

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

Date: **4 March 2009**

By: **Chief Executive**

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

Purpose of report: **To inform the Committee of the key findings of the Audit Commission's Annual Audit and Inspection Letter**

RECOMMENDATION:

Audit and Best Value Committee is recommended to note the report

1. Background

1.1 The Annual Audit and Inspection Letter is produced by the Audit Commission and draws together the findings from all the external audit and inspection work which has been carried out at the County Council over the past year. This includes the work that PKF carry out on our accounts and their assessment of our use of resources, the work of CSCI and OFSTED in Children's Services and Adult Social Care and the work that the Audit Commission carry out on our Direction of Travel. Sandra Prail from the Audit Commission will be present at the meeting.

1.2 The final report will be considered by Cabinet on 10 March. It is currently embargoed, pending the announcement of the final year's Comprehensive Performance Assessment (CPA) by the Audit Commission on 5 March.

1.3 Some of the annually reviewed scores which make up our CPA rating have, however been published. These are the ratings given by OFSTED and CSCI for Children's Services and Adult Social Care. The Council's score was 3/4 for both these service blocks. We can also calculate our scores for the Environment and Culture blocks of the CPA, as these are based on our outturns against a number of performance indicators. This gives us scores of 4/4 and 3/4 respectively. The only annually refreshed score which is not yet published is that for the Use of Resources which are embargoed until the 5 March and are confidential until then. There is, however, no reason to suppose that this score will be reduced from the 4/4 we received last year.

1.4 These scores, combined with the score we received for the Corporate Assessment in 2007 (3/4), would make East Sussex a "four star" authority.

2. Key Messages

2.1 The letter is generally positive, recognising that outcomes for local people are improving in our priority areas. The letter acknowledges the progress that has been made in adult social care and in economic development in particular, together with the positive contribution the Council is making to improving outcomes for children and young people.

2.2 There are, however, a number of areas in which further improvements are required. Key actions for the Council are identified as follows:

- Build on waste management arrangements and further develop partnership working to ensure buy-in to a joint approach to maximise efficiency and increase recycling;
- Remain focussed on the partnership road safety agenda;
- Build on the strengthened corporate approach to the equalities and diversity agenda to embed processes, harness good practice and further improve outcomes;
- Focus on improving educational attainment at key stage 4;
- Build on the steps being taken to further integrate VFM considerations into the Council's Reconciling Policy and Resources (RPR) process.

2.3 Action is in place on the issues identified as part of the RP&R process.

CHERYL MILLER
Chief Executive

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Local Members: All

BACKGROUND DOCUMENTS

None

Annual Audit and Inspection Letter

East Sussex County Council

Audit 2007/08

Date **March 2009**

DRAFT

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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 This letter provides an overall summary of the Audit Commission's assessment of East Sussex County Council for 2007/08 and to date. The key messages are as follows.
- 2 The Council is rated as (on a scale of 0-4 with four star being the highest) under the 2008 Comprehensive Performance Assessment (CPA) framework. Its annual direction of travel is assessed as 'xxxxx (on a scale of improving strongly, improving well, improving adequately, not improving adequately or not improving).
- 3 The Council can demonstrate that outcomes for local people are getting better in priority areas. There has been significant progress in adult social care services, improved economic prosperity in the most deprived areas and The Office for Standards in Education (Ofsted) has concluded that the Council is delivering a good contribution to improving outcomes for children and young people with outstanding capacity to improve. Educational attainment is improving well but the most recent results for key stage 4 remain below the national average. Significant progress has been made in agreeing a strategic approach to managing waste and the Council recognises that more needs to be done to increase recycling. The condition of the county's roads has improved slightly but the number of people killed and seriously injured on the roads remains high.
- 4 Partnership working is strong and improvement plans are implemented well. The Council is making it easier for vulnerable people to receive better services although equalities and diversity work needs to be developed further.
- 5 The way the Council uses its resources was scored x out of 4 (with 4 being the best score).
- 6 An unqualified opinion was given on the Council's accounts for the year ended 31 March 2008 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

- 7 Key actions for the Council are as follows:
 - Build on waste management arrangements and further develop partnership working to ensure buy-in to a joint approach to maximise efficiency and increase recycling;
 - Remain focussed on the partnership road safety agenda;
 - Build on the strengthened corporate approach to the equalities and diversity agenda to embed processes, harness good practice and further improve outcomes;
 - Focus on improving educational attainment at key stage 4;
 - Build on the steps being taken to further integrate VFM considerations into the Council's Reconciling Policy and Resources (RPR) process.

