

Annual Audit & Inspection Letter

City of York Council

Audit 2005/2006

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Contents

Our overall summary	4
Action needed by the Council	4
How is City of York Council performing?	5
The improvement since last year - our Direction of Travel report	6
Service inspections and Performance audits	9
Financial management and value for money	13
Conclusion	15
Availability of this letter	15

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for Members, but is available as a public document for stakeholders.
- 3 The main messages included in this Letter are:
 - An unqualified opinion has been given on your accounts.
 - An unqualified conclusion has been given on your arrangements to secure Value for Money.
 - Your arrangements for financial reporting, financial management and internal control are generally fit for purpose.
 - Our reviews, and those of other inspectorates, have noted service improvements across a wide range of areas. These reviews have, however, also identified areas for improvement, and in some cases, areas for improvement identified last year which have not yet been addressed.
 - Preparing for the Corporate Assessment, to be carried out in early 2008, presents challenges for the Council.
 - The Council needs to continue to manage the big financial challenges successfully, these include: ensuring the Social Services overspend position is under control; and ensuring that the waste management solution is affordable.

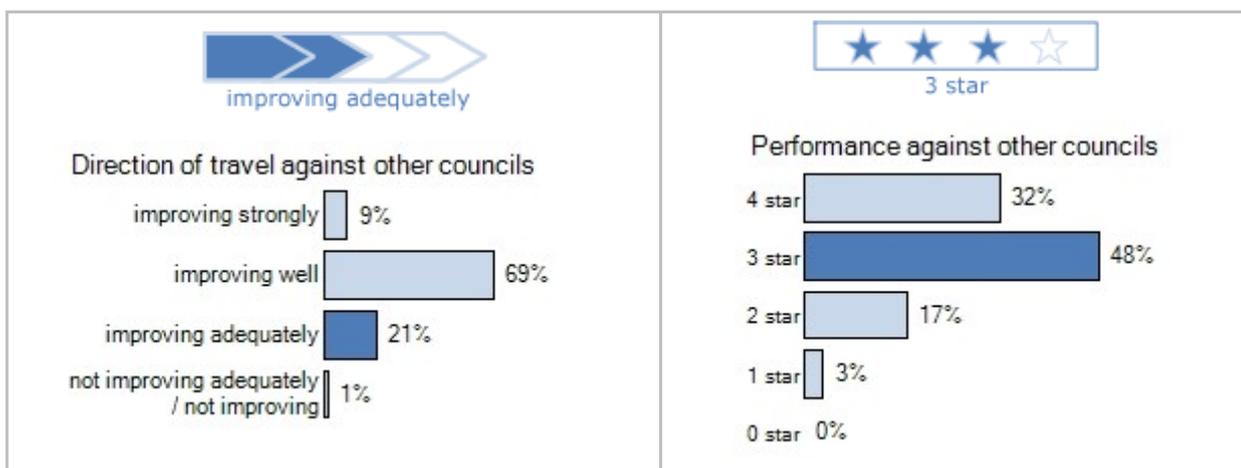
Action needed by the Council

- 4 The issues emerging from our performance reviews are integral to ensuring effective governance, needs-based and customer-focused delivery and continuous improvement. These issues, amongst many others, will be robustly tested in your forthcoming corporate assessment. *CPA 2005 – A Harder Test* has a more demanding framework than the original model; it not only expects councils to have appropriate strategies and systems to promote efficiency and effectiveness, but also to demonstrate that these mechanisms are embedded and are making an impact. One of your key challenges over the next year will be to implement the changes already underway to strengthen your arrangements and to establish an organisational culture which embraces these changes.

How is City of York Council performing?

- 5 Our overall judgement is that City of York Council is improving adequately and we have classified the Council's performance as three star. The results of our assessments of all single tier and county councils are in Table 1.

Table 1 CPA assessment



Source: Audit Commission

- 6 The detailed assessment for City of York Council is as follows.

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	3 star
Current performance	
Children and young people	4 out of 4
Social care (adults)	3 out of 4
Use of resources	2 out of 4
Housing	2 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2006	3 out of 4

