 2006/07 with a below average number of indicators (55 per cent) showing improvement, and fewer than average (25 per cent) demonstrating best quartile performance. All measures not demonstrating improvement have action plans in place and are tracked through the Council's performance management system. For example, the Council has reported significant progress on the performance indicator for sickness absence, achieving top quartile performance; average sick leave has decreased since 2002/03 by 4.28 days to 9.62 days in 2006/07.

- 17 Satisfaction with individual Council services is good, but satisfaction with the Council overall is below average. The Council is being proactive in researching why this is the case and in working towards improving public perceptions of the borough. For example, a branding strategy is currently being implemented, and The Local Strategic Partnership Chief Executive's Group have approved development of a new Rotherham newspaper which pools resources from across the borough.
- 18 Children and young people's services demonstrate improvements in priority areas such as under 16 conception rates, reduced waiting times for occupational therapy, and children and young people involved in crime. This can be attributed to strong ambitions, effective multi-agency working, a focus on prevention and intervention, and effective performance management. Educational attainment in Rotherham has continued to improve. Results are still below the national average but are improving faster than average in some areas, so narrowing the gap between Rotherham and other authorities, although there is significantly more to do in some areas such as key stage 2 attainment levels
- 19 Children and Young People's services have been reviewed by Ofsted. Ofsted has assessed the Council's overall effectiveness of children's services as 'good', and its capacity to improve as 'outstanding'. Significant improvements have been made in the last year in addressing the findings of the Joint Area Review, for example the contribution of the Council in enabling children and young people to make a positive contribution is now assessed as outstanding with a comprehensive range of opportunities to help young people develop socially and emotionally.
- 20 The Council works well with other agencies to make a strong contribution towards wider community outcomes. The response, with partner organisations, to the July 2007 floods is a good example. There was a quick, coordinated response which received positive feedback from the public. The Council is also working in partnership to put in place plans to address longer term health issues such as obesity and alcohol consumption through its healthy schools programme and joint working with the PCT. The Breathing Space respiratory centre opened in March 2007 as the result of a partnership between Rotherham Borough Council, Rotherham PCT and the Coalfields Regeneration Trust. It is actively contributing towards the LAA outcome to increase accurate diagnosis, smoking cessation and multidisciplinary pulmonary rehabilitation of people suffering with Chronic Obstructive Pulmonary Disease (COPD). Process measures show an increasing standard of diagnosis in primary care, and 600 rehabilitation courses are already running.

- 21 The Council has a range of consultation and involvement activities, including specific consultations to target hard to reach or minority groups. For example, the Youth Cabinet was involved in deciding the priorities within the Children and Young People's plan, the BME housing forum has contributed to new housing priorities, and a customer focused review of the adaptations service has led to a reduction in waiting times. The Council has detailed community profiles for seven communities at risk of exclusion within the borough. Most recently a community profile has been written for gypsies and travellers in February 2007. The profiles are used to inform the Council's policies and service delivery.
- 22 The Council has succeeded in strengthening the local economy by providing support for new businesses and in equipping young people for work. The Rotherham Ready project engages young people from the age of four upwards in enterprise activities. The 'You Explore' programme is an interactive careers service linking young people with successful local business people. This has been in place for 12 months and there has been some impact on young people staying in education and training. Support is available from the Environment and Development services for young people setting up their own businesses and recent figures show that over 80 per cent are still in business after five years.
- 23 The Council continues to improve access to its services and is at level four of the local government equality standard. The Council has three Customer Service Centres, with plans for opening three more, including one that will be a joint customer service centre with partners. The Council ensures that it maintains user focus by engaging users in service planning and review. For example the reviews of Occupational Therapy services and intermediate care included visioning days for service users, managers, providers and commissioners led by service users. Also, user forums were used to identify service priorities. The adult social services directorate also uses mystery shoppers in care homes and video diaries to capture user experience and uses them internally to stimulate debate within teams and to inform service planning.
- 24 Adult social care has been reviewed by the Commission for Social Care Inspection (CSCI). CSCI has assessed the Council as 'good' at delivering outcomes and that it has 'promising capacity to improve'. The Council's role in helping people make a positive contribution is excellent; in particular CSCI has stated that there is an embedded culture of community and service user consultation and involvement. The Council makes a good contribution to improving health and well-being, with well-developed joint working arrangements with health partners. There are good outcomes in ensuring freedom from discrimination and harassment, and in enabling economic well-being, particularly in supporting people with learning disabilities into work.
- 25 The Council has in place effective arrangements for preventing and detecting benefit fraud. During 2006/07 the Council sustained the high standard of performance it achieved during 2005/06 and retained its score of 'Excellent' both overall and against each of the Performance Standard themes. The Council has continued to take effective measures to tackle benefit fraud and error. The number of successful sanctions has increased and the target for both interventions and visits has been exceeded.

- 26 The Council achieves good value for money. Overall costs and unit costs for key services continue to demonstrate best value compared to other local authorities. The Council has a track record over the last few years of improving its performance, and overall its performance is average with some areas of high performance such as benefits and street cleaning. The corporate approach to VFM was developed jointly by the performance and quality, and corporate finance teams, and base budget reviews and performance clinics have been used to improve value for money. The Council has embedded efficiency reviews into its performance management. The Council is aware of those areas where it needs to improve value for money, and is taking action to drive this, for example external consultants were commissioned to investigate reasons for poor key stage 2 attainment levels in late 2006 and their findings are being dealt with through performance clinics.

