

Report to: **Audit and Best Value Scrutiny Committee**

Date: **19 June 2008**

By: **Chief Executive and Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Audit Commission's Audit and Inspection Annual Letter**

Purpose of report: **To submit to the Audit and Best Value Scrutiny Committee the Audit Commission's Annual Audit and Inspection Letter**

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**RECOMMENDATION: The Committee is recommended to consider and comment on the Audit Commission's draft Annual Audit and Inspection Annual Letter.**

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**1. Financial Appraisal**

1.1 There are no direct financial implications associated with this report.

**2. Supporting Information**

2.1 Attached to this report is the Audit Commission's Annual Audit and Inspection Annual Letter. It provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the financial audit of the Council, the various inspections that took place last year and from a wider analysis of the Council's performance and its improvement in 2007/08, as measured through the Comprehensive Performance Assessment. The letter identifies a wide range of improvements across all services and sets out the Direction of Travel report, which concluded that the Council is improving well. Clearly there are areas where the Council could improve in all services and these will be addressed through the Council Plan targets. All services, apart from Adult Social Care, are now rated at 3/4 or above under the Comprehensive Performance Assessment giving the Council an overall "three star" rating. Members will be aware of the Business Transformation plan which is effecting improvements in Adult Social Care.

2.2 The Committee is asked to consider and comment on the Audit Commission's Annual Audit and Inspection Annual Letter.

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BACKGROUND DOCUMENTS None

Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

**East Sussex County 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.

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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.

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## Key messages

- 1 This report is a summary of the Audit Commission's assessment of East Sussex County Council for 2006/07 and to date. It is a publicly available document which is addressed particularly to elected members of the Council. The key messages in it are as follows.
  - The Council is rated as three-star (on a scale of 0-4 with four-star being the highest) under the 2007 Comprehensive Performance Assessment framework.
  - Its annual direction of travel is assessed as 'improving well' (on a scale of improving strongly, improving well, improving adequately, not improving adequately, not improving). The Council can demonstrate many improvements against its priorities. There are some clear areas for future focus; improving the transport infrastructure (paragraph 16); agreeing with the borough and district councils, an integrated county wide waste strategy to minimise waste collection and disposal (paragraph 18); and continuing with its plans to ensure that services are accessible to all communities (paragraphs 20 and 64).
  - The Commission for Social Care and Inspection's judgements for 2007 concluded that the Council is delivering 'adequate' outcomes and the prospects for improvement were 'uncertain'. The Council has embarked on and is in the middle of, a three-year improvement programme. There are signs that this is beginning to have an effect and improvement in adult social care is gathering pace but there is still some way to go.
  - The Office for Standards in Education has concluded that the Council consistently delivers services for children and young people at an above average level and the capacity to improve further is outstanding.
  - The way it uses its resources was scored as 4 out of 4 (with 4 being the best score), an improvement since last year.
  - An unqualified opinion was given on the Council's accounts for the year ended 31 March 2007 and it was confirmed that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Action needed by the Council

2 Key actions for the Council are as follows.

- Remain focused on the improvement programme for Adult Social Care services.
- Increase its efforts to persuade the waste collection authorities to agree a county-wide waste strategy. This strategy needs to ensure a coordinated approach that improves the currently low rate of recycling, maximises the re-use of materials, and minimises the transport and other costs of alternative methods of disposing of waste.
- Reconsider how to deliver an improved transport infrastructure, including energising partners to look for innovative solutions to rural transport matters.
- To improve its approach to diversity by re assessing whether it has set a clear and visible agenda for action across the Council and improving its understanding of the needs of its various communities, including the growing migrant communities, by thorough data gathering and analysis.
- To use the opportunity of developing the new community strategy to ensure that feedback mechanisms to those consulted are improved.

