

Annual Audit and Inspection Letter

Stockton-on-Tees Borough Council

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Stockton Council performing?	5
The audit of the accounts and value for money	11
Looking ahead	14
Closing remarks	15

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.
-

Key messages

- 1 Stockton Council is improving well and classified as four star in its current level of performance. Continued improvements in the majority of its services have been achieved, with an effective contribution to the wider community outcomes being delivered in partnership.
- 2 The auditor issued an unqualified audit opinion on the Council's accounts for 2007/08. The financial statements were prepared to a good standard and were supported by exemplary working papers.
- 3 The Council's arrangements in place to ensure effective use of resources remain strong. The Council has again been assessed as strong in all areas of the annual Use of Resources assessment, scoring a level 4 in all areas. The Council continues to demonstrate value for money.
- 4 The Council has taken early steps to monitor the changing environment in relation to the recent economic downturn and to put in place measures to minimise its impact as far as possible.

Action needed by the Council

- 5 The Council needs to:
 - ensure a year round focus on the effectiveness of plans in place to address the areas for improvement identified in the 2008 annual performance assessment of services for children and young people;
 - continue to work in partnership locally, across the Tees Valley and the wider region to address the risks posed by the economic downturn and minimise its impact on local people; and
 - continue to work with partners to ensure that the quality of information from partners is subject to the same quality control arrangements as that produced internally.

Purpose, responsibilities and scope

- 6 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.
- 7 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.
- 8 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.
- 9 The 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.
- 10 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.
- 11 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 Stockton Council performing?

12 The Audit Commission’s overall judgement is that Stockton Council is improving well and we have classified Stockton Council as four star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of district councils in CPA



Percentage figures may not add up to 100 per cent due to rounding

Source: Audit Commission

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 star
Corporate assessment/capacity to improve	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	4 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

Scorecard summary

- 13** Stockton-on-Tees Borough Council is improving well. It has made good progress in most priority areas and resident satisfaction is at an all time high. However, Ofsted judge children’s services to be good overall, compared to outstanding performance last year. Worklessness is improving in deprived areas and major investment in town centres and economic development initiatives are increasing job opportunities, particularly for vulnerable people. The local environment is cleaner, recycling is improving and the quality of parks and opens spaces is improving through major investment. Levels of crime are now at their lowest ever recorded levels but fear of crime is rising. Joint health initiatives are delivering good outcomes beginning with increased healthy eating in schools through to smoking cessation and greater adult participation in exercise. More people made vulnerable by their circumstances are receiving benefits with claims being processed quicker. More people are living in better quality housing and fewer are homeless.
- 14** Value for money remains excellent. Financial capacity and corporate governance are sound providing a number of examples of best practice. Community consultation and engagement remains a strength in improving services particularly arrangements for engaging the BME and disability networks.

How is Stockton Council performing?

Report

- 15** The Council is improving services in most priority areas. Overall satisfaction rates with both council and services are at an all time high, with some underlying areas of lower satisfaction. 64 per cent of the key BVPIs considered within the Audit Commission basket of indicators have improved in the period covered by this report. Of these national PI's, 37 per cent perform in the best quartile which is slightly fewer than last year's 38 per cent but still well above the national average for unitary councils. Seventy-eight per cent of the Council's priority indicators have improved or maintained their performance against the previous year, with 80 per cent of improvement targets achieved.
- 16** Children's services have been assessed as providing good services with good capacity to improve. When compared to the outstanding performance last year this equates to a decline of one grade overall in this year's annual performance assessment (APA), as assessed by Ofsted.
- 17** Improved achievement rates in all core subjects are above those found nationally. Attainment in national tests at the end of Key Stage 1 and Key Stage 2 has remained above that in similar councils and nationally for some years. Key stage 4 results increased by 4 per cent to 64 per cent of pupils achieving five or more GCSE's A* to C or equivalent. Children's social care services have also continued to improve; improvements in joint commissioning arrangements and increased delivery through integrated locally based multi-agency teams are strengthening services to support and improve the health of children, young people and their families.
- 18** Adult social care services have improved in key areas and overall and are delivering good outcomes with promising prospects for improvement. Key strengths include direct access grant funded services, a high proportion of older people are actively helped to live at home in the borough without a reliance on high levels of intensive home care. The number of people with mental health problems that the council helps to live at home has increased over the past year. The council is also working jointly with health organisations to reduce the incidence of cardiovascular disease, reduce falls, and improve the health of members of the black and minority ethnic (BME) community.
- 19** Investment in regeneration is substantial and is leading to improvement in employment, such as achieving the 1 per cent target to reduce worklessness in the worst wards, which narrowed the gap to the national average. Environmental services continue to be a low cost, high standard with 10 of the 16 local environments PI's improving with only one deteriorating and of these 16, 10 perform in the best quartile. The council has one of the lowest percentages of household waste sent to landfill. There has been continued improvement in the administration of housing benefits, where the speed has been combined with a significant improvement in quality of processing.
- 20** The council has made significant progress in its housing services. The number of non decent homes has fallen to just 16 per cent. The Audit Commission basket of indicators shows improvements in relet times, percentage of rent collected and the percentage of urgent repairs completed on time. Major investment in private sector housing has provided over 270 adaptations for owner occupiers with physical disabilities and over 870 for similar tenants. 79 affordable housing units have been built.

