

# Annual Audit and Inspection Letter

Melton Borough Council

Audit 2007/08

March 2009



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## Status of our reports

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

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

- 1** The Council is successfully delivering improved outcomes in most areas that matter to residents in Melton. Improvements continue to be made in services for younger people, reductions in anti-social behaviour, provision of affordable housing, upgrading of Council housing stock to the Decent Homes Standard, and increasing recycling. Work on community safety includes some innovative work with partners on reducing re-offending and a Family Intervention Project. However, progress in making the area cleaner is slow.
- 2** Despite the major distraction of a fire destroying the main Council offices, improvement is being sustained. Existing improvement plans are mostly delivered and future plans for improvement are now being put in place.
- 3** The Council is working co-operatively with partners including the County Council, but progress with developing shared service delivery remains slow.
- 4** The appointed auditor was able to give an unqualified opinion on the Council's 2007/08 financial statements. The appointed auditor also provided an unqualified conclusion on the Council's arrangements to secure value for money.
- 5** The Council was able to achieve a score of 3 ('performing well') in its Use of Resources assessment. This score has been carried over from the preceding year as part of an exceptional 'light-touch' approach agreed between the Comprehensive Area Assessment (CAA) Lead, external auditor and the Council following the major fire which devastated the Council offices in May 2008.

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## Action needed by the Council

- 6** Ensure a clear focus on improving weaker areas of service, particularly those that impact directly on the quality of life of residents.
- 7** Continue to make progress in working collaboratively with the County Council to provide more joined-up service delivery for residents and increased efficiencies.
- 8** The new CAA and Use of Resources regime in operation from 2009 will pose significant challenges for all local authorities. The Council will need to be able to demonstrate successful outcomes against a range of criteria, some of which will be new areas.
- 9** The economic downturn is likely to have a significant impact upon the Council's medium term financial position. This will need to be closely monitored by the Council.

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# Purpose, responsibilities and scope

- 10 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.
- 11 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.
- 12 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).
- 13 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 14 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.
- 15 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

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# How is Melton Borough Council performing?

**16** Melton Borough Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. Melton Borough Council has not applied to be re-assessed. The following chart is the latest position across all district councils.

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**Figure 1 Overall performance of councils in CPA**



Source: Audit Commission

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

#### What evidence is there of the Council improving outcomes?

- 17** Melton Borough Council continues to make positive progress in achieving the priorities determined through consultation with the public and key stakeholders. The priorities are as follows.
- Create a community that feels safe by reducing crime and the fear of crime.
  - Help provide a stock of housing accommodation that meets the needs of the community, including the need for affordable housing.
  - Develop and sustain a competitive and successful local economy.
  - Enhance the vitality and viability of Melton Mowbray town centre.
  - Reduce traffic congestion.
  - Enhance the rural character of the Borough.
  - Support and develop young people to encourage a positive contribution to the well-being of the Borough.
  - Provide a cleaner and greener environment.
- 18** In partnership, the Council continues to reduce crime and support the needs of younger people. A strategic assessment of the Community Safety Partnership has led to the publication of a new Community Safety Plan. This plan details four main priorities and three cross cutting priorities to deal with crime in the Borough. In partnership with Leicestershire County Council, the Council is investing in opportunities to divert people from crime through building two new Children's and Community Centres in priority neighbourhoods which include crime hotspots. Working with the East Midlands Prison service and Leicester Prison, the Council has developed an innovative pilot project to reduce re-offending. Other good examples of working differently include the Family Intervention Project, CCTV in the priority neighbourhoods and more pro-active use of the Council's own detached youth worker. This has contributed to a 5 per cent reduction in anti social behaviour in the last 12 months and an overall reduction in crime of 9 per cent since baselines were set in 2003. The Council is demonstrating a willingness to take a longer term view in tackling difficult problems, the full benefits of which may not always be seen in the short-term. This work is helping to make the Borough a safer place to live and work for today's residents and also for the future and is increasing access to Council services for those in most need.