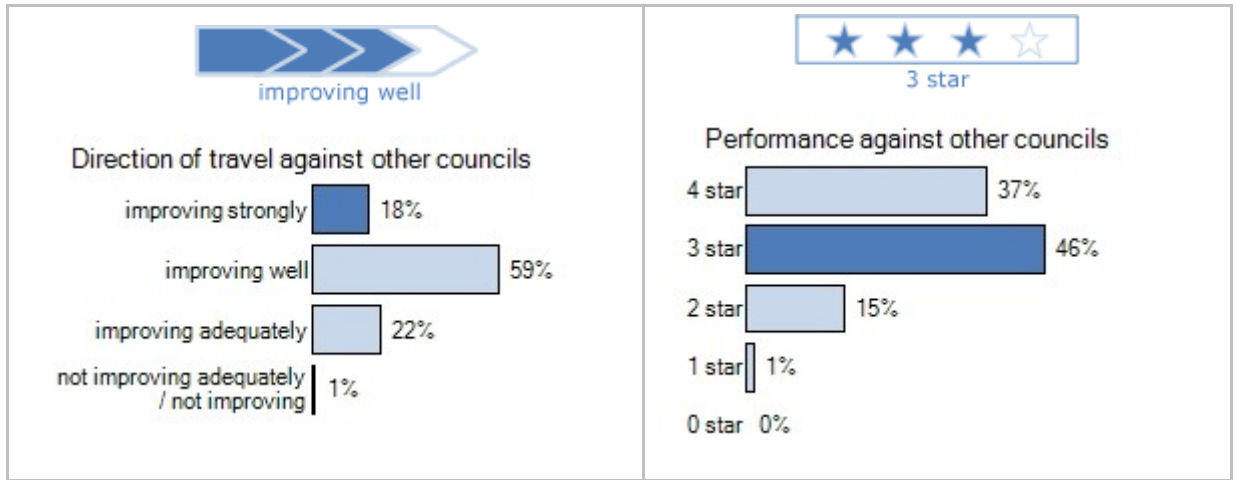
## Purpose, responsibilities and scope

- 3 This letter is addressed 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.
- 4 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.
- 5 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources ( the value for money conclusion); and
  - whether the Council's best value performance plan (BVPP) has been prepared and published in line with legislation and statutory guidance.
- 6 As well as reporting the findings and conclusions from the audit of the Council for 2006/07, this letter includes the latest information on the Council's Comprehensive Performance Assessment (CPA), including our Direction of Travel report and any results of inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 7 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

## How is the Council performing?

- 8 The Audit Commission’s overall judgement is that the Council is improving well (on a scale of improving strongly, improving well, improving adequately, not improving adequately, not improving) and we have classified the Council as three-star (on a scale of 0 to four star with four-star being the highest) in its current level of performance under CPA. The assessment made has been completed in all single tier and county councils with the following results.

**Figure 1 Comparison to other county and single tier councils**



Source: Audit Commission



- 9 The detailed assessment for the Council is as follows.

### Our overall assessment - the CPA scorecard

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 star
Corporate assessment/capacity to improve	3 out of 4
Current performance:-	
Children and young people*	3 out of 4
Social care (adults)*	2 out of 4
Use of resources*	4 out of 4
Environment	4 out of 4
Culture	3 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

- 10 The Direction of Travel label measures how well the Council is improving.

*East Sussex County Council is improving well. It continues to improve outcomes for local people in its priority areas. Services for children are improving, with better exam results and adding value in schools. Improvements in economic regeneration are increasing community prosperity throughout the county. Work to tackle crime and community safety is increasingly successful, as is the improvement in other community services such as libraries. There are many positive examples of the Council responding to the needs of vulnerable or hard to reach communities and there is a strong focus on value for money. Adult Social Care remains a key area for improvement. This service is being changed through a three year programme and the latest data shows that this is starting to improve the service people receive, such as in the timeliness of assessment and care provision. This remains an area for focus, along with improving waste management and the transport infrastructure. The Council's capacity to deliver improvements is generally good. It has strong plans to improve services further and these are being implemented well.*

- 11 The Council has had a number of positive external assessments of its services. The Audit Commission's corporate assessment which considers the Council's ambitions, its business processes to achieve those ambitions and the outcomes delivered concluded that the Council is 'performing well'. The annual use of resources assessment by the Audit Commission (paragraphs 53 to 56) judged the financial and governance arrangements to be amongst the best in the country. The Office for Standards in Education (Ofsted) in its annual performance assessment of services for children and young people concluded that the Council consistently delivers services for children and young people at an above average level (overall rating of 3 out of 4) with outstanding capacity to improve further its services. The Council continues to improve outcomes in its priority areas.
- 12 Services for children are improving and are delivering good outcomes for them. Attainment data shows improvement at all key stages. For instance, the percentage of pupils gaining five or more A\*-C grades improved by 3 per cent in 2007. The Council also achieves well in 'value added' measures of school performance. The Council's schools are providing above average 'added value' in the achievement of vulnerable pupils - such as looked after children and those in receipt of free school meals - at all key stages. The Council actively engages with children and young people and their families: in the Big Vote, more than 13,000 young people aged 11-18 voted for the Youth Cabinet and UK Youth Parliament. One of the criteria for Healthy Schools Status is to have an active school council and the Council has already exceeded the national and local targets by a significant margin.
- 13 Improvements in economic regeneration to increase community prosperity are evident throughout the county. Inward investment is significant; towns such as Newhaven have experienced physical improvements; wage rates have improved; and the development of the University Centre Hastings provides opportunities for young people to stay in the county and receive a higher education, as well as generating new employment. An important element of the Council's approach is to improve the skills available in the area, and with partners it is meeting a key target in the local area agreement to reduce the number of young people who are not in education, training and employment.
- 14 Work to tackle crime and community safety is increasingly successful. Crime in the county is already low and in 2006/07 crime fell in all the main crime recording areas. Fear of crime is not rising, and initiatives such as 'no cold calling' zones and continuing action to address domestic violence have been received positively.

