

# Annual Audit and Inspection Letter

Rotherham Metropolitan Borough Council

Audit 2007/08

March 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 Rotherham Council's overall rate of improvement is good.
- 2 Its provision for children and young people has been assessed, however, as only adequate. This has led to a reduction in the Council's overall star rating. The Council is addressing identified weaknesses and there are signs of progress. Staffing and structural changes, combined with the redesign of Children's Services mean that the Council will be better placed to deliver vital improvements. It needs to continue to give attention to supporting children at all stages of their education and in securing the safety of children within the care system.
- 3 More widely, the Council has worked well to improve economic prospects for the area and has been proactive in response to the changing economic conditions. In common with all local authorities, the downturn is putting additional pressure on services and capital programmes. Swift and concerted action needs to be taken, with partners, to mitigate the impact for local people, businesses and its own operations. More work is still needed to enable people to participate in the economy especially those with low skill levels and those who are dependent on benefits.
- 4 The Council provides a good adult social care service and effective relations with the PCT mean that people are well served when their circumstances change. The Council has contributed well to programmes of improvement in public health against a background of deprivation that exerts constant pressure. The rate of improvement in reducing teenage conceptions has been good but overall levels are still high.
- 5 Some good work has been done to make life better for local communities such as improving the environment and reducing crime and disorder. It continues to improve customer access as part of a wider agenda to strengthen communities, build inclusion and address poverty in the borough. The new Local Area Agreement provides a good focus for action over the next three years and plans are well aligned to ensure that adequate capacity and resources are available to deliver them.

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## Action needed by the Council

The main issues for the Council to address from this report are as follows.

- 6 Continue the focus on education and improving child safety within the care system.
- 7 Keep a close watch on the effects of the economic downturn and take the appropriate action to address the risks as they emerge. Particular attention should be paid to those affecting ambitions for regenerating the local area, the delivery of public services, the Council's own financial stability and its major capital and procurement projects. Whilst addressing the impact of the economic downturn it also needs to consider how best over the long term to support people from benefits into employment.

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# Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 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.
- 10 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).
- 11 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, your appointed 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.
- 12 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.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Rotherham Metropolitan Borough Council performing?

14 The Audit Commission’s overall judgement is that Rotherham MBC is improving adequately and we have classified Rotherham MBC as three-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils (ST&CC) with the following results.

**Figure 1 Overall performance of single tier and county councils in CPA**



Source: Audit Commission

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### Our overall assessment - the CPA scorecard

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**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving adequately
<b>Overall</b>	
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Housing	4 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)

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### The improvement since last year - our Direction of Travel report

#### Evidence of the Council improving outcomes

- 15 Rotherham Metropolitan Borough Council has accelerated the rate of improvement across a broad range of services, with 68 per cent of national performance indicators showing improvement in 2007/08, compared with 55 per cent the previous year. The Council has more of its comparable indicators in the top quartile than the rest of South Yorkshire, but performance is still relatively low when compared nationally. The Council has retained or improved its CPA service scores with one major exception. For Children and Young People the Council has been assessed as having declined since last year in 4 of the 5 outcome areas. It is now rated as providing an adequate, two star service with a contribution that only meets minimum requirements for users.
- 16 Outcomes are improving in most other priority areas. The Council understands the need to continue to drive improvement, particularly in relation to educational attainment and the economic prospects of its more disadvantaged communities.