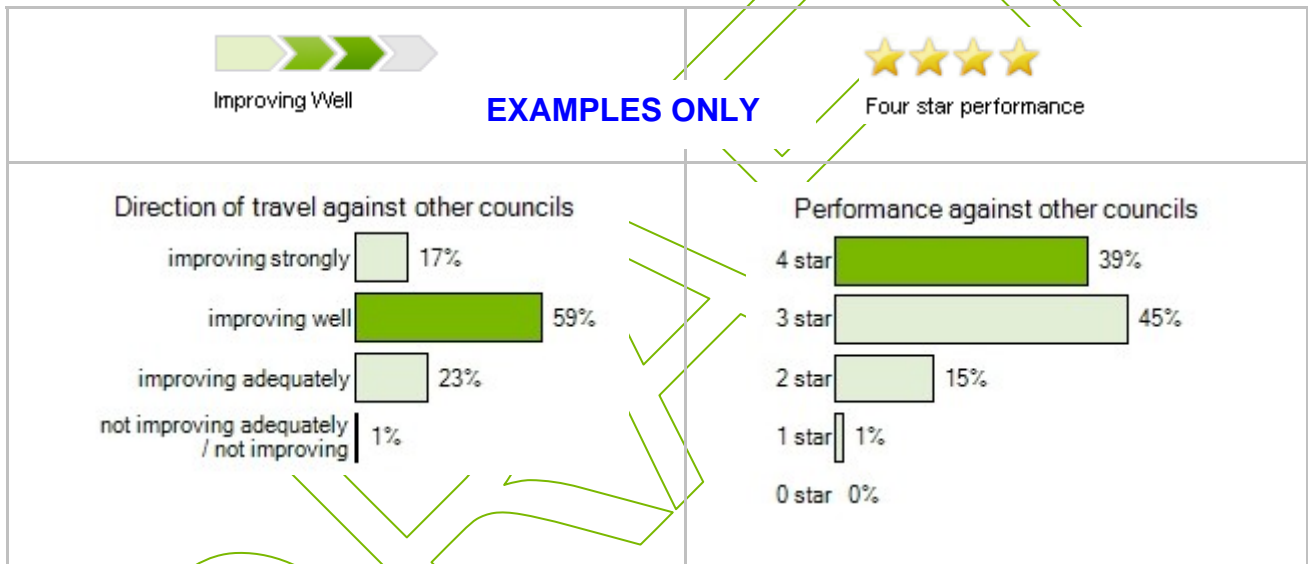
Purpose, responsibilities and scope

- 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. [In addition the Council is planning to publish it on its website].
- 11 Your appointed auditor (PKF) 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 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 East Sussex County Council performing?

14 The Audit Commission's overall judgement is that East Sussex County Council is xxxxx and we have classified the Council as [zero/one/two/three/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 Overall performance of councils in CPA



Source: Audit Commission

[Note: The relevant chart will be added by the Publishing Team based on the information given in paragraph 9. There is no need for authors to add the charts themselves].

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	
Overall	[category]
Corporate assessment/capacity to improve	out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007 [only include if CA rescored and previous score has been taken into CPA 2007]	out of 4
Current performance	
Children and young people*	out of 4
Social care (adults)*	out of 4
Use of resources*	out of 4
Housing	out of 4
Environment	out of 4
Culture	out of 4
Benefits	out of 4
Fire (relevant County Councils only)	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

- 15 The Direction of Travel label measures how well the Council is improving.
- 16 East Sussex County Council is improving well. Outcomes for local people in priority areas are getting better. Adult social care services have improved significantly with better outcomes in key areas such as reduced waiting time for a care package. Educational attainment is improving well though 2008 results are below the national average at Key Stage 4. A strategic approach to managing waste has been agreed, volume of waste buried in landfill sites is relatively low and reducing but more needs to be done to increase recycling. The condition of the county's roads has improved slightly but the number of people killed or seriously injured on the roads remains high. Violent crime is reducing slowly but remains relatively high. Economic regeneration schemes are progressing well with improved economic prosperity in the most deprived areas. The Council contributes well to wider community outcomes; partnership working is strong. The Council is making it easier for vulnerable or hard to reach

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groups to receive better services although equalities and diversity work needs to be developed further. It achieves good value for money. Capacity to improve is good. Improvement plans are robust and are being implemented well.