- 15 Many improvement targets for community services were met in 2006/07. Overall, seventy-one per cent of those surveyed were satisfied with library services in 2006/07, a significant improvement on the previous survey. The Council achieved its particular focus on improving adults' satisfaction with the library service and increasing the number of active users. Despite these improvements, in comparison with other like councils, the overall satisfaction rate is lower than average. The number of active users per 1,000 population is slightly below average. This indicator only measures physical visits to libraries and given the rural nature of the county, the Council has focused its efforts on increasing electronic access. The Council meets seven of the ten library standards, which is above average for county councils. Its target to deliver 120 Level 1/2 qualifications through Learndirect provision in libraries was exceeded by 45 per cent with a total of 174 first time qualifications being achieved. The East Sussex Arts Partnership has successfully bid for funding from the Arts Council England, South East.
- 16 Improvements to the transport infrastructure are limited. Funding decisions have reduced standards and improvements to the network are slow. As a 'floor level' grant funded authority, it has not been able to take advantage of capital allocations, which were unsupported by revenue. The Council has, however, made targeted improvements to the network. As part of the last public sector agreement and by harnessing its own resources it has made improvements to the condition of unclassified roads, which represent 65 per cent of its road network. These are now in better condition than the average for counties. It is now targeting improvement on non principal classified roads. The condition of these roads is improving, but remains below average compared to other councils. The percentage of footways in need of repair increased, but performance remains better than average. On some measures the rate of deterioration of the road network has been exceeding the maintenance investment of the Council, but it is increasing capital investment in this area over the next three years as part of the capital programme. Not all the buses are accessible and reliable, but a 14 per cent growth in passenger numbers is reported for 2006/07, primarily as a result of the concessionary fare scheme, but also due to the quality bus partnerships in Hastings and Eastbourne. Growth is exceeding forecasts, including those of central government. Innovative community transport solutions are not widespread. The Council has carried out a review of passenger transport to ensure it is making best use of the resources available. Road safety plans are delivering reductions in casualties. Cycle use increased by four per cent in 2005/06 and the east-west cycleway network is nearing completion to join the north-south route already in place. Overall the transport system is not providing an effective network but the Council is taking a leading role in lobbying for more investment to improve the network.

- 17 Improvement in adult social care is gathering pace but there is still some way to go. In 2006/07, 63 per cent of indicators for 'supporting older people and healthier communities' had improved on the previous year – in the average range for all county councils. However, only 13 per cent are in the best quartile, which is below average. The Council has shown us more recent data (which has not been validated) which shows positive improvement so far in 2007/08. Fifteen of 21 indicators show improvement in the first half of the year against 2006/07 performance. Delayed transfers of care have improved to a good level, while intensive home care has improved to an acceptable level and the number of older people helped to live at home is now exceeding the target level. The number and percentage of services for carers has increased. The percentage of acceptable waiting times for assessments has improved by 10 per cent since the out-turn, though still some way below target, and the percentage of acceptable waiting times for care packages has improved by three per cent. There is no comparative data, but clear local improvement in the current year. The star rating for adult social care remains one-star and its capacity to improve services is rated as uncertain. It is assessed as delivering adequate outcomes for local people.
- 18 The Council is making good progress to address the county's landfill capacity shortage. Through the waste PFI contract it has put in place a strategy to provide an energy recovery facility as well as the network of recycling centres and waste transfer stations. However, although it is meeting the government target for recycling and has improved from 22 per cent in 2003/04, at 27 per cent, East Sussex remains in the lowest performing 25 per cent of county areas. The volume of waste per head increased slightly in the last year but this still reflects better than average performance for the Council's waste comparator group. However, 81 per cent of people are satisfied with waste disposal, a slight fall on the previous survey, but still above average. The Council has produced a draft Municipal Waste Management Strategy in partnership with the districts and boroughs in the county, but the lack of an agreed county waste strategy hampers the delivery of a coordinated approach to tackling all waste issues. A joint waste strategy is currently under discussion, which aims to agree a consistent approach by district councils to waste collection, to enable higher levels of recycling.