The improvement since last year - our Direction of Travel report

- 7 Our assessment is based on performance recorded in 2005/06 as data for that year has been audited. We also recognise more up to date changes to your arrangements and service developments and note that officers report further performance improvements in the current year.
- 8 You maintained your improvement trend in 2005/06. You have sustained high performance within services for children and young people and adult care services, and improved the majority of key Best Value Performance Indicators (BVPIs), most notably in areas of poorer performance, such as planning, where national standards are now being met, although performance remained significantly below the national average in 2005/06. The Department for Transport has designated you as a centre of excellence for integrated transport planning. Your arrangements to process housing benefit claims have also improved substantially, but you remained in the lowest quartile nationally for this particular measure in 2005/06. Officers report that performance has improved in 2006/07.
- 9 You have sustained progress in addressing local priorities through the York Pride initiative which has led to improvements to the environment, and the easy@york project which continues to improve access to services. Actions to make York a safer city have been successful in 2005/06 in reducing crime overall, but car crime increased significantly.
- 10 Your Local Public Service Agreement (LPSA) initiatives have helped you to improve performance within some areas such as services to children and young people and sustainable transport. We note that your overall rate of improvement through the LPSA was slightly higher than the national average rate. However, stretch targets for areas such as youth offending, housing benefits and educational attainment at Key Stage 3 and GCSE were not achieved.
- 11 You have responded positively to recent job losses in the city by setting up an independent strategic review group including members from key partners to produce an overview of the city's employment and economic prospects. In addition, your Science City initiative continues to achieve positive outcomes for the local economy in the form of increased business start-ups and learning opportunities. You have made progress against the York Central Area action plan, which aims to redevelop an area of the city to provide brownfield land for housing and new employment opportunities. However, the closure of the British Sugar plant on an adjacent site has introduced further complications along with opportunities to broaden your original proposals, which you are now evaluating and addressing.
- 12 Increased participation in the healthy schools scheme and other health promoting activities has contributed to a general trend of improvement in the health of local people. Your new 'Eco Depot', which incorporates sustainable construction principles and energy sources, will provide an opportunity for environmental education.

- 13 The recently reported triennial Best Value user satisfaction survey has revealed inconsistent levels of satisfaction with your services. Satisfaction with some services such as recycling and street cleanliness has increased significantly, although satisfaction with others, such as waste collection and sport & leisure has fallen. There has also been a reduction in the overall satisfaction from 57 per cent in 2003/04 to 44 per cent, which represents a move from the top quartile, to the bottom quartile, although the satisfaction with the way you handle complaints has improved.
- 14 This fall in overall satisfaction has occurred despite a general trend of improvement in services. It is important that the council understands the reasons for the reduction in satisfaction. You already have processes in place to communicate with the public. In addition to the city-wide newsletter you provide each household with a ward newsletter setting out Council messages for specific wards, and this is a good practice initiative. To maximise public satisfaction, you will need to actively engage with the public to ensure that their needs and expectations are identified and reflected in your actions.
- 15 You have made some progress in delivering your equalities strategy, and there are examples of positive engagement of service users in developing services. An affordable housing pilot using an equity loan scheme has been successful and, in conjunction with regional partners, external funding has been secured to finance the scheme for the period from 2005/06 to 2010/11. However, feedback from residents suggests that your actions to make York a more inclusive city have not had the desired impact. You did not achieve your annual target for affordable housing completions and the overall housing waiting list has increased. There has been limited progress in integrating social inclusion issues into neighbourhood action plans. You have identified a range of issues related to the rapidly changing diversity of the community, which need to be addressed to achieve a consistent and effective approach to inclusion across all services.
- 16 You have sustained a strong focus on value for money, with very good performance across a range of services whilst containing overall service costs in line with the lowest spending Councils nationally. You have made significant progress against the national efficiency targets, by developing a five-year Corporate Efficiency Programme, to support the redirection of resources to priority services, and officers report that they are on track to meet the efficiency targets early.
- 17 Your recent organisational restructure aims to deliver improved management capacity and enable further redirection of resources to priority services. You have made good progress in developing plans to sustain future improvement. You have recently revised your corporate strategy, agreed new priorities and are developing arrangements to support their delivery. One example of this is your creation of the Organisational Effectiveness Programme, which has combined four internally-focused priorities with a range of existing initiatives, to promote a more corporate approach to organisational development.

- 18 You have made good progress on developing a Local Area Agreement and have taken steps to implement the agreement by the deadline of April 2007. You have restructured the Local Strategic Partnership (LSP) to address its requirements. Some challenges remain, including the development of leadership capacity and new approaches to budget pooling. Through the LSP you have developed performance management arrangements which focus on the delivery of community outcomes required by the LAA. These will need to be rolled out as soon as practicable to enable you and your partners to demonstrate the impact of your actions. Effective engagement with partners is essential in delivering these shared outcomes. You need to satisfy your community leadership role in respect of the emerging LAA in an inclusive way to ensure that partners remain engaged and actively participate in strategic partnership working. Partners' understanding of your revised priorities, and your understanding of theirs, will be a determining factor in the success of the LAA.
- 19 You now have some robust service delivery plans. For example, your Local Transport Plan and your Children and Young People's Plan have both received the highest possible rating from external assessments. York Neighbourhoods Pride is being launched to build on the success of the initial York Pride initiative by developing projects to address specific local neighbourhood issues. You are also making progress on your plans for sustainable waste management by submitting, with your partner, an outline business case to DEFRA for PFI funding to assist the development of waste management facilities. However, sites for the facilities have yet to be determined by North Yorkshire County Council. There are significant affordability issues to resolve regardless of the option pursued.
- 20 You have made good progress at implementing your improvement plans linked to your priorities. Your Customer Centre is now open and you have improved call-handling arrangements to the York Pride Action Line. This has contributed to improvements in the cleanliness of the local environment. Early land transactions have been completed to enable the office accommodation project to progress. This project is still at an early stage but you have met your initial objectives and milestones, including the completion of land assembly transactions. You have also made significant progress in addressing weaknesses in your governance and assurance arrangements.
- 21 Tight financial constraints continue to place pressure on your capacity to deliver your priorities. A government decision to set a notional budget for the current year has made your financial position even more challenging. You have identified 2006/07 budget pressures of £3 million which you are closely monitoring and managing. Your 2007/08 budget has been set on the basis you will achieve savings to the value of £6m and this will need to be monitored to ensure they are delivered.