Performance of the Council as a whole

- 17 The overall direction of travel since last year is positive. The Council is improving outcomes in its priority areas which are set against challenging local circumstances - an ageing population, deprivation in coastal towns and a poor transport infrastructure all of which impact on the Council's relative performance and the health of the local economy. In 2007/08, the Council was rated the 45th most improved out of 388 authorities. 69 per cent of an Audit Commission basket of 68 2007/08 performance indicators (PIs) improved since last year which is above the average range for all county councils (63.7-68.3%). 18 per cent of PIs are in the best performing 25 per cent of county councils compared to the average of 29 per cent. Although below average, this is an improvement on last year when 13 per cent were in the best performing 25 per cent.
- 18 The Council continues to secure good value for money through its use of resources. Overall, service costs are low relative to other similar county councils and performance is continuing to improve in key priority areas.

The following paragraphs set out the extent of improvement in local priority areas.

- 19 Adult social care services are improving well. The Commission for Social Care Inspectorate (CSCI) star rating for adult social care has increased to two stars and its capacity to improve is rated as promising – a clear improvement on the 2006/07 assessment. 75 per cent of the Council's adult social care PIs (based on the Audit Commission's basket of social care indicators) have improved over the last year. This is above the average range of improvement for all county councils (58.3-71.7 per cent). However, only 13 per cent are in the best performing 25 per cent. The Council's own data for 2008/09 shows that performance is continuing to improve. The Council's adult social care rolling three year plan is realistic about what can be achieved, acknowledges that further improvements are still required and is delivering improved outcomes. For example during 2007/08: the percentage of new care packages for older people where waiting time was within standard has improved and is no longer in the worst performing 25 per cent of single tier and county councils; the percentage of new assessments of older people where waiting time was within standard has improved significantly from 63 per cent to 81 per cent; and over 1100 compliments were received about service delivery – up 23 per cent on the previous last year.
- 20 The Council is providing a good standard of services for children and young people. Ofsted has found that the Council makes a good contribution to improving outcomes for children and young people and delivered services which are consistently above minimum requirements. Educational attainment is improving well though 2008 attainment levels are still below the national average at Key Stage 4. The authority is working hard to secure better outcomes. For example, three underperforming secondary schools in Hastings have been working in partnership under the direction of an executive leader since April 2008 and are currently consulting on full federation.

2008 attainment levels have continued to improve across the county. The percentage of pupils gaining 5+ A*-C grades improved by four per cent to 62 per cent. This was the fastest ever rate of progress for the local authority. 46 per cent of pupils obtained 5+ A*-C grades including English and Maths - an improving trend and the same as the 2007 national average. At Key Stage 2, the 2008 level 4+ results in East Sussex are the best ever in English and Maths. There is an effective focus on reducing the attainment gap for children and young people from vulnerable and disadvantaged backgrounds. The Council has also had notable increases in the attainment of a significant number of looked after children and young people with positive trends in the foundation stage. The Council is actively developing adult learning and skills meetings its outcome targets as part of the Skills for Life Strategy.