- 19 The approach to improving the environment in a sustainable way is not fully co-ordinated. Climate change does not have a particularly high profile at present, although there are good examples of relevant work. These include the Council reducing its own carbon emissions from its buildings; promoting a biomass scheme; promoting Approved School Travel Plans, where 71 per cent of schools now have one and achieving walking buses to school on 28 routes; and achieving the LAA target of attracting 3,500 older people and 7,000 people on guided walks. The Council takes the leading role in the management of the two Areas of Outstanding Natural Beauty, the High Weald and South Downs. Also it provides specialist advice on landscape and townscape issues to enhance improvement schemes, as well as advice to the district planning authorities. The Council recognises that the sustainability of its policies and procedures require an improved approach, and this has prompted a review of the community strategy that will have sustainability at its core. This review demonstrates leadership from the Council in identifying areas where a more focused approach is required. The Council has recently allocated resources to begin developing, with partners, a sustainability strategy.
- 20 The Council is continuing to improve its approach to equality and diversity. It remains at level 2 of the equality standard for local government, which is the average. It has improved performance in its duty to promote race equality and improved the representativeness of its workforce measured by key indicators. The Council listens to and acts on customer feedback to improve services. Customer service standards are in place and the Council uses complaints information to develop services. For example, the Council revised its library stock policy following feedback from BME groups, and changes were made to the focus of drug and alcohol projects following feedback from the Youth Cabinet. There are many positive examples in services of the Council responding positively to the needs of vulnerable or hard to reach communities. An example is the East Sussex Independence First project, a partnership venture targeting preventative services for older people at risk of hospitalisation and institutionalisation. In tackling health inequalities in young people, health promotion and services are directed at high risk groups through partnership arrangements including co-location of services, joint commissioning and specialist provision and enhanced services. The Council is aware of an increasing Eastern European migrant population and is working with partners to improve the data available on new communities in the county to enable plans to address their needs to be developed.

- 21** The Council has a good approach to achieving value for money and it has maintained its use of resources value for money score at level 3. It monitors and reviews value for money well and it has achieved and exceeded efficiency targets. Its reconciling policy and resources policy provides a strong focus on achieving value for money. Planned council tax increases have been planned up to and including 2009/10, to minimise the burden on tax payers. There is a focus on achieving savings which have amounted to about £90 million over the last five years. Examples include cash freezes on central departments' expenditure levels and lower increases for some services including highways maintenance, whilst making additional investment in areas such as Adult Social Care. The Private Finance Initiative waste contract is expected to exceed the anticipated savings of £300 million over the 25-year period although these figures might have to be revised slightly with the contract renegotiation. At present, the cost of waste collection per kilogram is high compared with other like councils. A well-structured risk and project management regime supports this drive for effective working. These approaches ensure that future spending is well-planned and is used to deliver the Council's stated priorities.
- 22** As well as managing its cost base, the Council achieves improvement in performance in some areas. Performance as measured by 84 national performance indicators (capable of being measured one year to another) showed generally positive improvement - 50 per cent of performance indicators improved, compared with 36 per cent of indicators showing a reduction in performance. Comparing the Council's performance (as measured by national performance indicators - 77 PIs) with that of other county councils shows 17 per cent recording performance amongst the best in the country, a further 32 per cent above average and some 51 per cent below average, of which 38 per cent is amongst the worst in the country. The Council's own analysis of its priority areas for improvement where not already measured by national performance indicators shows that it improved 81 per cent against local targets (total of 16 performance indicators). In the recent triennial national satisfaction survey (carried out in 2006/07) the overall level of satisfaction expressed by local people was 52 per cent which compares very favourably (amongst the highest), for all county councils.
- 23** Procurement arrangements have delivered some sizeable savings. Re-tendering of home care services has resulted in £1.26 million savings to date, with an expectation that the original target of £1.29 million will be exceeded. Some joint procurement and commissioning is in place for example partnership working in a multi-agency collaboration has been established in children's services. However the Council with other members of the LSP, has not yet maximised the potential for joint procurement to meet their shared objectives. The Council can demonstrate that it has sought and used external funding in support of local priorities, for instance at Newhaven Port.



