

Annual Audit and Inspection Letter

Borough of Telford and Wrekin

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	5
How is Telford & Wrekin Council performing?	6
The audit of the accounts and value for money	14
Looking ahead	19
Closing remarks	20

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 There has been clear progress in delivering the Council's ambitious plans for the regeneration of the borough, and improvement in most priority services; although the Council's overall CPA rating this year has reduced from 4 stars to 3 stars. This is as a result of the deterioration in the score for children and young people's services this year from a 3 (Good) to a 2 (Adequate); the rules of CPA determine that an excellent rating cannot be given where any of the key service blocks are judged as less than Good.
- 2 We carried out a corporate assessment under the new 'harder test' at the beginning of 2008 and the Council score 4 the highest possible rating. In the Direction of Travel assessment in December 2008 the Council was assessed as 'improving well'. With the exception of children's services where the score reduced to adequate, all other services are now judged to be either good or excellent and overall performance continues to improve albeit at a slower rate than most other councils, as is reflected in the basket of performance indicators selected for national comparison. Analysis shows that the Council's performance against the basket of indicators has been below the average rate of improvement when compared with all other single tier councils in England over the past three years and the council's relative position has worsened further over the past year.
- 3 The Council continues to work well with partners to regenerate the borough and strengthen the local economy. The Council is investing in its long-term 'town building' vision to transform Telford and Wrekin and strengthen the local economy. Successes this year include the launch of the international rail freight terminal and further redevelopment of the most deprived housing estates. The plans to redevelop Telford town centre are ambitious and will make a significant impact. It has established the foundations this year for further improvements in both services and value for money.

Action needed by the Council

- 4 Since the Council's ambitious plans in terms of regeneration, such as the town centre redevelopment, have significant reliance on commercial investment, the Council should keep the scope and timetable of its plans under review to ensure that they reflect the current and ongoing economic situation.
- 5 The Council should ensure that the scope for improving VFM is well understood in each major service area, based on an understanding of what factors influence existing cost and performance. The VFM Scrutiny Group will need to demonstrate that it is effectively monitoring and facilitating improvement with regards to VFM across the Council's priority areas.
- 6 To ensure that performance management systems effectively drive improvements in outcomes, performance reporting should be improved to ensure that across all service areas, councillors and senior managers can compare the Council's own performance with that of the best performing councils in order to identify areas where improvements can be made and learn from others.

- 7 Despite some real and effective improvements in the delivery of the Council's equality and diversity strategies, there is still more that can be done to strengthen performance in this area through a stronger and more sustained strategic focus.

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. It also includes the results of the most recent corporate assessment.
- 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, KPMG is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Telford & Wrekin Council performing?

14 The Audit Commission's overall judgement is that Telford & Wrekin Council is improving well and we have classified Telford & Wrekin Council as three-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of councils in CPA



Source: Audit Commission (percentage figures may not add up to 100 per cent due to rounding)

How is Telford & Wrekin Council performing?

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	3 stars
Corporate assessment/capacity to improve	4 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	4 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	4 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

- 15** Telford and Wrekin Borough Council is improving well. The Council continues to work well with partners to regenerate the borough and strengthen the local economy. Successes this year include the launch of the international rail freight terminal and further redevelopment of the most deprived housing estates.
- 16** Overall performance continues to improve but at a slower rate than average. Performance in most priority areas has improved this year, adults' services are now judged to be excellent and there have been improvements in housing and environment services. After a trend of significant reduction in crime and anti-social behaviour, this year has seen a small increase and some schools results show deterioration in exam successes. This year's Ofsted assessment of Children's services judged them to be only adequate overall, although the capacity to improve including management of services was rated as good.

- 17 The Council uses partnerships well to increase its capacity; it provides strong leadership in the Telford and Wrekin Partnership. The plans to redevelop Telford town centre are ambitious and will make a significant impact. The Council is making progress in tackling inequalities and works well with partners to address areas of concern. It has established the foundations this year for further improvements in both services and value for money.