- 21** The council has made good progress towards improving sustainability with lower numbers of racial incidents reported, fewer non decent homes and better planning performance with the exception of the time taken to process 'other' planning applications. Satisfaction with local bus provision and information remains an issue but is being addressed.
- 22** Stockton continues to place importance on cultural services as key to improving the quality of life of residents and identified as priorities by residents. Well established outdoor activities linked to major investment in some parks, gardens and museums has led to a 29 per cent increase in visitors to some locations. Linking sports and leisure to a healthy wellbeing agenda has more adults being encouraged to walk and exercise more, eat better and quit smoking. Major capital leisure schemes are planned for Billingham, Stockton and Thornaby. The cultural block for CPA purposes has improved from level 3 to level 4.
- 23** The Council makes an effective contribution towards wider community outcomes, delivering with partners, a substantial regeneration programme to stimulate economic growth and increase employment and investment. Resident satisfaction with the borough as a place to live remains high at 84 per cent. Residents are much more optimistic about the future of the local economy than the national average.
- 24** The Council has improved 78 per cent of their priority indicators of which 80 per cent met their targets improving outcomes across the range of priorities.
- 25** Direct benefits for the whole community include:
- improved education results;
 - lower crime rates across most of the crime types, however fear of crime is rising;
 - better environment with improved recycling, cleaner streets;
 - more choices and options for independent living for vulnerable adults and older people;
 - better quality housing both social and privately owned; and
 - better benefit processing and accuracy.
- 26** The council makes strong use of community engagement and consultation to improve accessibility and quality of services to those made vulnerable by their circumstances. Developing the integrated service project in children and young people service has involved high levels of consultation and engagement with partners and staff, leading to agreement on the structures to be developed and implemented for the future Integrated Service Areas. The strength of the Council's consultation mechanisms has been identified through corporate assessment, including particular arrangements for the BME and Disability networks. Advocacy services for people with learning disabilities have been enhanced with the provision of a BME, young people and carers worker within the advocacy service. The council has improved its equality standards rating from level 1 to level 3.

How is Stockton Council performing?

- 27** The Council is improving value for money and continues to deliver good quality services above minimum standards, low to mid-range cost; and investing effectively in priority areas. There are no areas where significant costs are high and performance is low. Where there are relatively high costs this is a result of the council setting them as a priority. The costs are then translated into high performance and high public satisfaction commensurate with the priority. By the end of 2007/08 Stockton delivered £24.5 million in efficiency savings over the three year measurement period, of which 76 per cent were cashable.
- 28** The council has strong partnership arrangements in place to deliver services. It has a clear understanding of the total resources at the disposal of its significant partnerships. It is on track to deliver planned improvement in outcomes.
- 29** The Council's approach to planning is very strong. The Council Plan (CP) sets out the key improvement priorities for the coming year and the medium-term, and is closely aligned to the borough's Community Strategy. The plan focuses on the council's key improvement areas, and is underpinned by a strong planning process at all levels. The Council Plan and Service Improvement Plans are corporately monitored six-monthly and considered by Cabinet, Executive Scrutiny Committee and Corporate Management Team. From the 2007/10 Council Plan, 78 per cent of key service improvement objectives and 87 per cent of key organisational objectives were achieved or on track at year end. This represents a significant improvement from the previous year with a strong level of achievement and reflects a challenging but realistic approach to project planning and target setting.
- 30** The Council has the capacity to deliver its plans. Its use of resources scores have improved further and continue to be at the highest level for all five themes. It has a robust, well managed medium term financial plan. There are no significant weaknesses in arrangements for securing continuous improvement or failures in corporate governance that would prevent improvement levels being sustained.

Service inspections

- 31** An important aspect of the role of the relationship manager is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- 32** The annual performance assessment (APA) of services for children and young people concluded the following.
- Stockton on Tees Borough Council makes a good contribution to improving outcomes for children and young people. It has sustained strong performance in most of the Every Child Matters outcome areas since the last APA in 2007. As yet, the Council has not had an opportunity to fully demonstrate the progress made against the areas for development highlighted in the Joint Area Review report which was published in April 2008.
 - Children and young people's services have good capacity to improve further and the management of these services is good.

- 33** The annual performance assessment of social care services for adults services gave the following judgements.

Table 2

Areas for judgment	Grade awarded
Delivering Outcomes	Good
Improved health and emotional well-being	Good
Improved quality of life	Good
Making a positive contribution	Good
Increased choice and control	Good
Freedom from discrimination and harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Good
Capacity to Improve (Combined judgment)	Promising
Leadership	Promising
Commissioning and use of resources	Promising
Performance Rating	2 stars

- 34** From 2008 the Benefits Fraud Inspectorate has been merged with the Audit Commission which will carry out a risk-based programme of benefits inspections in the future. No such inspections were carried out in 2007/08.

