

# Annual Audit Letter

Rushcliffe Borough Council

Audit 2008/09

December 2009



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## Status of our reports

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

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

**This report summarises the findings from my 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit opinion and financial statements

- 1 I have given an unqualified opinion on the financial statements; the draft statements were changed to correct two errors.

## Value for money

- 2 I have also given an unqualified value for money conclusion as you have adequate processes in place to manage and use your resources.

## Organisational assessment

- 3 Rushcliffe Borough Council performs excellently overall. People in Rushcliffe are more satisfied with the area as a place to live than nearly any other English district with over 92 per cent of residents satisfied. More residents than in most districts are satisfied with the Council itself with 73 per cent of people satisfied.
- 4 You are working effectively to address the issues that matter most to local people and the Borough is one of the cleanest nationally. You have developed more activities and facilities for young people and as a result there is less antisocial behaviour. These improvements are recognised by local people. Residents are very satisfied with your role in keeping the area clean and public perceptions of anti-social are amongst the lowest in England. Your finances are well managed and you deliver good value for money.

## Financial standing

- 5 The last year has seen the country enter a significant economic recession. The consequence locally is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 6 During the year you have:
  - responded to changing demand for services and kept your spending within funds available;
  - have allocated funds enabling you to promote specific Council schemes designed to help local residents and businesses through difficult economic time; and
  - updated your Treasury Management Policy Statement in responding to the collapse of Icelandic banks and the economic climate.

- 7 The impacts of the recession will continue to present a challenge in the coming financial year and you will need to continue to closely monitor both financial and operational performance. Timely and robust action may be needed to ensure continued financial stability and this may involve difficult decisions. I will continue to monitor your response and actions in this key area.

### Looking to the future

- 8 It is clear that the achievements that you have delivered during 2008/09 are the result of the successful delivery of medium to long-term plans and strategies with the support, and were necessary, appropriate challenge from elected Members. A key challenge that you face will be to maintain this level of service delivery and public satisfaction in the face of the most severe economic downturn for over 50 years. It is important that you continue to plan and manage your services with a view to the medium and long term to ensure the continued success of Rushcliffe Borough Council. And, in support of this, elected Members will continue to have an important role in formulating, monitoring and making potentially complex and difficult decisions to ensure Rushcliffe remains a good place to live and at the forefront of innovative approaches to service quality.

### Audit fees

- 9 I have been able to deliver the audit within the fee agreed at the start of the year as summarised below

**Table 1      Audit fees**

	<b>Actual £</b>	<b>Proposed £</b>	<b>Variance £</b>
Financial statements and annual governance statement	64,200	64,200	Nil
Value for money	24,600	24,600	Nil
<b>Total audit fees</b>	<b>88,800</b>	<b>88,800</b>	<b>Nil</b>

### Independence

- 10 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which you account for your stewardship of public funds.**

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## **Significant issues arising from the audit**

- 11** I issued an audit report including an unqualified opinion on the financial statements on 30 September 2009. The financial statements presented for audit required one material amendment which was agreed with officers.
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## **Material weaknesses in internal control**

- 12** I did not identify any significant weaknesses in your internal control arrangements.
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## **Accounting Practice and financial reporting**

- 13** I considered the qualitative aspects of your financial reporting and have not identified any significant issues I wish to report to you.

# Value for money and use of resources

I considered how well you are managing and using your resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether you have put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in your use of resources. This is known as the value for money (VFM) conclusion.

## Use of resources judgements

- 14** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 15** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 16** Your use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

**Table 2** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	3

- 17** You score 3 out of 4 for Use of Resources. You manage your finances well and resources are clearly allocated to deliver priorities. Services are good value for money and an understanding of local need means that services are available where they are most needed.

## Value for money and use of resources

- 18 You govern yourself well and use reliable data to inform decision making. Staff at all levels are participating in training and development activity and you have good plans to develop and deploy your workforce to best effect. Surveys show that staff are motivated and feel positive about the Council as an employer. Levels of staff sickness are amongst the lowest in the country.