- 21** Performance in relation to waste minimisation and recycling is improving. During 2007/08, 500.7 kg per head of waste was collected, a reduction in the volume collected the previous year placing the Council amongst the best performing 25 per cent of county councils. In the same year 32.84 per cent of waste was recycled or composted. This was an improvement on the previous year but still maintained the Council's position in the worst performing 25 per cent of county councils. The cost of waste disposal (£63.62 per tonne) is in the highest (ie most expensive) performing 25 per cent of county councils. During 2007, a joint waste management strategy was agreed in partnership with district and borough councils which is predicated on the principle of 'reduce, reuse and recycle'. Planning permission has been granted for an Energy from Waste Facility at Newhaven and new recycling and composting centres have been built. A Waste Directors forum has been set up across the county aimed at developing working arrangements and improving performance. The Council now needs to build on these arrangements and further develop partnership working to ensure buy-in from all organisations to a joint approach which will reduce costs and increase recycling.
- 22** The condition of the county road network has improved marginally over the last three years. The Council is implementing a programme of highways maintenance improvement schemes on the county's major and minor roads. The Council's targets for the percentage of principal roads, non-principal roads, unclassified roads and pavements where structural maintenance should be considered have all been achieved or exceeded. An additional capital funding investment of £0.5 million was allocated for road maintenance in 2008/09. This is funding for a programme of edge maintenance, surfacing and patching on approximately 12 km of predominantly B and C roads. However, unit costs remain high and the Council is responding by carrying out a whole services review to understand why this is and whether the geology of the area or other factors are playing a part. The Council will need to take appropriate action to maximise value for money and available funding for road improvements.
- 23** The number of people killed or seriously injured on the roads has increased steadily over the last three years and remains high relative to other single tier and county councils. 393 people were killed or seriously injured in 2006 an increase on the 353 and 343 in the two previous years. 14 per cent of all fatal or serious casualties occurred on the three per cent of the network for which the Highways Agency are responsible. The Council's own data for 2007 shows a reduced figure of 387. Poor driver behaviour, drink driving, excessive speed and the lack of dual carriageway, which has a better safety record than single carriageway roads, have all been implicated in the incidents; the county only has 11 km of dual carriageway. The

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Council is actively working in partnership through the Safer Sussex Roads Partnership launched in April 2007 to reduce fatalities and serious injuries. For example, a safer road campaign has been launched, traffic calming measures have been introduced and speed limit reviews carried out in villages. The Council needs to remain focused on the road safety agenda in partnership with other key organisations.

- 24 Violent crimes against the person have reduced steadily over the last three years but still remain relatively high. 15.58 violent crimes against the person (per thousand population) were recorded in 2007/08. Despite the reduction, the council has remained in the worst performing 25 per cent of county councils (ie most crimes) for the last three years. Total crime levels (ie those recorded by the police) show a 16 per cent reduction over the past four years. 2007/08 British Crime Survey data (relating to Sussex Police) shows a decrease in the percentage of people who have a high level of worry about violent crime to 8.17 per cent. This is below the regional and national average. The percentage of people who feel fairly or very safe outside during the day and at night is above the regional and national average. The Council has been working closely with partners through the Crime and Disorder Reduction Partnerships to achieve a joined up approach to tackling crime and the fear of crime. The Drug and Alcohol Action team has a robust commissioning strategy in place that is already contributing to a reduction in alcohol related violence associated with the night time economy in Hastings and Eastbourne. Non-violent crime is generally decreasing and levels compare favourably with other county councils.
- 25 The Council is working hard in partnership to regenerate the economy of the county. This is particularly evident in Bexhill and Hastings where over £300 million of inward investment is being brought into the area. The new University Centre at Hastings is growing and new businesses are being attracted to the area. Work is ongoing to create new homes, increase business space and improve transport links with a Bexhill Hastings link road. There is evidence of a narrowing of the gap in economic prosperity between the more prosperous and most deprived areas in East Sussex. Over the last three years the average household income in Hastings has increased by 18.4 per cent compared to an East Sussex average of 11.2 per cent. The Council is also successfully working in partnership to deliver the Newhaven Masterplan and in the Eastbourne and Hailsham areas to promote economic and physical regeneration. The Council recognises that the current economic downturn is likely to impact on progress.

Contribution of the Council to wider community outcomes

- 26 The Council is making a good contribution to wider community outcomes. The Council is a significant player in the East Sussex Strategic Partnership (ESSP) and a key contributor to 'Pride of Place' the sustainable community strategy. The inclusive and integrated cross tier nature of Pride of Place is likely to be highlighted as good practice by the Audit Commission in a national study to be published shortly. It is notable that the Council does not dominate ESSP proceedings enabling other groups especially from the third sector to voice issues and concerns. The Council is continuing to contribute well to the attainment of wider community outcomes. Quarter two reporting for 2008/09 identifies eight out of 12 LAA2 targets, for which the Council has direct responsibility, where progress is on target or being exceeded.