- 22 In terms of organisational capacity, staffing issues remain a key challenge. Although your staff absence levels have improved, you were still amongst the worst performing Councils for this measure in 2005/06. A combination of staff absences and recruitment and retention issues is likely to place additional pressure on existing staff. Your job evaluation scheme is due to be implemented in 2007; this is likely to create a range of staff relations and budgetary pressures which you will need to manage effectively.
- 23 You have made progress in developing more robust corporate procurement arrangements. A Strategic Procurement Programme has been agreed; delivery of this programme will be a significant step forward in helping the Council to use procurement as a tool to improve services and demonstrate value for money. However, the development of a new corporate procurement strategy has been subject to significant delay, and you now anticipate implementing this strategy by June 2007.

Service inspections and Performance audits

- 24 We did not plan to deliver any service inspections during the year, but did deliver several performance audit reviews. The key issues arising from these reviews are set out below:

Deciding and Delivering Council Priorities Review

- 25 This review was originally scheduled for delivery during 2004/05, but by mutual agreement, we delayed its delivery until you had completed the initial work on updating your priorities. We completed the review when you were in the early stages of implementing your new priorities, which were formally agreed by the Council in June 2006. At that stage you had a significant amount of work to do, to ensure that these priorities were embedded within your service and financial planning systems in time for the 2007/08 budget setting process. We are aware that you have been taking further action to make this happen.
- 26 The key messages emerging from our review were
- Whilst some priorities, such as for Safer York are already well established within a partnership framework, others, such as Health and Lifestyle, were at a very early stage, with little evidence to indicate how new priorities relating to this area were being embedded.
 - The process of developing the priorities through the Corporate Leadership Group has helped to instil a new sense of corporate ownership amongst your senior managers and a better understanding of their potential roles in delivering your ambitions.
 - You had not developed the mechanisms necessary to keep you focused on the new priorities. Your performance management framework had not been amended to incorporate the improvement statements and you had not decided how to report progress against the targeted outcomes for these cross-cutting improvements.

- There were still some significant steps to develop a realistic and robust strategy to deliver against these priorities, these are set out below:
 - You applied your service planning framework consistently, but had yet to develop detailed guidance on incorporating the improvement statements into service plans with sufficient emphasis on user focus.
 - You were committed to developing 'better measures' to drive improvement in services, but the current measures to assess performance against the Year One actions were not sufficiently SMART and staff training to address that had not started.
 - Clarity is needed on how resources are allocated to priorities, and how you will demonstrate value for money. Strategies, such as those for procurement and the medium term financial plan, which was developed at the same time as the new priorities, were still being finalised.

27 Our review made a number of high and medium priority recommendations which you are now taking action on, and which we intend to follow up during 2007/08, in advance of the Corporate Assessment. In addition, since prioritisation is one of five key themes explored by the Corporate Assessment model, we will revisit some of the issues identified during the Assessment in early 2008. In particular, we will be assessing how well your priorities are understood, the extent to which your resource allocations reflect those priorities and whether you have developed clear links between your strategic priorities and your action plans.

Review of project management and programme management arrangements

28 During 2006 we carried out a review of your programme and project management arrangements and focused on the:

- easy@york programme management, and
- administration accommodation project management.

29 Our main conclusion from these two reviews is that in the absence of corporately agreed programme and project management guidance, your ability to introduce new initiatives robustly and consistently will continue to be wholly dependent on the skills and experience of individual officers. It is worth noting that the Corporate Assessment model explores whether capacity is used effectively to deliver ambitions and priorities – including the extent to which projects are properly resourced and managed.

30 Our review of your Easy@York programme involved a brief follow-up of a more detailed review undertaken during 2005, which we reported in last years Letter. We found that:

- you have strengthened your programme assurance arrangements, and
- whilst changes to programme staff may cause you some interim difficulties, the programme is now established, and we do not propose carrying out any further audit work on the part of the programme approved to date.