Evidence of the Council improving outcomes

- 18 There has been clear progress in delivering the Council's ambitious plans for the regeneration of the borough, and improvement in most priority services; although the Council's overall CPA rating this year has reduced from 4 stars to 3 stars. This is as a result of the reduced score for children and young people's services this year from a 3 (Good) to a 2 (Adequate); the rules of CPA determine that an excellent rating cannot be given where any of the key service blocks are judged as less than Good. With the exception of children's services all other services are judged to be either good or excellent and overall performance continues to improve albeit at a slower rate than most other councils, as is reflected in the basket of performance indicators selected for national comparison. Analysis shows that the Council's performance against the basket of indicators has been below the average rate of improvement when compared with all other single tier councils in England over the past three years and the council's relative position has worsened further over the past year.

Table 2 Tables showing comparative Performance Indicator position

	Telford and Wrekin Council	Single Tier Council Average
Performance Indicators improving in the past three years	64 %	66 % - 68 %
Performance Indicators improving since last year	53 %	62 % - 64 %
Performance Indicators in Best Quartile	26 %	29 %
Telford & Wrekin Council	2005-2008	2007/08
Overall ranking for % improved (out of 388 authorities where 1 is highest)	143	305

Source: Audit Commission Key Performance Indicator Profiles

How is Telford & Wrekin Council performing?

- 19 Performance in priority areas has remained generally good and the Council is investing to deliver long-term improvement. The Council has six key priorities.
- Transforming Telford and Wrekin.
 - Giving children and young people the best possible start in their lives.
 - Maintaining a high quality, attractive and a sustainable environment.
 - Creating a safe, strong and cohesive community.
 - Promoting healthy communities and improving the quality of life of vulnerable and older people.
 - Strengthening the local economy and the skills of local people.
- Plus a seventh internal priority
- To be an effective and customer-focused council that delivers value for money for the community.
- 20 The Audit Commission carried out a Corporate Assessment of the Council's performance in May 2008 under 'the harder test' and the Council achieved a score of 4, the highest score possible.
- 21 The Council is investing in its long-term 'town building' vision to transform Telford and Wrekin and strengthen the local economy. It has almost completed its £10m Telford Railfreight Terminal, which is designed to encourage inward investment and growth and set up a borough town's initiative with over £23m capital funding over a three-year period from 2008/09 and an ongoing annual grant of £250,000.
- 22 These projects form part of a programme designed to transform the physical infrastructure in the Borough to improve the economic, environmental and social well-being and create a more sustainable community. The Council has faced a major challenge caused by the instability of the gorge at Ironbridge and has invested to protect the natural environment and to improve safety and safeguard the local economy at the World Heritage Site of Ironbridge. It has completed the first phase of the Ironbridge Gorge land stability project and phase two is underway. The Council has also been successful in getting this issue recognised by government nationally.
- 23 The Joint Area Review of children and young people's services carried out at the same time scored the Council as 3 out of 4. However, the Council's children and young people service has been assessed by Ofsted in its Annual Performance Assessment for 2008 as a service that now delivers minimum requirements for users. This represents a deterioration from last years ranking of Good.
- 24 Effective partnership working is resulting in good improvements to family support and preventative services. The level of teenage pregnancy has reduced but is still above similar councils. There has been some progress in improving English and increasing attendance in secondary schools, but the Council recognises that further improvement is needed. Results in Mathematics and Science at key stage 3 and for five A* to C grades at Key Stage 4 have declined and are below the national average. Monitoring of special schools by the Council was insufficient to identify concerns about a school which was recently placed in an Ofsted category of concern.

How is Telford & Wrekin Council performing?