- 27 The Council is improving access to services and the quality of services for its citizens including those who are made vulnerable by their circumstances. For example: a three year project established to improve access to adult social care services for people from black and minority ethnic groups, gypsies and travellers is now in its final year. A unique event in 2008 called 'What are we missing' was held specifically for these groups of people; in 2007/08 the Council has increased the number of people with learning disabilities to access work; engagement with the East Sussex Seniors association is helping to shape services; and access to services for vulnerable groups is improving. In the year to October 2008, the number of households receiving intensive home care has increased from 827 to 1112 and the number of adults with learning disabilities helped to live at home has increased from 674 to 744. Services to carers increased by seven per cent from April - December 2008, an increase from 1790 to 1920.

Sustaining future improvement

- 28 The Council has a robust focus on improvement. The annual Reconciling Policy and Resources process shows a good understanding of performance issues, demonstrates an honest self-awareness and sets out clear plans for improvement. Performance management is sound; there is quarterly monitoring of council plan policy steers and PIs including LAA targets is robust. The issues raised in previous audit and inspection letters have been addressed. For example, over the last year there has been a focus on transport through a passenger transport review and a community transport strategy is in development. Communication and feedback mechanisms have also improved.
- 29 The Council has good capacity to improve and deliver its plans. The CSCI annual performance assessment concluded that the Council's capacity to improve is promising. There is effective leadership and direction within the Adult Social Care Directorate, resulting in a shared vision and sharply targeted priorities for improvement, which are understood within and beyond the organisation. The July 2008 CSCI inspection of safeguarding and preventative services concluded that capacity to improve was good. The Ofsted annual performance assessment concluded that the Council has outstanding capacity to improve the overall effectiveness of children's services. This is built on appropriate ambitions for children and young people, strong and well informed leadership, rigorous systems for scrutiny and financial management and effective cooperation between partner agencies both at a strategic and operational level. The Council is building capacity effectively by redirecting funds to priority areas. For example in 2007/08, five per cent of additional funding was redirected to adult social care and 2.5 per cent was redirected to waste management. Sickness absence continues to improve and remains in the best performing 25 per cent of councils nationally.
- 30 Partnership working remains strong, is helping to build capacity and is having an impact on outcomes. The Leader's introduction to the council plan stresses the significance of service improvement through partnership working and there are numerous examples of this in practice. For example, joint working with the two East Sussex Primary Care Trusts (PCT) has been successful in developing service user commissioning strategies and the jointly commissioned Strategic Needs Assessment. Joint working has also been developed with the five district and borough councils co-

Equalities and diversity

- 31** The Council's approach to equalities and diversity is developing but there is more work to do. The Council has adopted a high level strategic approach to ensuring the equalities and diversity agenda is addressed. The Council remains on level 2 of the equality standard (the national average). The Equalities and Diversity scheme 2006 provides a solid framework which is updated annually by a statistical appendix; departmental action plans provide more detail and context. For example, the adult social care equalities and diversity improvement plan (2007-10) includes targets on improving knowledge of adult social care services amongst BME people and Gypsies and Travellers in the county, and increasing BME access to services through the BME Engagement Project. Additional investment in recent years has resulted in the percentage of buildings accessible to people with a disability increasing significantly, however performance remains below the county council average. Funding is now focused on broader accessibility issues and improvements in the percentage of accessible buildings will only result from planned changes in the property portfolio. . The Council is strengthening its approach to equalities and diversity by designating the Assistant Director Performance group as the high level forum for co-ordinating best practice across the council. An officer is being recruited to support the work at a corporate and cross-cutting level. The Council has also agreed to be a pilot authority to test a new equalities scheme which is being developed by IDeA. The Council needs to use the opportunity of a strengthened corporate approach to the equalities and diversity agenda to embed processes, harness good practice and further improve outcomes.

Service inspections

- 32** 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:
- Ofsted made its annual assessment of services for children and young people in December 2008;
 - CSCI made its annual judgement on the quality of adult services in October 2008;
 - In July 2008 CSCI published a service inspection report concerning safeguarding adults whose circumstances make them vulnerable and delivery of preventative services focussing on service for older people.

Children and young people

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The overall effectiveness of services for children and young people was judged by Ofsted as a 3 (out of 4 with 4 being the highest) and the capacity to improve, including the management of services for children and young people was rated as a 4 (on a similar scale).