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### VFM conclusion

- 19 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 20 I issued an unqualified conclusion stating that you have had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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### Financial standing

- 21 I have also considered your financial standing and response to the economic downturn.
- 22 You have looked at how the recession has made an impact on your services, local businesses and residents. You have:
- reviewed your budget responding to the changing demand for services;
  - have allocated funds enabling you to promote specific Council schemes designed to help local residents and businesses through difficult economic times; and
  - reviewed your Treasury Management Policy Statement responding to the collapse of Icelandic banks and the economic climate.
- 23 During 2008/09 the Council had a:
- general fund surplus of £213k (1.8 per cent of the gross budget); including a carry forward of £120k surplus from 2007/08; and
  - capital underspend of £572k (11.8 per cent of the gross budget) on schemes, this plus savings achieved in 2008/09 have enabled £926k to be carried forward to 2009/10.
- 24 In 2009/10 you are forecasting an overall surplus of £152k and your financial position is being kept under review through your budget monitoring arrangements. You have a record of sound financial management and have reduced the adverse impact of the reduction in income from investment interest through the use the interest equalisation reserve.
- 25 You will need to continue to closely monitor both financial and operational performance throughout 2009/10 and beyond. Timely and robust action may be needed to ensure continued financial stability and this may involve difficult decisions.

# Organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well you manage your performance to come to an overall assessment for the Council. This is known as the organisational assessment.

- 26 Comprehensive Area Assessment, or CAA, is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council within the CAA.
- 27 The organisational assessment brings together the use of resources judgement with the managing performance assessment. Overall you perform excellently. People in Rushcliffe are more satisfied with the area as a place to live than nearly any other English district with over 92 per cent of residents satisfied. More residents than in most districts are satisfied with the Council itself with 73 per cent of people satisfied.
- 28 You are working effectively to address the issues that matter most to local people and the Borough is one of the cleanest nationally. You have developed more activities and facilities for young people and as a result there is less antisocial behaviour. These improvements are recognised by local people. Residents are very satisfied with your role in keeping the area clean and public perceptions of anti-social are amongst the lowest in England. Your finances are well managed and you deliver good value for money.
- 29 There is a difference between the scores for managing performance and use of resources. We have rated Rushcliffe Borough Council as 'performing excellently' overall because of the high level of public satisfaction in areas that are most important to local people such as community safety and cleanliness.

**Table 3**      **Organisational assessment**

Managing performance	4 out of 4
Use of resources	3 out of 4

## Organisational assessment

- 30** Rushcliffe scores 4 out of 4 for managing performance. The Authority ambitious with a strong sense of direction in shaping local services and places, and your ambitions are well understood by councillors, council officers, partners and residents. Housing growth is a major issue in Rushcliffe with 15,000 new homes planned for the next 20 years. You are actively and innovatively engaging with communities about potential new housing developments. A high percentage of residents feel they can influence local decisions.
- 31** You work effectively with partners to make the area clean and safe. A very high percentage of local people feel that the area is well kept. Rushcliffe has one of the highest levels of recycling and composting in England. It is one of the safest areas in Nottinghamshire. Crime has reduced significantly in recent years and is now low compared to similar areas in England.
- 32** Rushcliffe residents have a strong sense of community. Over 86 per cent of local residents feel that the area is a place where people from different backgrounds get on well together. This is one of the highest ratings in the country. There are low levels of antisocial behaviour, and public perceptions that people do not treat one another with respect and consideration are also low in Rushcliffe.

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# Closing remarks

- 33** I have discussed and agreed this letter with the Chief Executive and the Deputy Chief Executive. I will present this letter at the Corporate Governance Group on 24 February 2010 and will provide copies to all committee members.
- 34** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 4**

Report	Date issued
Audit Plan	June 2008
Annual Governance Report	September 2009
Opinion and Certificate	September 2009
Organisational Assessment	December 2009

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- 35** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