- 24 Plans for improvement are strong. Strategic plans are of a good quality and are supported by strong planning frameworks with good connections between corporate planning, service planning and financial management. Business planning processes are well-established and these are being used to address the areas for improvement identified in the corporate and other external assessments. Key service improvement plans are strong such as in adult social care supported by the development of clear partnership commissioning strategies.
- 25 The implementation of improvement plans is good. It has prepared commissioning strategies for all care groups in conjunction with its partners. There are examples of improved working with health over more than one year, for instance in addressing delayed transfers of care. It uses linked business planning and performance management arrangements to ensure an ongoing focus on improvement. Budget allocation for social care demonstrates the priority to improve the service, with five per cent annual increases. It has delivered key improvements in service delivery in the current year and expects further improvements in future years as the business transformation programme takes effect.
- 26 The Council has good capacity to deliver improvement. The corporate assessment found strong leadership and support to budget management and workforce planning. There is a strong workforce and there has been a marked improvement in sickness absence levels. Strong partnership working is in place in many areas of the Council's work and it enhances capacity. A notable example is the Sussex Improvement Partnership that includes all councils in West and East Sussex, including Brighton & Hove City Council. This is focused on improving the services delivered across the whole of Sussex and includes identifying opportunities for shared services. Support for the voluntary sector is being provided, including a scheme to encourage people to volunteer and is showing significant increases in volunteering. The Council is enhancing the capacity of the voluntary sector through provision of infrastructure support and a Community Partnership Fund of just under £0.8 million.

## Audit Commission service inspections

### Supporting people

- 27 The Audit Commission's supporting people inspection was reported in early 2008 and assessed the Council provision of services to vulnerable people including the homeless, older people with support needs, people with a learning disability, people with mental health problems, those with substance misuse problems, refugees, travellers and ex-offenders.
- 28 The Council is delivering a 'fair' supporting people programme, with promising prospects for future improvement. The programme has suffered from a weak inheritance of housing-related support services, with traditional sheltered housing dominating the supply. However, over the past five years the supporting people partnership has begun the process of modernising the way in which support services are provided to older people and, importantly, started to address the needs of its most socially excluded vulnerable people.
- 29 The current supply of services is easy to access and is highly regarded by service users. Case studies and improvements in quality ratings provide convincing evidence of the impact and cost effectiveness of supporting people services in the county. The Council has also achieved significant improvements in the value for money of funded services.
- 30 The Council successfully achieved all of the operational targets for the programme but the strategic approach has been weaker. It met deadlines for service reviews, withdrawing funding from ineligible services, data submission requirements and adopting fairer charging arrangements. However, the five-year strategy does not define clearly what the partnership expects the programme to achieve and gaps in needs data persist. The quality of partnership working is mixed and service users have as yet had little impact on the strategic direction of the programme.
- 31 The promising prospects for improvement are based on the range and quality of supporting people services which have improved significantly. Performance indicators show a positive direction of travel and the Council is securing better value for money from the programme. The Council is managing a relatively tight budget well and is drawing in additional expertise to support the supporting people team. Political and managerial support for preventative services is strong. However this has yet to be reflected in a robust five-year strategy and in the full range of relevant plans led by the partner agencies.



32 Several recommendations were made to improve the arrangements and these included:

- improving the quality of the plans and strategies that impact on the lives of vulnerable people;
- updating the supporting people strategy to make clear what each partner's ambitions are for the volume, pattern and quality of supported housing services;
- addressing the gaps in the needs data for each group of service users;
- increasing the profile of preventative work in the joint strategies;
- paying particular attention to the risks and strategic approach to accommodating serious offenders;
- Improving the approach to performance management; and
- using scheme reviews and questionnaires as an opportunity to consult service users on broader policy matters; and
- seeking to fill the gaps in services for the most socially excluded groups.

## Other inspections

33 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 received the assessments from:

- Ofsted and CSCI in June 2007 through the joint area review assessed the Council's services for children and young people. An annual assessment was also made in November 2007;
- CSCI made its annual judgement on the quality of adult services in November 2007; and
- An youth offending team inspection was undertaken in June 2007 led by Her Majesty's Inspectorate of Probation with input from other regulators, such as the CSCI and Ofsted.

## Adult social care

34 The Commission for Social Care and Inspection's judgements for 2007 concluded that the Council is delivering 'adequate' outcomes and the prospects for improvement were 'uncertain'.

35 The council makes a 'good' contribution to improving people's health and emotional well-being. There is a range of information in differing formats regarding healthy lifestyles, and advice and support are available and accessible for most people in the community. Most people in East Sussex can access a range of activities that lead to improved health and emotional well-being.