Areas for judgment	Grade awarded
Overall effectiveness of children's services	3
Being healthy	4
Staying safe	4
Enjoying and achieving	3
Making a positive contribution	4
Achieving economic well being	3
Capacity to improve, including the management of services for children and young people	4

Inspectors make judgements based on the following scale 4 : outstanding/excellent; 3: good; 2 : inadequate; 1 : inadequate .

Adult social care

- 33 CSCI judged that the Council delivered ' good' outcomes as a result of services offered and that it has ' promising' capacity for future improvement. The assessment is summarised as follows:

Areas for judgment	Grade awarded
Delivering outcomes	Good
Improving health and emotional well being	Good
Making a positive contribution	Good
Increased choice and control	Good
Freedom from discrimination and harassment	Good
Economic well being	Good
Maintaining personal dignity and respect	Adequate
Capacity to improve (combined judgement)	Promising
Leadership	Promising

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Areas for judgment	Grade awarded
Commissioning and use of resources	Promising

- 34 The CSCI service inspection published in July 2008 concluded that the Council's performance in safeguarding was adequate, that delivery of preventative services was good and that capacity to improve was promising.

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- 35** Your appointed auditor has reported separately to the Governance Committee on the issues arising from their 2007/08 audit and have 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 30 September 2008: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 36** At the time of drafting this letter the audit has not been formally closed as local electors have raised two objections in respect of items included within the statement of accounts. The objections concern:
- the achievement of value for money by the Council in relation to the Energy from Waste facility: and
 - the lawfulness of the expenditure by the Council in respect of the implementation of controlled parking zones in Eastbourne and whether value for money was achieved.
- 37** It is hoped to conclude the work in respect of these complaints shortly.

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 we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

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

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

40 Our overall assessment is the Council performs well above the minimum requirements specified by the Audit Commission in its use of resources. It has secured a level x out of 4' in terms of the Audit Commission's scoring methodology. This is the same overall score secured by the Council in 2007 and there are no areas covered by our judgements which showed a deterioration compared to 2007. The key issues arising from the work are shown below.

Financial Reporting

41 The Council has good arrangements in place for preparing and publishing the annual statement of accounts. No material errors were identified in the 2007/08 accounts presented for audit, although there were some errors which were more than trivial. The working papers provided in support of the accounts were in line with requirements and the follow up of audit queries was generally good. Scrutiny of the financial statements is good, with the Committee review being supported by a paper that provides an explanation of the accounts, including the main issues, and also provides members with budgetary information to allow them to put the accounts into context.

42 The Council is committed to promoting external accountability, with its accounts, Annual Audit Letter and Committee papers available on the website. Steps have been taken to obtain details from stakeholders of what they would want to see in an annual report, using this to help produce the information sent to all residents of the County. The annual report could have been a better integrated document, by ensuring it provided improved commentary on a select range of the performance indicators and better integration with the financial information it includes.

Financial Management

43 The overall financial management arrangements within the Council are well developed, with the Reconciling Policy and Resources (RPR) approach ensuring there is a strong medium to long term financial strategy process that is embedded and integrates strongly with the corporate and service planning processes. The RPR process has

previously been recognised as notable practice, and as there has been further improvement it has again been submitted as such to the Audit Commission.

- 44 Budget setting and monitoring processes are considered to be strong and as the Council continues to have strong financial management processes that build on the work performed under the RPR process. There is regular reporting of financial and non-financial information, analysis of variances and identification of appropriate actions where these need to be managed.
- 45 The Council has effective arrangements in place to manage its assets and uses data to support property decision making processes that include strategic asset management plans for services that link to business plans and service needs and inform the corporate plan. There is also a five year property accommodation strategy to reduce revenue expenditure and liabilities and working closely with partners to manage the asset base. Management of the asset base is being integrated with partners with a view to improving the management of the entire portfolio.

Financial standing

- 46 The Council continues to manage its spending within the available resources and has well developed arrangements to maintain proper financial standing. Although there are some small overspends, the structure of the reconciling policy and resources framework, and the ongoing financial management, help ensure these are minimised and well managed. The Council has continued to improve its processes to support the generation of income and subsequent debt recovery, and has adopted a new policy, which has included setting medium term income targets within the medium term plans for departments, which is already having an impact.
- 47 The Council is aware of the current financial outlook and the potential difficulties that lie ahead in light of the economic situation. Action has been taken to manage the current financial position and the net position in the most recent budget monitoring amounts to an underspend of £3.06m (less than 1 per cent of the net revenue budget).