- 25 Joint working has resulted in good progress in achieving opportunities for young people with complex learning difficulties to access leisure facilities. The youth service has expanded in order to reach more young people. Although the numbers of young people who are not in employment, education or training has risen slightly, collaborative work has resulted in innovative improvement strategies.
- 26 Outcomes for children and young people experiencing domestic abuse have improved through better working arrangements between the Council and the police with a reduction in repeat referrals. However the JAR carried out in spring 2008 found that the quality of practice in social care services was variable which means that not all children receive timely and purposeful support. As a result, some children are not being safeguarded sufficiently well. Quality assurance and performance management are not strong in this area. The Council have responded constructively and an action plan is now in place to address areas for improvement; children's services have reviewed their quality assurance strategy and improved the performance management framework for the LSCB.
- 27 Three of the boroughs 13 secondary schools have been identified by the government in 2008 as falling below the minimum required standard of achieving 30 per cent pass rate for five GCSEs at A-C grade. There are inequalities in outcomes for the borough's schools ranging from only 17 per cent of pupils achieving five good GCSEs in one school up to 100 per cent for another school. Although the gap between the national and Telford and Wrekin averages has reduced.
- 28 The Council is, however, investing to achieve improvement. It has opened Shortwood Primary School replacing older facilities as part of the campus Telford and Wrekin programme and according to its own data has improved performance on a number of key performance indicators.
- 29 Progress on promoting healthy communities and improving the quality of life of vulnerable and older people is good. The Council's rating from the Commission for Social Care Inspectorate (CSCI) for adults services this year increased from Good to Excellent. Clear leadership based on a close partnership with the PCT has helped deliver real improvements in local health and partnership working has made tangible improvements to health inequalities. Telford and Wrekin's ageing population is increasing more than the national average. The Council has a clear understanding of changing demographics and is using this information to plan future provision. It has taken a strategic approach to meeting the needs of older people and carers with a focus on encouraging and maintaining independence. There are however some areas for improvement; for example, the proportion of older people helped to live at home, although still above average, is deteriorating.

How is Telford & Wrekin Council performing?

- 30** Improvement in environmental services is good. The Council has invested in awareness campaigns and services to improve its performance in recycling and composting, delivering best quartile performance over the past three years. It has, for example, secured £150k funding for a six-month food waste minimisation campaign, 'Love Food, Hate Waste' and has diverted 107 tonnes of reusable furniture from landfill. Satisfaction with collection of recyclables is in best quartile. It is also delivering best quartile performance on keeping land free of litter, levels of graffiti and fly posting, while cleanliness of public space is above average. However, the volume of waste collected, cost of waste collection and satisfaction with waste collection are all in worst quartile.
- 31** The Council's performance in creating a safe, strong and cohesive community has over the past three years been good, with significant reductions in crime and anti-social behaviour. For the period 2003/04 to 2006/07 it achieved a reduction in burglary of 62 per cent, vehicle crimes 36 per cent and violent crime by 17 per cent. And whilst overall crime remains below average in the borough, there has been an increase in reported crimes in 2007/08; burglaries rose from 6.9 per 1000 population to 12.4, vehicle crime from 9.3 per 1,000 population to 10.8 and violent crime from 19 per 1,000 population to 19.2. The Council has established an additional 39 Neighbourhood Watch schemes, upgraded CCTV in three local centres and secured £1.7m of partnership funding for a joint alcohol misuse and harm reduction strategy.
- 32** The Council is starting to address diversity. It has established the Driving Change through Diversity programme, which incorporates, equality impact assessments, diversity training, networks of employees from under represented groups and positive action support material. The Council has assessed itself at level 3 of the Equalities Standard for Local Government and this has recently been externally verified through an IDEA review commissioned by the Council and carried out in March 2009.
- 33** The Council is performing well in delivering Value for Money. The match between spending and priorities is good. For example, the Council has invested to improve its recycling service and is now delivering best quartile performance. However, as shown above, its overall performance across the Audit Commission's performance indicator profile is below average and deteriorating and the council has fewer top performing services than previously and fewer than the average for all councils. During the year, the Council has placed significant emphasis on improving performance in services which are in worst quartile position, and 80 per cent of these indicators improved in the year. The Council's own benchmarking shows that the proportion of PIs it has in worst quartile is significantly lower than the average for single tier Councils.