## How is Rotherham Metropolitan Borough Council performing?

- 17** Learning. The Council is providing varied levels of support to children as they learn. Attainment at Key Stage 1 fell in 2007 and continues to be an area of weakness. Standards at KS2 are improving but are still below those of comparable authorities. Attainment at secondary level is more encouraging although attendance rates at this level are not as good as in similar authority areas. Standards of achievement at GCSE, including for children who experience the care system, are improving. The percentage of young people who leave care aged 16 with five or more GCSEs (or equivalent) at grade A\* to C is much higher than the national average. It has surpassed all floor targets for secondary schools. There are no schools in special measures and the number of schools in an Ofsted category of concern is lower than the picture nationally. The proportion of young people who are not in employment, education or training, although relatively high, is reducing.
- 18** Achieving. There are tangible improvements to the town centre in support of the Council's ambition of building the economy and reducing inequalities. Business support has been effective and employment growth rates exceed national and regional averages. The Council has been proactive in response to the economic downturn by convening a conference to seek ways of improving local resilience. It is working hard to tackle congestion and improve access to opportunities. It is having less success in reducing the numbers of people not in employment, education or training, or in moving people from benefits into employment.
- 19** Alive. Progress is being made in some of the Council's own priority areas relating to public health for example, supporting schools to achieve healthy schools status, and reducing the number of people on incapacity benefit. Young people are able to access a comprehensive service for substance misuse resulting in a higher proportion of young people receiving treatment. Teenage conception rates are still high.
- 20** Adult Services has been assessed as good, improving performance in six of the nine outcome areas. The Council helps almost all users of adult social care to understand how to stay healthy and maintain their emotional well-being. Health improvement work is producing results, with levels of chronic heart disease and strokes falling, at rates which are better than national averages. The council works well to promote independence for service users and to help them into work. For older people, the picture is more mixed, with good levels of intensive home care but fewer people helped to live at home. Performance remains behind comparators but the rate of improvement is greater. Services are effective in helping people return home from hospital and the rate of delayed discharges attributable to the council is zero. People and their carers are well supported to make choices about the type and level of service they need. Information about services is widely available and service standards are clear and well-publicised. Most older people were able to access timely assessments in the year. The range of services is relatively broad, and improvement work is in hand to modernise eg home care, where needed. Most people are effectively safeguarded against abuse.

## How is Rotherham Metropolitan Borough Council performing?

- 21** The Council is making a good contribution to the Safe agenda, enabling most people to be safe. It has made improvements in target areas such as waste reduction, recycling, fly-tipping and graffiti. Overall crime was down by 9 per cent in 2007/08 compared to the previous year. Acquisitive and violent crime has been reducing and the council is working on a cross-agency basis to address the harm caused by drug and alcohol misuse. A successful pilot in one of the most vulnerable neighbourhoods has reduced crime and anti-social behaviour and improved community involvement and trust. The Council and other agencies collaborated through the Safer Rotherham Partnership to bring this about and are now developing further schemes to build on the experience. Re-offending rates for young people are below similar areas and the rate for children and young people in the care system is 30th lowest in England and falling. Weaknesses in the fostering service earlier in the year meant that some vulnerable children were exposed to risk. The Council has taken steps to address the gaps but there has been insufficient time to prove their effectiveness. Road safety has failed to improve with the numbers of people killed or seriously injured getting worse in the year 2007/08.
- 22** Tenants receive a good service from the outsourced arrangements for housing management provided by the ALMO. Targets towards achieving the decent homes standard are well on track while the Council is providing good support for people who are homeless. Planning performance is more mixed.
- 23** The Council has a sustained and strategic approach to customer access as part of its Proud agenda. This uses access as a tool to build stronger communities, promote inclusion, address poverty and improve well-being. The most recent refresh of its strategy (2008) demonstrates responsiveness to changing customer needs and the external environment. It is well integrated with other plans and is supported by clear objectives and measurable targets over the life of the plan, giving confidence about effective delivery. The Maltby centre opened in September 2008 and brought together services run by NHS Rotherham and the Police as well as the Council. There are plans to open two further service centres, in 2009 and 2010. The fairness agenda is supported by a service planning framework which ensures that equalities and diversity are specifically considered and monitored in planning and use of services. Managers are trained in diversity/equality awareness. The Council performs well in ensuring that all racial incidents are actioned.
- 24** The Council continues to provide good value for money (VFM). Overall costs and unit costs for key services give good value compared to other local authorities offering similar levels and standards of services. The Council has made effective use of IT, procurement, partnerships and innovation to achieve VFM. It has achieved £33.5m efficiency gains in the three year period to 2007/08. Cashable savings of £23.1m exceeded the three-year target by £14.9m, making the Council the highest placed Metropolitan Authority in terms of percentage savings on budget.