- 36** The Council makes an 'adequate' contribution to improving people's quality of life. The provision of intensive home care reduced during the year and remains questionable, which is below the comparator average. The rate of people with a physical disability who are helped to live at home remains very good, in line with similar councils. The rates of people with learning disabilities and those with mental health problems who are helped to live at home remain adequate, and lower than rates in similar councils. The rate of older people who are helped to live at home also remains questionable, which is in line with the average of similar councils.
- 37** The council provides 'adequate' support to enable people to make a positive contribution. The single assessment process is available on the Council's website and users can complete and return their details securely via an upload facility. Most people who use services and their carers have been actively involved in development work and the planning and review of services. Commissioning and strategy documents demonstrate the council's significant commitment to expanding numbers of volunteers working in social care. There is some evidence of increasing numbers and effective use being made of the volunteers available, as demonstrated by the LAA, which promotes the role of local independent volunteer led older people's forums. The council seek feedback from some people who use services and their carers but this has not been rolled out across all services. There is evidence that feedback has been used to improve services.
- 38** The Council is 'adequate' at enabling people choice and control. From the first point of contact, some referral, assessment, care planning and review processes are resulting in delays for a significant number of people who use services. The rate of improvement noted in 2006/07 must be increased and sustained. A high number of assessments do not lead to a service being provided. Following assessment, people wait too long for care packages. The percentage of people receiving a statement of their needs and how they will be met is significantly below the average of similar councils. There is a good range of advocacy services for people with differing needs, although further development is required for people who misuse drugs. The provision of direct payments continues to demonstrate adequate performance and is below the average of similar councils, meaning people in East Sussex have less control over their lives and services than the Government expects.
- 39** The Council is 'good' at promoting freedom from discrimination or harassment. It has produced eligibility criteria for all their services and they are very clear. It has also improved the recording of ethnicity of adults who are assessed and those who receive services, although too many people still have their ethnicity as 'not stated'. Equality Impact Assessments are undertaken for new and changing services. Disabled people have been consulted about improving access to council services.

- 40 The Council is 'adequate' at promoting economic well-being. There are arrangements in place between The Council and its health partners to deal with difficulties arising from disputes over continuing care funding, although data was not consistently collected and therefore information on patterns of issues is not available. There is an increasing choice of pathways to meet diverse economic and employment needs, although there is little evidence to demonstrate that carers are supported so that they can continue in their employment or return to work. There are local partnership arrangements with both the Pensions Service and Age Concern to help citizens, including people who use service to maximise their income and avoid financial difficulties. This service is available for all services users who have or are about to receive care packages.
- 41 The Council is 'good' at promoting personal dignity and respect. The rate of referrals and completion of investigations of alleged abuse has increased and is relatively high indicating a high level of awareness by staff, care providers and the public. Most workers are aware of and routinely use a wide range of preventive support services and this has led to an increase in the reporting of incidence of abuse and neglect and a satisfactory closure to most cases. The Council has effective arrangements in place to assure privacy and confidentiality and is in line with the Data Protection Act.
- 42 The Council's capacity to improve is 'uncertain'. There is committed leadership within the directorate and across the council. Effective relationships have been established with key partners, and additional funding for Adult Social Care has been secured. Priorities for improvement have been identified with a well-structured programme of comprehensive and coherent strategies, business and action plans. The Council recognises that the scale of required improvement is significant. However, this approach has meant that the council has not delivered sufficient performance improvement in all of the critical areas.

### **Children and young people**

- 43 Overall the Council consistently delivers services for children and young people at an above average level. Children's services provided by the Council and its strategic partners are making a good contribution to improving the achievement and wellbeing of children and young people. The consultation with, and involvement of, children and young people is outstanding and contributes successfully to strategic planning and decision-making. Differences in key areas continue to be made and the capacity to improve further is outstanding.
- 44 There have been some notable improvements in the quality of services in 2007. For example, the Healthy School Standard target has again been exceeded. Although the proportion of students gaining five or more good GCSE passes has not significantly improved, schools and training providers are adding good value given the starting points of young people. The education and training outcomes for all vulnerable children and young people remain very good. Multi-agency collaboration is very well established and joint commissioning helps the authority ensure that children's services are responsive to need whilst also providing good value for money.