Progress against improvement plans

- 34** It is taking action to deliver an effective and customer focused council and has invested £3m capital over three years to deliver this change, although, these plans are at an early stage and not yet fully embedded, it is too early to assess their effectiveness. For example, it is using 'lean'¹ processes to review key business systems and has established a 'lean' team to lead this work. Although the team is not new, it has recently been restructured and will be using a new approach and methodology. The Council has piloted the new approach in the design and printing unit and estimates that it can deliver savings, with an increase in productivity. However, the Council is unlikely to start the full programme of 'make better or buy' service reviews until early in 2009. It has established its contact centre and three services are currently operating from the contact centre. However, two more services have yet to move to the contact centre. Similarly, it has designed an Information Management Framework which sets out a clear process for managing information flows. This includes features such as, Voice over the Internet systems, Electronic Records and Document Management System; it is too early to assess its impact as the framework has yet to be fully implemented.
- 35** The Council's corporate performance management framework and processes are comprehensive and designed to achieve improvement. There is room for improvement in the contribution that the scrutiny function makes to managing performance. There are rigorous arrangements for monitoring performance information and mechanisms for keeping the focus on priority issues. Systems that enable councillors to challenge the information they receive need to be improved. For example, the Council produces reports, outside the corporate framework, on all areas of performance, which are designed to enable councillors to identify areas of underperformance. However there are areas where they could be improved, particularly where national bandings are used rather than comparative quartile information which does not always enable councillors to compare performance with that of the best performing councils.
- 36** The Council has successfully drawn down funding to enable it to finance its long term improvement agenda. For example, the local urban regeneration company, Transforming Telford, has secured over £15 million from Advantage West Midlands on the back of pooled land assets with English Partnerships. The impact of this is already starting to be felt, for example in tackling poorer housing conditions in the private sector. It is working well with the local business community to strengthen employment in key growth sectors, for example Transforming Telford worked with 400 businesses through a visit programme and engaged with 1,600 business people through events. The Council is developing a strong working relationship with the new Homes and Communities Agency, especially related to taking forward housing development and regeneration in Telford and Wrekin.

¹ Councils use lean process reviews to re-examine their systems and identify a more effective way of delivering the service. This could entail improving quality, reducing costs or both.

How is Telford & Wrekin Council performing?

- 37** Partnership working is well established and effective. The Council use partnership working to increase its capacity to deliver plans. It is a key partner in the Telford and Wrekin Partnership, the local strategic partnership (LSP), which the Leader chairs. Partners understand how local challenges and opportunities fit into the wider regional and national context and share ownership of the vision for developing the borough.

Corporate Assessment

- 38** In April 2008 the Audit Commission carried out a corporate assessment of the Council as part of the CPA regime. The purpose of the corporate assessment is to assess how well the Council engages with and leads its communities, delivers community priorities in partnership with others, and ensures continuous improvement across the range of Council activities.
- 39** The inspection judged the Council to be performing strongly, achieving the highest possible score of 4. It found many strengths including, effective leadership and strong partnership working. We found that through working with its partners, the Council has made tangible improvements to the quality of life in Telford and Wrekin in the last three years. Achievements reflect the focus on social and physical regeneration, especially in the borough's most deprived communities.
- 40** The report identified just two areas for improvement. Firstly that the Council needs to strengthen its strategic focus on equalities and diversity and improve the approach to engaging with black and minority ethnic communities. And secondly, that there is scope to improve performance management systems to ensure that councillors can effectively scrutinise and drive improvement in services. The full report is available on the Audit Commission's website.

The audit of the accounts and value for money

41 Your appointed auditor, KPMG, has reported separately to the Audit Committee on the issues arising from its 2007/08 audit and have issued:

- an audit report, providing an unqualified opinion on your accounts [or otherwise] and a conclusion on your vfm arrangements to say that these arrangements are adequate: and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

42 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).