## How is Rotherham Metropolitan Borough Council performing?

### Progress made to implement improvement plans to sustain future improvement

- 25** The Council is making good progress in implementing plans to sustain future improvement. The community strategy has been updated to achieve alignment with the Local Area Agreement (LAA) process. It presents the issues and priorities in a very clear way and describes what the actions and targets will mean in real terms through to 2011 (those of the LAA). It is underpinned by a more strategic, aspirational vision for the borough through to 2020. The LAA has been developed to complement the refreshed community strategy and links well through a consistent structure and range of improvement targets.
- 26** The Corporate Plan is outward facing and well aligned with community priorities and plans. It is well founded in effective public engagement and provides the high level framework for detailed action, providing confidence that outcomes will continue to improve. It is backed by a robust series of plans, for example:
- the Medium Term Financial Strategy (MTFS) which is a key component of the overall planning framework. This document provides the detailed resourcing commitments for the council's priorities over the next three years which have been aligned with the ambitions set out in both the corporate plan and the community strategy. It makes explicit links to other plans, such as those for capital investment and including those of partner organisations. It also anticipates and analyses some of the risk scenarios the council might encounter;
  - an organisational development strategy which focuses on partnerships, community engagement and service performance; and
  - a robust approach to workforce planning. Informed by strategic analysis and a wide range of internal and external intelligence, the Council has good data on future needs and capacity gaps. Supported by detailed action planning, this means the Council is well-placed to deliver improvement as well as responding to a changing environment and the needs of local communities.
- 27** The Council is making good progress in implementing its plans for delivery of community objectives. It is working well with partners across South Yorkshire on regional transport plans to tackle congestion, access funding and deliver productivity benefits. It has robust, funded plans for the long term treatment of residual waste in conjunction with Barnsley and Doncaster. Other examples of good implementation include the work on regenerating Rotherham town centre, investing to support local residents in recycling their household waste, and in enabling local people, including young people, to have their voice in matters affecting their lives and communities. It also has a track record of healthy financial performance which is necessary to underpin the delivery of future improvement.
- 28** Adult social care has strong leadership and clarity about what is important. The council has considerably improved outcomes for service users. Performance management works. The council works well with partners and takes good account of the needs of diverse groups including those who are most difficult to engage. Plans are coherent and comprehensive and co-ordination is good. Consultation is extensive; staff capacity is good.

## How is Rotherham Metropolitan Borough Council performing?

- 29 The Council's capacity to improve its services for Children and Young People is considered by Ofsted to be only adequate, declining from outstanding in the previous year. However, the establishment of a Children's Trust together with the redesigning of the service have the potential to bring about sustained improvements.
- 30 Effective governance arrangements are in place to oversee the Council's improvement agenda. The Council has a strategic approach to Member Development including personal development plans for councillors; it has sound decision-making accountability, and has aligned its cabinet portfolios to the Council's priorities. Key partnerships are subject to formal governance arrangements. Corporate Management Team and the Corporate Improvement Board regularly review performance management, risk and financial management along with key issues such as capability and capacity, engagement and procurement. In this way the council is able to ensure that it maintains a focus on delivering its priorities and improvements for local people.

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### Service inspections

- 31 An important aspect of the role of the Comprehensive Area Assessment Lead (CAAL) is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- 32 Adult Social Care was judged by the Commission for Social Care Inspection to be providing a good or excellent service across all outcome areas, with promising prospects for improvement.
- 33 Ofsted concluded that the Council delivers services for children and young people that overall meet minimum requirements for users, with adequate capacity to improve.