The audit of the accounts and value for money

35 The appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:

- an audit report on 29 September 2008, providing an unqualified opinion on the Council's 2007/08 accounts and a conclusion on the Council's 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.

Use of Resources

36 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 five areas. For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as remaining strong, again scoring the highest level in all five areas as follows.

Table 3

Element	2008	2007
Financial reporting - preparation of the accounts, how these are presented to the public.	4	4
Financial management - including how the financial management is integrated with strategy to support Council priorities.	4	4
Financial standing - the strength of the Council's financial position.	4	4
Internal control - how effectively the Council maintains proper stewardship and control of its finances.	4	4
Value for money - how well the Council balances the costs and quality of its services.	4	4
Overall assessment of the Audit Commission	4	4

Note: 1 – lowest, 4 = highest

The key issues arising from the audit

Financial Statements and the Annual Governance Statement

- 37** The financial statements submitted for audit were well presented and fully supported by comprehensive working papers in an electronic format. There were no significant issues arising from the audit.

Use of resources assessment

- 38** The Council continues to perform strongly across all of the use of resources elements.
- 39** In 2007/08 the Council demonstrated further improvements in external reporting of information and strategic asset management, as follows.
- The Council has consulted widely on the content and format of the Council Plan. The Council Plan and annex are readily available on the website and can be obtained in various languages and formats. This year's annex also includes information about the Council's carbon footprint.
 - The Council has a well developed process for prioritising capital projects based on options appraisal and affordability. The capital strategy and asset management group has developed an integrated asset management and business planning process, including area based reviews, to ensure that assets influence service delivery and that solutions improve access to services. Key projects are managed by area and feed into partnership strategies. The Council has also begun the Workwise project to review property requirements and look at different ways of working, including flexible working, information storage and the disposal of assets as an enabler of change.

Data quality

- 40** The Council's overall management arrangements for ensuring data quality consistently meet required standards.
- 41** The key issue going forward is to ensure that information from partners is subject to the same quality control arrangements as that produced internally. The Council is working closely with partners, through the local strategic partnership, to introduce a new performance framework including data quality arrangements.

Sickness absence

- 42** The Council is one of a number of councils across Durham and Teesside who participated in our review of sickness absence arrangements to identify and share areas of good practice and identify any common factors which lead to the high levels of sickness evident across the North East.
- 43** At the time of the review the Council had recently introduced new sickness management arrangements. These were found to be in line with best practice in most areas, with a few minor areas for improvement mainly linked to the system being new, for example the need for additional training and ensuring consistent application of the new procedures.

The audit of the accounts and value for money

Health inequalities

- 44 The North East acknowledges that it has many areas with the poorest health in the country. The regional health and well-being strategy, launched in February 2008, aims to transform the North East into the healthiest region in the country within a generation. There have been improvements in health, for example premature death rates from heart disease and stroke are rapidly improving across the region and life expectancy continues to rise.
- 45 However, inequalities still exist. Many areas in the North East are not on track to meet the national target - by 2010 to reduce by at least 10 per cent the gap in life expectancy at birth between the fifth of areas with the worst health and deprivation indicators (the Spearhead Group) and the population as a whole.
- 46 Improving people's chances in life relies on action in many areas, through for instance education and employment opportunities, access to good housing, as well as cultural change. These issues cannot be tackled by one agency but need a concerted effort from public and private sector and individuals across the North East.
- 47 The Audit Commission and Deloitte have been reviewing how organisations across the North East work together to address health inequalities and what the challenges are.
- 48 Last year we looked at how councils, police, PCTs, trusts and other public sector bodies and the community and voluntary sector partners within areas across the north east were working together. This work concluded that in general, areas were good at identifying the problem and agreeing priorities but less good at developing targeted strategies, commissioning and delivery of services and monitoring and evaluating.
- 49 The final phase of our work has focused on the arrangements and action being taken in relation to two issues, alcohol harm and teenage pregnancy, which have an impact on health inequalities in the North East. We have carried out detailed reviews in four areas; Durham, North Tyneside, Stockton and Sunderland, to identify enablers and barriers to tackling health inequalities.
- 50 We will be drawing on the results of these four reviews and wider research from our first phase of work to produce a region-wide report on health inequalities which will contain key messages for all partners on the impact our local findings could have on the wider health inequalities agenda.

Looking ahead

- 51** 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.
- 52** 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.
- 53** 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

- 54** This letter has been discussed and agreed with the Chief Executive, Assistant Chief Executive and Corporate Director of Resources. A copy of the letter will be presented at the Audit Committee on 14 April 2009 and Cabinet on 14 May 2009. Copies need to be provided to all Council members.
- 55** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 4 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Managing absence	May 2008
Interim opinion audit report	June 2008
Annual Governance Report	September 2008
Opinion on financial statements and value for money conclusion	September 2008
Final accounts report	October 2008
Data quality	January 2009
Annual audit and inspection letter	March 2009

-
- 56** 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

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

Philippa Corner

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