- 31 Our initial work on your administration accommodation project has confirmed that your arrangements for establishing this project include many good practice elements.
- 32 Our main concern related your decision to run the set of diverse sub-projects as a project rather than as a programme, this decision being influenced by the non-availability of corporate guidance on programme management. Nevertheless, controls have been established for this particular initiative, including issue and risk management.

Delivery of Corporate Objectives through the Local Strategic Partnership

- 33 This review focused on the Local Strategic Partnership's (LSP) performance management arrangements and considered how your community leadership role contributes to effective partnership working.
- 34 The key issues emerging from the review relate to:
 - the need for the LSP to consolidate the work already done to establish the community strategy by strengthening its focus on the delivery of community priorities;
 - the need to ensure that all partners, whether in a strategic or operational capacity, are effectively engaged with the LSP and share ownership of the priorities and outcomes it is committed to deliver; and
 - the need to strengthen current performance management arrangements to ensure that the impact of the LSP's actions can be measured.
- 35 Our Corporate Assessment model will assess your effectiveness at ensuring that partnership working is productive and sustainable, that accountability within partnerships is clear and robust and that partners, individually and collectively, review performance within a culture of open debate and constructive challenge.

Reviews by other Regulators

- 36 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on your performance. During the last year you have received an annual performance assessment (APA) from three inspectorates covering your Adult Social Care, Children and Young People (C&YP) and Benefits arrangements.

- 37** The Office for Standards in Education (Ofsted) judged that you provide outstanding outcomes for children and young people. Your Children's Trust has successfully built on established patterns of partnership, reflected by the recent award of Beacon status for Early Intervention. Your C&YP Plan was completed ahead of time, which, together with targeted services that address the needs of vulnerable groups, demonstrates a good shared understanding of local needs. You have made good progress against most, but not all, of the issues identified in the 2005 APA. Whilst you continue to operate under tight fiscal constraints and some significant financial and organisational uncertainties amongst other agencies, you provide excellent value for money for C&YP. Within the available resources, you have excellent capacity to continue to reshape services and to further improve outcomes for C&YP in the area.
- 38** The Benefit Fraud Inspectorate (BFI) has judged your performance as good; you met 5 of the 12 performance measures where the BFI had set a standard, and 52 of the 65 enablers. Whilst you have demonstrated a clear commitment to detecting fraud and undertaking appropriate sanctions and steadily improved against the majority of performance measures set for claims administration there are some performance issues in other areas, for example, the speed of processing changes in circumstances. You have drawn up an action plan to address these issues, and officers report that the performance has improved significantly in 2006/07.
- 39** The Commission for Social Care Inspectorate (CSCI) judged that you serve most people well, and your capacity to improve was promising. You have consolidated last year's performance and in many areas, have delivered improvements on that performance. However, CSCI identified a range of areas for improvement, including some, such as the high cost of intensive social care for adults and older people and unit costs of home care, which were identified as areas for improvement last year.

Financial management and value for money

- 40 As your Appointed Auditor I have reported separately to the Audit & Governance Committee on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your Value for Money arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 41 My audit findings 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 your accounts and the way these are presented to the public).
 - Financial Management (including how the financial management is integrated with strategy to support your priorities).
 - Financial Standing (including the strength of your financial position).
 - Internal Control (including how effectively you maintain proper stewardship and control of your finances).
 - Value For Money (including an assessment of how well you balance the costs and quality of your services).
- 42 We assessed your arrangements in these five areas as follows.

Table 3 Use of resources judgements

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

- 44 You have made a number of improvements in your internal control environment during 2005/06, for example the adoption of the new constitution, the development of the Officer Governance Group and the role of the Audit & Governance Committee. You have also introduced member champions for important governance themes and this has raised awareness of internal control matters, and has improved the overall governance framework.
- 45 There are some areas where improvements are needed. The key points include:
- Submit accounts for audit that are free from material mis-statement.
 - Ensure that all partnerships have robust governance arrangements in place. Review the financial performance of the partnerships, and monitor the achievement of the operational objectives of the partnerships.
 - Continue to successfully manage your tight financial position, specifically ensuring that the Social Services overspend remains under control, and that the waste management solution is affordable to the Council.
 - Deliver the ongoing work to strengthen your procurement approach and deliver the new corporate procurement strategy.
 - Continue to develop the role of the Audit & Governance Committee to ensure that it informs, and is a part of, your whole assurance framework.
 - Embed equality issues – ensuring high standards of service delivery are achieved across the increasingly diverse community.

Conclusion

- 46 This letter has been discussed and agreed with Chief Executive and the Director of Resources. A copy of the letter will be presented at the Executive on 27 March 2007.
- 47 The Council has taken a positive and constructive approach to our audit and inspection work and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Mark Kirkham

District Auditor and Relationship Manager