## How is Melton Borough Council performing?

- 19** Progress continues to be made to meet housing needs. Against a target for meeting the Decent Homes Standard of 100 per cent of properties by 2010, recalculations of those homes at decent standard shows the Council at 90 per cent, and plans are in place to complete the remaining 10 per cent. In partnership with housing developers and housing associations 52 new affordable homes were built in the Borough in 2007/08. Future housing needs are now supported by a revised Affordable Housing Policy requiring 40 per cent of new build of 6 or more dwellings to be affordable standard, with financial contributions from smaller developments. This is improving the Council's housing stock and ensuring future housing needs are met.
- 20** Economic development activities are supporting the needs of the economy and local business across the Borough. Through research the Council has a clear understanding of the needs of local businesses. A new Economic Development Strategy shows a need to improve the skills of workers and encourage more high tech, higher paid industry to the area. The strategy is currently being reviewed to ensure an appropriate response to the economic downturn. In partnership clear efforts are being made to improve skills with delivery of a specific business workshop on skills and training as well as better employer engagement both in the main town and across the wider Borough.
- 21** The Council is taking action to respond to the current economic downturn. Through the Town Centre Partnership and in consultation with business, a revised Town Centre Action Plan is in place taking account of the present circumstances. Actions delivered include a Think Melton marketing campaign to encourage shopping in the town, thirty grants to improve shop fronts and securing £200,000 funding to improve the look and feel of Sherrard Street.
- 22** Success in making the Borough cleaner and greener is mixed. The rate of recycling rates has improved for the fourth year, and at 49.6 per cent is among the 20 best councils nationally. In response to public consultation through a recent door stepping campaign, the introduction of mixed plastics recycling is now in place at the three main recycling sites, although this is unlikely to increase recycling levels more than 1 or 2 per cent. However, although improving this year, performance indicators show that littering continues to be an issue for the Council. 18.5 per cent of the area is considered to be littered to a significant or heavy extent, among the worst performing of similar councils. Efforts to improve this include increased resources in priority areas to undertake 'Pride In' weeks with thorough cleaning of the whole area, sporting events, volunteering opportunities and adult education programmes.
- 23** The Council works well in partnership. In response to public demand it is fulfilling its responsibilities to enable a reduction in traffic congestion in Melton Mowbray. Through a Local Development Framework Core Strategy in January 2008, the relevant planning consultation for a possible bypass is being delivered in support of County Council proposals for 2016. Partnership working is enhancing the Council's ability to deliver future improvements.

- 24** The Council is making some progress in its approach to improving equalities and diversity. It has achieved level 2 of the Local Government Equality Standard, which is in line with most other councils. Equalities impact assessments are now in place for some services. The Council is active in local consultation forums to engage with new populations for example from eastern Europe and is working in partnership with the voluntary sector in a population mapping exercise so that it knows where its ethnic minority residents are in the Borough. Detailed action plans are in place for this area of the Council's work.
- 25** Overall performance of the Council as measured by Best Value Performance Indicators (BVPI) is good and improving for 2007/08. In the last year 61 per cent BVPI's improved, above average when compared to an all district average of 58 per cent. However, the percentage of BVPI's in the top 25 per cent of councils is below average the all district average of 33 per cent at 27 per cent.
- 26** The Council continues to provide adequate value for money. It has achieved a score of two (adequate) for the 2007/08 Use of Resources judgement for delivering economy, efficiency and effectiveness and Gershon efficiency savings targets of 2.5 per cent were exceeded in 2007/08. Resources are directed at priority areas identified through consultation and there are clear examples of better value for money emerging. For example, in response to recognition of the high cost of waste collection and against an all district council upwards trend, the Council has reduced costs in this area from £60.64 to £53.19 per household. This is positive considering recycling rates are amongst the top twenty councils. However, whilst the Council works co-operatively with partners, progress with developing shared service delivery remains slow.
- 27** In the last year progress has been made in more collaborative working with the County Council. The two councils have agreed a joint vision for the use of the planned new council offices following the fire last year. The plan is for these new offices to house a range of staff from key organisations including the County Council. The Council is also working collaboratively in the delivery of children's centres and manages early years provision for the County Council in the Borough. Children's Centres now provide access points for a range of services. Although in the last year there have been one or two instances of a lack of trust at the most senior levels between district councils and the County Council, improved trust and collaboration helps maximise the opportunities for improved services for residents, shared service delivery and efficiencies.

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### How much progress is being made to implement improvement plans to sustain future improvement

- 28** The Council is making positive progress implementing its improvement plans. In June 2007 an update following a Housing Landlord Services inspection shows all recommendations now delivered. Priority based improvement plans show progress for 2007/08. For example, through the younger people action plan, funding of £20,000 is in place to deliver after school activities at the new Children's and Community Centres, and three new youth clubs are now open in Fairmead, Egerton and South Melton, increasing services for younger people. However, it is clear from improvement plans that the concentration on the recovery from the fire has delayed the implementation of some actions.

## How is Melton Borough Council performing?

- 29** Future improvement plans are being developed despite circumstances. In May 2008 a fire destroyed most of the Council offices and significant paper records kept in this building. This event offered clear opportunities to change the way the Council delivers services and these changes are now being designed and developed. For example, the refurbished surviving part of the main Council office now houses half of the previous staff in one sixth of the previous space. This smaller open plan area is reducing costs and increasing interaction between teams. The Making Progress change agenda is refreshed and work is beginning to gather pace again. A renewed focus on customer service is clear through the Customer Services Transformation Programme. Despite the significant distraction of a fire rendering the Council buildings unusable, the delivery of services has continued with little negative affect on services received by the public.
- 30** Capacity to deliver further improvements to services is enhanced. Additional resource through a dedicated change team is now directed into the Council's change agenda and services are beginning to be re-designed with improved customer service as a clear focus. New working practices such as hot desking and home working are providing alternative capacity in the absence of office space as a result of the fire. The placement of customer service staff in the new Children's and Community centres is increasing capacity in these priority neighbourhoods to deal with residents needs more efficiently and effectively. Working in partnership with the County Council reworked grounds maintenance responsibilities are now clearer and resulting in greater capacity to improve the look and feel of residential areas. Overall, capacity is being put in place to enable the Council to refocus on delivering better services to the public following the fire.