Progress made to implement improvement plans to sustain improvement

- 27 The Council has robust plans for improvement which are supported by a comprehensive performance management framework which provides links from the Community Plan down to individual performance objectives. In particular it emphasises specific leadership roles and responsibilities and also contains explanations of how to identify and act on poor performance. The service and financial planning framework clearly links key corporate and partnership strategies and the action plan templates include the financial and wider resourcing implications and risks against each objective. The Council's approach to maintaining data quality is strong.
- 28 The priority areas of the corporate improvement plan include aims that will contribute to partnership working. The sections of the improvement plan are clearly aligned with internal and external considerations such as performance management, partnership working and the borough ambitions. Service plans also have clear links to local and national priorities. The Council's 'Year Ahead' statement identifies key challenges for the coming year and gives details of 63 key commitments, both inward and outward facing. 'Our future' is the Council's organisational development strategy to ensure the Council is fit for purpose to deliver its priorities. It involved members, officers and partners in six areas of focus and will feed into the community strategy and corporate plan refresh in March 2008 and key points will be available in December to feed into planning process.
- 29 The Council has strong plans in place to close the gap between affluent and deprived neighbourhoods. 'Closing the Gap' is a focused and concise twelve month delivery plan, aligned to Rotherham's Neighbourhood Renewal Strategy. It is delivered through the Rotherham Partnership and is designed to add value and reduce inequality within the most deprived areas in the borough.

- 30** The Council has the necessary capacity in place to deliver its plans. It is investing in its workforce through the management development programme, and achieved corporate Investors in People re-accreditation against the harder test in August 2007, scoring maximum points for the section on having a clearly defined and understood strategy for improving the performance of the organisation. The Council has also worked with IDeA at a national level on workforce development to help promote best practice.
- 31** The Council has targeted recruitment and retention initiatives at services most in need. For example, there has been a marked reduction in the rate of staff turnover and the number of vacant posts in the children and young people's directorate. Staff consultation was used to identify the key features of each job and redesign them where possible. In particular this has led to the successful recruitment and retention of social workers; there is now high morale and a strong leadership scheme and the service has a good reputation across the country.
- 32** The Council's strong partnership working and related performance management has increased its capacity to achieve specified objectives. Crime reduction provides a good example of this. The strategic director of neighbourhoods and adult services and the Rotherham district commander for South Yorkshire Police share the chair of the Safer Rotherham Partnership. They have an open and challenging relationship and have introduced a joint performance management framework based on that used by the Council. The Safer Rotherham Partnership has systematically looked at every crime and community safety issue using performance clinics and partnership away days and has worked out how they can be improved. Indications are that in 2007/08 every crime type except woundings will have reduced, and that overall crime will have reduced by 8 per cent.
- 33** The Council is successful in attracting external funding to increase its capacity to meet service priorities. For example six new libraries are being built; one with funding from the Big Lottery Fund, and some in partnership with parish councils or in customer contact centres. It is also undertaking a formal procurement process to establish an 'Imagination Library' whereby every child under five within the borough will receive a free book every month with the aim of encouraging children and their parents to read and improving literacy levels.
- 34** The Council has improved its arrangements for financial management by improving financial systems following user consultation. A new budget monitoring system is currently being implemented. Financial and performance data provided to service areas is aligned and improvement requirements are easily identified. The MTFS is strong, but could be strengthened by describing explicitly, in financial terms, the joint plans agreed with partners and stakeholders.

- 35** The Council is responsive and open to external challenge. It will implement the suggestions made by Ofsted in its Annual Performance Assessment for improving Children and Young People's Services. These include more timely action for non-urgent paediatric occupational therapy cases, improving the range of carers who offer placements for looked after children, improving educational attainment at key stage 1, increasing the proportion of 16 to 19 year olds who are in education, employment or training and ensuring that voluntary sector provision is part of a wider commissioning strategy. Similarly, the Council accepts and will implement the suggestions made by CSCI for improving adult social care. These include evidencing the impact of health initiatives, development of a joint commissioning strategy, improving access to services for people from black and ethnic minority communities, supporting people with physical and sensory disabilities to live at home, and providing support for the employment of carers.
- 36** There are no weaknesses in arrangements for securing continuous improvement, or failures in corporate governance that would prevent the improvement levels being sustained.

The audit of the accounts and value for money

- 37** Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 26 September 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 38** 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).
- 39** For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

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

(Note: 1 = lowest, 4 = highest)

The key issues arising from the audit

- 40 The Authority again achieved an overall score of four for their use of resources indicating it was performing strongly. Four of the sub theme scores covering financial management and external accountability had increased in year to a level four with the Authority now meeting nine level four sub theme scores, out of a potential eleven.
- 41 Your appointed auditor KPMG concluded in year that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 42 The Council continues to manage a number of major projects all requiring significant input and expertise. Management need to continue to ensure adequate arrangements are in place to effectively manage these significant risks whilst ensuring attention is not diverted from day to day management and service priorities.

Data quality

- 43 For 2006/07 onwards the Audit Commission developed a new approach to the audit of performance indicators in Local Government. It is a broader piece of work than the previous BVPI review and focuses upon the Council's arrangements to ensure data quality (DQ).
- 44 Your auditors 2007 review concluded that:
 - overall the Council has strong management arrangements in place to ensure data quality and highlighted areas of improvement since the previous year in their detailed report to you;
 - completeness checks on the published performance indicators revealed no significant issues; and
 - detailed testing of a sample of three indicators identified no issues.

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 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.
- 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 Council on 5 March 2008. Copies need to be provided 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 to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual audit and inspection letter	February 2008

- 50 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

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

Sue Sunderland
Relationship Manager

February 2008