Internal control

- 48 The Council has established strong systems of internal control to manage its significant business risks, with the strategy being subject to regular review and update. There are regular progress reports on risk management taken to members and the impact of risks linked through to both corporate and service objectives and the RPR process. The process also considers the risks in relation to the significant partnerships with which the Council is involved.
- 49 There is a detailed framework in place to assist the Council in maintaining a sound system of internal control, including an effective internal audit function. There is also prompt action taken to address identified weaknesses, together with annual reviews of the effectiveness of the system of internal control, and an assurance framework, all of which supports the disclosures made with the annual governance statement. The statement has been reviewed and approved by the Audit and Best Value Scrutiny Committee alongside the annual accounts.
- 50 The Council has strong arrangements in place to ensure probity and propriety in the conduct of its business. These include the continued work to promote an anti-fraud

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and corruption culture, appropriate fraud and whistle-blowing policies, which have been recently updated, and there is a detailed process in place to ensure complete involvement with the NFI data matching process, together with subsequent review and follow-up of issues arising from that process,. The Standards Committee is working well and its responsibilities have been updated in the light of the Government's guidance.

Value for money

- 51 Overall the Council's level of expenditure remains below the average when compared to other county authorities. There are number of noted higher areas of expenditure per head, such as social care and elements of education, whilst the Council has low expenditure in transport and culture. Current costs are largely commensurate with service delivery and performance and the Council has continued to work to improve key areas like children's services and adult social care services, this being reflected in inspection reports and in the Corporate Assessment.
- 52 Although there are few stand out areas of very good performance, given the demographic factors that exist the Council has avoided areas of significant poor performance and achieves this with generally low expenditure. While overall the Council has shown performance indicator improvement just above the average range for all counties and has therefore improved its position overall, the percentage of performance indicators in the best 25 per cent is well below the average.
- 53 The Council's RPR process is continually developed and incorporates consideration of risks and cost pressures below the corporate management level, ensuring it captures the breadth of planning from policy steers, the Council plan, service plans through to individual targets. Monitoring (through RPR, and Scrutiny) is good and the Council can evidence appropriate levels of challenge, including challenge by members.
- 54 There is regular analysis of performance data that also considers case studies of improvement. There is much more scope to develop direct analysis of VFM across all services and to embed greater use of trend analysis as part of the RPR and service planning process and more strongly embed VFM within RPR.
- 55 Procurement arrangements are strong and have delivered some sizeable savings and the Council is significantly ahead of target to deliver its efficiencies, principally in adult social services. A sound procurement strategy exists supported by a steering group and procurement team and the strategy is focused on driving good practice within the Council, although there would appear to be scope to develop further procurement opportunities and processes with other public bodies.
- 56 In general, partnership working is a strength of the Council, reflecting its leadership of the Community Strategy and development of regeneration for the area. There is a history of significant levels of external funding being generated to contribute to regeneration and this continues to be sought to match strategic priorities.

Data Quality

- 57 The Council's management arrangements for securing data quality are effective and your auditor has again judged the Council to be performing well and above the

minimum standards specified by the Audit Commission. In 2008, two performance indicators were reviewed in detail:

- BVPI 165 (pedestrian crossings)
- C13 (cost per library visit).

58 Your auditor confirmed the accuracy of both indicators.

DRAFT

Looking ahead

- 59 The public service inspectorates have jointly 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.
- 60 CAA will have two main elements which will inform each other. Area assessments will look at how local public services are delivering better results for local people in local priorities and how likely they are to improve further. Organisational assessment will look at the effectiveness of individual public bodies. For councils and fire and rescue authorities this will combine use of resources and managing performance themes into a single combined assessment.
- 61 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

DRAFT

Closing remarks

- 62 This letter has been discussed and agreed with [leading members and] the Chief Officers Management Team. A copy of the letter will be presented at the Audit and Best Value Scrutiny Committee on 4 March 2009 and Cabinet on the 10 March 2009. . Copies need to be provided to all Council members.
- 63 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 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Annual audit and inspection letter	March 2009

- 64 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

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

Sandra Prail
Comprehensive Area Assessment Lead (Sussex)

Date