Table 3

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

Note: 1 = lowest, 4 = highest

The audit of the accounts and value for money

- 43 The Council has, once again, achieved a score of 3 in the assessment overall. One notable achievement is that the score on Internal Control has increased to 4. Scores of 3 and 4 have been sustained in other areas despite increases in the scoring requirements.
- 44 The only decrease in score was on the statutory accounts process, within the Financial Reporting element. This year's audit has been a challenging process, but KPMG have agreed a way forward to help minimise the number of adjustments in 2008/09. The Council has strengthened its Corporate Finance team to provide additional capacity for the 2008/09 process.
- 45 The Use of Resources assessment changes substantially in 2009 to support the Comprehensive Area Assessment (CAA) regime. The new methodology places value for money at the heart of the assessment and is expected to be more challenging for most councils.
- 46 In 2007, KPMG recommended that the Council should review how local factors affect the quality and cost of local services. As part of the 2008/09 business planning process, Portfolios have completed their first VFM self assessments as a way to address this. The self assessments were then subject to quality review by the Policy, Performance and Partnerships team, and the Value for Money Scrutiny Group. This identified that, in some cases, further work was needed to achieve a robust assessment. As such, whilst the factors affecting certain services are known (such as the area of open space in the Borough, which increases the cost of environmental maintenance if measured on a per capita, rather than area, basis), the Council is still developing the evidence base needed to articulate fully the reasons for each service's relative cost and performance.
- 47 A related issue is the need to understand the impact on performance where additional investment is made in a service. The Council analyses and reports on the impact of investments made in the previous year on performance and the outcomes for local people. The example of Education is cited above, where the Council has consciously sustained school budgets with the aim of improving educational attainment. However, KPMG have not seen evidence of how the expenditure above the median specifically links to improvement in outcomes. As such, it is difficult to conclude as to whether this additional investment provides good value for money.
- 48 Forming a fuller picture of the factors which affect costs and performance, and how additional funding links directly to improved outcomes, would help in assessing VFM, in that it would indicate the areas where past investment has been most effective and where the greatest VFM improvements could be achieved in the future.
- 49 Overall, the score of 3 reflects the generally good performance of the Council's services, and the cost base which is lower than average for the majority of service areas. The services where VFM is currently less strong include ICT, which is an area of significant ongoing change, and Education, where improving educational attainment continues to be one of the Council's priorities.

The key issues arising from the audit

The Statement of Accounts

- 50** On 26 September 2008, KPMG issued an unqualified opinion and certificate on the Council's 2007/08 accounts. This was KPMG's first year as the Council's auditors. Inevitably in the first year working with new auditors, there will be challenge to accounting areas which may not have been reviewed for some time. Additionally, the Council faced the challenge of the changes set out in the 2007 Statement of Recommended Practice (SORP) for local government accounting. Therefore, whilst historically, there have been relatively few issues arising from the audit of the Council's accounts, the level of adjustments has been significantly higher this year.
- 51** In particular, the Council found the new requirement for a Statement of Total Recognised Gains and Losses (STRGL) in 2006/07 a challenge; several large adjustments were needed in 2007/08 to correct it. The audit was supported by generally good-quality working papers prepared by officers.
- 52** KPMG have met with officers to discuss how the accounts production and audit process can be improved in 2009. The Council will need to consider the impact of a range of accounting developments. These include the changes set out in the 2008 and 2009 SORPs and, most notably, International Financial Reporting Standards (IFRS), which will apply in full in 2010/11.

Data Quality

- 53** KPMG are required annually to assess the Council's arrangements over the quality of its performance and other data, and to test a small number of indicators in detail.
- 54** In 2007, they concluded that the Council had good arrangements in place; these have been further developed since the time of this assessment.
- 55** Four indicators were tested, including two benefits indicators as required, and two other indicators which were selected on a risk basis. The two further indicators selected were the cost per library visit and a homelessness indicator measuring the length of stay in bed and breakfast accommodation.
- 56** They identified no issues with the benefits indicators. However, the other two indicators were found to be unsatisfactory and required adjustments although neither was deemed serious enough to qualify. The Council should therefore consider whether there is scope for its corporate arrangements to become better embedded across Portfolios.