# The audit of the accounts and value for money

- 34 Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has provided:
- an unqualified opinion on your accounts;
  - a conclusion on your value for money (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.
- 35 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).
- 36 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**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	4 out of 4
Financial standing	3 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)

37 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

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### Use of Resources

- 38 The Authority for the third consecutive year achieved an overall score of four for their use of resources indicating it was performing strongly. The only reduction in score was on financial standing which reflects the Authority's likelihood of being unable to recover the full value of the investments placed with the collapsed Icelandic banks.
- 39 To help KPMG form a view on the Authority's arrangements for delivering economy, efficiency and effectiveness of some key projects they have undertaken reviews in the following areas.
- Health inequalities.
  - Town Centre Redevelopment.
  - RBT.
  - Yes Project.
- 40 KPMG concluded in year that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
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### Accounts

41 An unqualified audit opinion was issued to the Authority on 24 September 2008 with no material issues being identified. The documentation that the Authority provided to KPMG in support of their accounts was to good standard and they will continue to work with management to improve the audit process.

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### Overall

42 The Council continues to manage a number of major regeneration projects many requiring both public and private investment. Given the general economic downturn and the availability of funding and investment for both sectors the Authority need to consider the likely impact on delivering these projects and meeting its strategic objectives. We look forward to assisting the Council in this process next year.

### Housing Market Renewal (HMR) Pathfinders

- 43 Over the last five years the Audit Commission has been assessing the performance of the Housing Market Renewal (HMR) pathfinders across the country.
- 44 HMR Pathfinders are partnership led projects set up by government in April 2002 to take forward new approaches to tackling the problems of low demand housing and abandonment in parts of the North of England and West Midlands. Nine pathfinder areas were established and by 2011 government will have committed £2.2 billion to the programme, which has also attracted a range of other public and private sector resources.
- 45 The Audit Commission's work specifically focuses on the pathfinders' approach to Value for Money (VfM) though it also comments on the progress and performance of individual pathfinders as well as outlining some key messages across the programme.
- 46 Our findings relating to Transform South Yorkshire (TSY) were as follows.
- 47 We have assessed the pathfinder as performing adequately as regards value for money. We found TSY to be performing adequately because it has a range of strengths including:
- the programme of interventions is aligned to its strategic priorities, and to wider sub-regional and regional regeneration strategies;
  - a continuing focus on high quality design;
  - robust risk management and effective financial systems and controls are in place;
  - a variety of procurement arrangements and good use of options appraisal; and
  - strong formal and informal partnerships with key players including English Partnerships and the Housing Corporation.
- 48 However there are some areas which require improvement. These include:
- developing its efficiency plan into a wider value for money strategy;
  - ensuring the diverse needs and aspirations are identified for each intervention scheme, and that the impact of its plans for all sections of the community are assessed;
  - assessing the robustness of the output figures reported by the local authorities;
  - strengthening the approach to benchmarking costs and sharing good practice within the sub-region and among other pathfinders; and
  - reviewing its costs and the capacity in the pathfinder and among partners to deliver the wider sub-regional plans for regeneration.
- 49 A detailed report has been prepared, which contains recommendations based on findings across the West Midlands and the North of England.

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# Looking ahead

- 50 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 51 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 52 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 National Indicator Set and key aspect of each area's Local Area Agreement.

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# Closing remarks

- 53 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at full council on 22 April 2009. Copies need to be provided to all Council members.
- 54 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.

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**Table 3 Reports issued**

Report	Date of issue
Audit and inspection plan	March 2007
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
ISA260 Report	September 2008
Annual audit and inspection letter	March 2009

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- 55 The Council has taken a positive and constructive approach to audit and inspection work, and along with the appointed auditor I wish to thank the Council's staff for their support and cooperation during the year.

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## Availability of this letter

- 56 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.

**John Casey**  
**Comprehensive Area Assessment Lead**

March 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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## Copies of this report

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