- 45 The Council has a strong track record in identifying areas of poor performance and successfully targeting support that leads to improvement. A very good example of this is the use of school-based data. However, in the recent joint area review the quality of data in some other areas was found to be variable, for example in youth services and health. Many of the council's priorities are targeted on equality and diversity issues, such as the challenges faced in areas of social and economic deprivation and the effects of rural isolation. Vigorous action continues to be taken to increase performance.
- 46 Financial management reflects the integration of services. As noted in the joint area review report, the energetic voluntary sector adds much to the capacity to improve outcomes for diverse groups, whilst also helping to provide funding. Partnerships are very well developed. Performance management and workforce capacity is good.

### **Youth offending inspection**

- 47 Overall the inspection found that most aspects of the services offered were adequate although work with parents/carers and outcomes of work with children and young people in the community were good. Operationally, management arrangements and quality assurance processes required developing to ensure consistency in effective practice. A comprehensive range of staff skills and interventions with children and young people were in place and the youth offending team (YOT) was viewed very highly by other agencies and partners. The YOT took pride in the service it delivered and both managers and staff showed a positive approach to addressing the matters identified.
- 48 It was concluded that the YOT is in a strong position to improve performance and deliver a sustained level of service over the forthcoming years and it was noted that the improvement arrangements were implemented shortly after the field work was undertaken in 2007.

## The audit of the accounts and value for money

- 49 As your appointed auditor, I issued an Annual Governance Report summarising the main issues arising from my audit of the Council's accounts for the year ended 31 March 2007 and presented it to the Governance Committee in September 2007. I have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
  - my report on the BVPP in December 2007 which confirmed that it has been audited. This report contained no matters that required communication to members.
- 50 My governance report invited members to amend the accounts for a small number of non material adjustments identified during the audit. Members took the decision not to amend the accounts. Many of the unadjusted misstatements related to fixed assets and arose in our view because no single person took ownership of the fixed asset register to ensure that it was maintained consistently with accounting policies. There was also insufficient focus on the accuracy of processes dealing with revaluations. We recommended that the Council should review the content of its fixed asset register to ensure that the capture of fixed asset information is sufficiently detailed to allow it to comply with future accounting requirements.

### Data quality

- 51 PKF as the incoming auditors assessed the Council's arrangements for ensuring data quality using a three stage approach developed by the Audit Commission. The work informed our value for money audit opinion and the opinion given on the Council's 2007 Best Value Performance Plan (BVPP). The assessment involved:
- reviewing the corporate management arrangements established for data quality and their practical application; and
  - the completeness of performance information contained in the BVPP.

**52** PKF concluded that the arrangements for securing the quality of data are performing well and the three sampled indicators tested were ‘fairly stated’ (unqualified). Some improvement opportunities were identified and reported including:

- further developing the Data Quality Policy and Strategy to include more detailed targets and objectives to drive a data quality action plan;
- developing a formal data sharing protocol for all partnerships and ensuring new and current partnerships adhere to its principles; and
- completing the process of ensuring all key systems have recovery plans in place.

### **Use of Resources**

**53** 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).

**54** For the purposes of the CPA we have assessed the Council’s arrangements for use of resources in these five areas as follows.

**Table 2 Use of resources scores**

<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)*

- 55 The Council has continued to maintain strong and sound core business and financial processes and in some areas further improved its arrangements. For example, financial management theme (improved rating from 3 to 4) and internal control. In both of these areas we identified elements that we consider are notable practice and included them in an Audit Commission database for other councils to learn from. The notable practices identified were as follows.
- Further improvements in the Reconciling Policy and Resources process have been achieved with the consideration of risks and cost pressures clearly taking place below the corporate management level. Additionally, three year portfolio plans are now in place to improve financial management in individual departments.
  - The use of a property evaluation tool which seeks to evaluate each of the Council's building against its objectives and improves the management of its properties and backlog maintenance plans.
  - Risk identification and management has become a routine part of the Council's budget setting process across all service areas.
  - The Council has a robust assurance framework to support the production of a corporate assurance statement which went beyond minimum requirements for a statement on internal control and strengthened governance arrangements generally.
  - Staff awareness of the Code of Conduct and the importance of the high standards of behaviour expected of them has been improved.
- 56 A report has been issued to the Council summarising our work and highlighting further opportunities to improve its arrangements.

## Financial outlook

- 57 As at the end of January 2008, the Council was predicting an overall net revenue under spend of £7.5m for 2007/08, equivalent to 3 per cent of the original net budget. At this stage four departments were anticipating under spends. The most significant related to children's services which totalled £3.3m, including £0.7m on the home to school hired transport, and £0.8m on school rate revaluation. An increase in expected income from treasury management operations of £2.8m, which arose from the Council's higher than expected cash balances coupled with the increase in interest rates.
- 58 The forecast for the 2007/08 capital programme was a £8.3m under spend as at January 2008 based on a plan to spend £44.5m in year. The variation included £2.4m for a delayed land purchase relating to the Council's Agewell scheme, £1.9m on Tideway, £1.1m on Grove Park, and £1.2m slippage on NGN. Each department profiles the expected payment streams by month, both actual and committed, the actual spend to January 2008 was £20.2m, and should current trends continue, the level of spend is on target to meet forecast outturn.