The governance framework

- 57** A new development for 2007/08 was the requirement to prepare an Annual Governance Statement (AGS). This superseded the previous requirement to prepare a Statement on Internal Control (SIC).

The audit of the accounts and value for money

- 58 The SIC considered issues of financial control – such as how the financial systems are managed and how the accounts are prepared – and the wider mechanisms which help ensure that the Council achieves its objectives, such as performance management. The requirements over the AGS are broader and specify that the statement also needs to describe and evaluate governance processes – in other words, the role and effectiveness of members in governing the Council.
- 59 In 2006/07, the Council prepared a statement which went beyond the core requirements for a SIC. This has eased the Council's transition to producing an AGS, since systems were already in place to assess the effectiveness of some of the areas which are newly incorporated into the requirements. The Council also has an assurance map in place which summarises the sources of evidence available for each element of the framework. This enabled the Council to produce a clear AGS which complies fully with all SORP requirements.
- 60 The internal audit function is a key component of the Council's governance framework. KPMG avoid duplication by reviewing and relying on the work of the Council's internal audit where possible. In determining whether KPMG are able to rely on internal audit work, it assesses whether the service complies with the CIPFA Code of Practice for Internal Audit. KPMG concluded that the Council's internal audit service complied with the Code and KPMG placed reliance on their work where it was relevant to its responsibilities.

The Council's financial position

Revenue and capital expenditure

- 61 Budgeted use of balances in 2007/08 was £2.36m. The Council's reported revenue outturn was an under spend of £0.3m. As a result, the Council maintained its reserves above the target level which is determined annually on the basis of specific identified risks. KPMG reviewed this risk assessment process as part of its Use of Resources work in 2007 and concluded that the process was soundly based.
- 62 The 2008/09 budget incorporates the use of £1.23m of reserves and balances; if achieved, the Council would continue to meet the target level of balances determined at the budget-setting stage. However, the rapidly-changing economic environment and the resulting potential for tight funding settlements will present a number of risks to the Council. For example:
- collection rates for council tax, business rates and other debtors may fall;
 - there may be less scope to earn income from fees and charges; and
 - a period of lower interest rates may reduce income from the Council's investment portfolio.
- 63 KPMG understand that officers are reviewing the target level of reserves in response to such risks. It will be important to keep this under regular review in the medium term.

- 64 These issues will also affect the capital programme. The capital programme for 2008/09 has increased in size from £54.4m to £78.8m, but some of the major projects, such as the Rail Freight Terminal and the Borough Towns Initiative, and some medium-term ambitions such as the regeneration of the town centre, have some dependence on capital receipts or contributions from commercial developers which may not be realised or may not achieve the planned levels, given the prevailing economic conditions.
- 65 Since the Council's ambitious plans in terms of regeneration, such as the town centre redevelopment, have significant reliance on commercial investment, the Council should keep the scope and timetable of its plans under review to ensure that they reflect the current and ongoing economic situation.

Treasury management

- 66 In the week beginning 6 October 2008, a number of Icelandic banks went into administration. The difficulties experienced by the Icelandic banks are a symptom of the problems experienced in the global financial markets during the latter half of 2008. A large number of local authorities and other public bodies were directly affected by the collapse of the Icelandic institutions, and many more have been affected by market conditions more generally.
- 67 Telford has previously invested with these institutions, though all deposits had been returned prior to their collapse, so the Council did not face any losses. The Council has also responded well to the risk of a recurrence of the issue, strengthening credit checking procedures to include assessing the ability of each nation to support its banking system when determining where funds should be placed.

Looking ahead

- 68** 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.
- 69** 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.
- 70** 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.

Closing remarks

- 71 This letter has been discussed and agreed with senior managers. Copies need to be provided to all Council members.
- 72 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.
- 73 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

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

Dianne Thomas
Comprehensive Area Assessment Lead

March 2009

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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