John R Cornett  
 District Auditor  
 December 2009

# Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

## Managing finances

<b>Theme score</b>	<b>3</b>
Key findings and conclusions	
The Council has good arrangements for managing its finances to deliver value for money.	
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>The Council has good arrangements for planning its finances to deliver its strategic priorities and secure sound financial health.</p> <p>The Council has well integrated financial, strategic and service planning.</p> <p>The annual budget and Medium Term Financial Strategy project resources available to deliver priorities over five years.</p> <p>The Council has a good record of meeting its financial plans.</p> <p>There has been extensive consultation and engagement with stakeholders and local people have influenced priorities and resource allocation.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>The Council has adequate arrangements for understanding its costs and performance and achieving efficiencies in its activities. You have clear information on costs including transaction and unit costs. Benchmarking is carried out and cost and performance information is being used to support decision making. The financial and service planning process is used to identify good levels of efficiency savings.</p> <p>The Council actively seeks new and innovative ways of delivering services. Despite the Shared Services project not going ahead the Council is seeking to deliver new efficiencies through the Fit for Purpose projects. This will build on the information identified through the original project and using benchmarking and other reviews will lead to a series of initiatives, ultimately leading to outcomes of service improvements, greater customer satisfaction, savings/efficiencies and greater capacity, however the project is at an early stage and outcomes have not yet been delivered.</p>	
<b>KLOE 1.3 (financial reporting)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>Financial monitoring procedures are good, they are linked to performance information and support decision making.</p> <p>The Council has a record of producing quality accounts on time with good working papers.</p> <p>The audited accounts and Annual Audit Letter are made available through the Council's website.</p> <p>The Council has developed effective and accessible communications which provide objective and balanced assessment of its activities, achievements and financial performance. Recognition of good practice in respect of both internal communications and the resident newsletter was through the 2008 Excellence in communications awards of the Chartered Institute of Public Relations (CIPR) Local Government Group.</p> <p>The role of the Corporate Governance Group is well established.</p>	

## Appendix 1 – Use of resources key findings and conclusions

### Governing the business

<b>Theme score</b>	<b>3</b>
Key findings and conclusions	
The Council has good arrangements for governing itself and commissioning services that provide value for money and deliver better outcomes for local people.	
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>The Council has performs well in the commissioning and procuring quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money. It has redesigned services improving efficiency, accessibility for customers.</p> <p>The Council has a good understanding of the inequalities and diversity of its local communities. An independent review of its approach to equalities and diversity found that the Council delivered good services to local people including addressing the needs of people in isolated rural communities and engagement with young people.</p> <p>The Council is proactive in seeking new ways of delivering services and has effective arrangements for evaluating procurement options. Consideration is given to a wide range of options including internal and external suppliers, the voluntary sector and issues around the impact on workforce and the potential for joint purchasing.</p>	
<b>KLOE 2.2 (data quality and use of information)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
<p>The Council produces relevant and reliable data and information to support decision making and manage performance.</p> <p>The Council has good arrangements for producing performance data. Key data systems are well controlled and secure. There are corporate targets for managing performance which are aligned with strategic objectives and priorities The Council has developed its reporting of information over time and has different styles and mechanisms to suit the many different audiences. Performance clinics are used to monitor performance of services with clear, useful information such as performance against targets and comparisons against national indicators as well as progress on projects and whether they are achieving desired outcomes.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 2.3 (good governance)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has good arrangements for promoting and demonstrating the principles and values of good governance. The Council clearly sets out individual roles and responsibilities in relation to governance. It has adopted codes of conduct for members and staff which are reinforced with routine training. Significant partnerships have been identified and service level agreements set out clearly the governance arrangements that ensure a clear focus on how the partnership will deliver better outcomes for local people. There is a partnership framework to support partnership working and the ethical code and governance arrangements extend to partnerships. This is important as a large proportion of service delivery is through partnership working.</p>	
<p><b>KLOE 2.4 (risk management and internal control)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Council has adequate arrangements to manage its risks and maintain a sound system of internal control. Recognition of the need to improve the arrangements for reviewing and updating the register of corporate and business risks led to the appointment of a specialist officer in October 2008. There is a counter fraud and corruption strategy and a whistle-blowing policy. The system of internal control is underpinned by an internal audit function that meets CIPFA standards and is supported by an effective scrutiny group (Corporate Governance Group) which undertakes the functions of an audit committee.</p>	

## Appendix 1 – Use of resources key findings and conclusions

### Managing resources

<b>Theme score</b>	<b>3</b>
Key findings and conclusions	
The Council has good arrangements for planning, organising and developing its workforce to support the achievement of its strategic priorities.	
<b>KLOE 3.3 (workforce planning)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions	
The Council has a productive and skilled workforce it also has a good understanding of current skills gaps. The People strategy 2008-2011 provides a clear view of the human resource requirements for the Council and how the workforce is developed, including the impact of attracting diverse communities into the organisation. There are robust arrangements in place, based upon a skills audit, to ensure the Council plans and develops its workforce effectively to deliver corporate priorities. The annual level of sickness has improved in recent years and is now amongst the lowest in the country.	

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# The Audit Commission

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

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

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

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