- 59** The government funding plans for the Formula Grant, which relates to revenue funding and is separate to specific funding of services such as the Dedicated Schools Grant (DSG), were set out in early 2008 and these give the Council increases above the floor level for the first time in five years. The Council's Formula Grant settlements set out for the three years starting 2008/09 are £93.8m £96.7m and £100.1m; which are increases (after base adjustments) of £2.8m (3.0 per cent), £3.1m (3.3 per cent) and £3.5m (3.6 per cent) over the previous years respectively. For 2008/09 the settlement is £2.4m more than its assumption of £0.4m and the Council has revised its spending plans in the light of this.
- 60** The Council recognises that despite the increase in the Formula Grant and the increases in other Government grants, there are ongoing risks to its spending plans both in 2008/09 and beyond. The areas of pressure continue to be in adult and children's services and waste management. The Council is aware of the need to manage the associated budgets effectively and it has a track record of doing so. It is also aware of the urgent need to address major infrastructure backlog pressures, such as the condition of many of the county's roads. The Council is maintaining its focus on the delivery of year-on-year annual efficiency savings programme that builds on its previous successes, and on opportunities to increase income from the fees and charges it controls. Another important issue for the Council's monitoring is the maintenance of reserve levels appropriate to its financial environment and it is noted that officers have stated recently that the level of general reserves, albeit set at a prudent minimum level, are sufficient to provide reasonable risk protection for the Council.

## **Additional services**

### **Review of equalities and diversity**

- 61** The Council is seeking to improve its corporate approach to equalities and requested a review of its current arrangements and progress which we reported in February 2007. The Council has a clear equalities and diversity policy statement which sets out a cross council approach. The Leader of the Council takes a lead role and senior staff express a strong commitment to equalities and diversity and there is ownership at departmental level. Nevertheless, some staff (who are committed to equalities work) interviewed during this work, feel unclear about the direction they should be going in, and whether there is full support for their work.



- 62 There is some good work going on in individual departments, but this is not consistent across all departments. Some departments' business plans, notably those for Adult Social Care and Children's Services, make a clear commitment to developing initiatives to support improving services to diverse groups and have completed and published the results of all initial equalities impact assessments (EIAs). The Children's Services Department has also completed and used EIAs in order to, for example, improve fair access to services. Other departments have a less ambitious approach, possibly reflecting later development of the EIAs and lower resource levels, as they do not have full time dedicated equalities posts. Each department generally works independently from others on promoting equality and diversity. Staff are very aware of the Corporate Equality Group and still speak of it as the potential driver for equalities work, but for this to be achieved, it needs to be re-energised with clear objectives.
- 63 The Council is aware of and is meeting its legal requirements in respect of equalities and diversity. It has implemented a single equality scheme to cover the requirements of the Race Relations (Amendment) Act 2000 and the Disability Discrimination Act 2005, the Sex Discrimination Act 1975 (amended 2001) and the Equal Pay Act 1970. There has been considerable progress to promote race equality work in schools and in social care. Further progress is needed to meet the Race Equality Scheme requirements. The Council has made good progress on the disability equality duty and has implemented a gender equality scheme.
- 64 We identified the following key areas to make progress:
- Chief officers management team to re assess whether it has set a clear and visible agenda for action across the Council;
  - encourage and promote cross departmental working; and
  - develop clear specific outcomes to measure progress.
- 65 Since our review the Council has charged its corporate performance group composed of assistant directors and supported by a new corporate policy officer to implement a more consistent approach to equalities and diversity.

## Looking ahead

- 66** 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.
- 67** 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.
- 68** 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

- 69 This letter has been discussed and agreed with Leading members and the Chief Officer Management Team. Copies need to be provided to all Council members.
- 70 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**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	May 2006
Annual governance report	September 2007
Opinion on financial statements	28 September 2007
Value for money conclusion	28 September 2007
Final accounts memorandum	October 2007
Corporate assessment report	October 2007
Annual audit and inspection letter	March 2008

- 71 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

- 72 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.

**Darren Wells**  
**Relationship Manager**

March 2008