# The audit of the accounts and value for money

- 31** Your appointed auditor reported to the Council's Executive Policy, Finance and Administration Committee on 25 September 2008 under International Standard on Auditing (ISA) 260 on the issues arising from the 2007/08 audit and provided the following.
- An unqualified opinion on your accounts.
  - An unqualified conclusion on the Council's.
  - Arrangements to secure economy, efficiency.
  - Effectiveness in its use of resources, which were deemed to be adequate.
- 32** In respect of the 2007/08 financial accounts, your appointed auditor reported that:
- there were no unadjusted misstatements that needed to be brought to the attention of Members;
  - there were no material weaknesses noted in the Council's accounting and internal control systems during the 2007/08 audit;
  - the Council's accounting performance continues to be of a reasonable standard; and,
  - there were no matters of irregular expenditure, fraud or misconduct, or poor standards of financial integrity that we need to bring to your attention.
- 33** There are no aspects of the appointed auditor's audit work in respect of the Whole of Government Accounts that need to be brought to your attention.

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## Use of Resources

- 34** 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).

## The audit of the accounts and value for money

35 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 – lowest, 4 = highest

- 36 The appointed auditor has concluded that the Council's overall assessment remains at level '3' ('performing well').
- 37 The 2009 use of resources assessment framework will be more demanding than previous use of resources assessments. It is broader in scope and embraces wider resource issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on considering outcomes for local people. It is particularly important to recognise that the key lines of enquiry are more strategic and focus much more explicitly than previously on value for money achievements rather than on processes. There is also more emphasis on the quality of data underpinning planning, decision making and assessing the effectiveness of services. Due consideration should be paid to the Audit Commission criteria that will be in place going forward and which are now available on their website.

### Data Quality

- 38 During the year the appointed auditor also completed an assessment of the Council's management arrangements in relation to data quality, in accordance with a methodology and guidance prescribed by the Audit Commission. In common with the work on Use of Resources, the assessment of data quality management arrangements has been carried over from the preceding year as part of an exceptional "light-touch" approach agreed between the CAA Lead, external auditor and the Council as a response to the fire.
- 39 The results of the assessment, which overall were satisfactory, were used to inform CPA, detailed work on data quality spot checks and the conclusion on the Council's Use of Resources in respect of performance information.

- 40** The assessment covered the following five themes relating to the following.
- Data quality.
  - Governance and Leadership.
  - Policies and Procedures.
  - Systems and Processes.
  - People and Skills.
  - Data Use.
- 41** In 2008 for the first time, testing of two performance indicators relating to Housing Benefit and Council Tax Benefit became mandatory for authorities who administer these schemes. A significant amount of work was performed in respect of these performance indicators. The result of the data quality spot checks was as follows.
- BV78a Average time for processing new claims for Housing and Council Tax Benefits – fairly stated.
  - BV78b Speed of Processing: change in circumstances for Housing and Council Tax Benefit claims – unfairly stated.

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### Financial standing

- 42** With regard to the Council's financial position, members have received a number of reports from officers. The following was reported to full Council on 4 February 2009.
- 43** Proposed 2009/10 General Fund service expenditure of £6.56 million (£6.46 million in the 2008/09 revised budget), an increase of less than 2 per cent. General Fund working balances of £0.69 million are envisaged to be maintained in 2009/10, in addition to a budgeted balance on the Housing Revenue Account of £0.25 million. Furthermore, general reserves are still expected of around £0.45 million for the year.
- 44** One of the major issues affecting the Council's finances is the current economic climate. The impact of this on the Council's financial position is starting to be felt with income for planning fees, building control fees and land charges all reducing significantly. In addition there will almost certainly be financial pressure on certain services as they respond to the increasing needs of the community.
- 45** A proposed increase of 2.9 per cent in the Borough Council element of Council Tax. This is lower than the cap set by Government. In common with other local authorities, Melton Borough Council will continue to face significant budgetary pressures in the years ahead.
- 46** The Council will need to continue the strong emphasis on sound financial management that it has displayed in the past and ensure that its key priorities are delivered in partnership with other public service stakeholders within the area.

### Additional services

- 47 The appointed auditor has not carried out any work for the Council other than those services required under the responsibilities required by the Audit Commission to conduct an audit and to assess arrangements in place to secure value for money in its use of resources and arrangements to secure data quality.

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# Looking ahead

- 48** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 49** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 50** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

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# Closing remarks

- 51** This letter has been discussed and agreed with Lynn Aisbett and Keith Aubrey. A copy of the letter will be presented at the Policy, Finance and Administration Committee on 22 April 2009. Copies need to be provided to all Council members.
- 52** 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 2      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan (for 2008/09)	March 2008
Interim audit memorandum	April 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Feedback report on the Use of Resources	February 2008
Feedback report on data quality	January 2009
Annual audit and inspection letter	March 2009

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- 53** 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.

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## Availability of this letter

- 54** 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.

Mary Perry  
Comprehensive Area Assessment Lead  
March 2009

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# The Audit Commission

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

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

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

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## Copies of this report

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