

Annual Audit and Inspection Letter

March 2007



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Darlington Borough Council

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

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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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, from the work we have undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council; it has been written for councillors in particular. It is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
 - The Council has made good progress in all its key priority areas of improving the local economy, raising educational achievement and promoting inclusive communities. Its performance in meeting its LPSA targets is above average, with all but two improving. Adult social care has again improved and is now good. Only community safety and elements of waste management did not improve in 2005/06.
 - Local people rate the Council above average in 11 out of the 14 main user survey indicators. The percentage of local residents expressing overall satisfaction with the Council in 2006/07, at 52 per cent, is lower than in 2003/04, when it was 61 per cent, but this is in line with national trends.
 - Strong corporate governance arrangements provide a sound basis for continued improvement.
 - The Council's auditors gave an unqualified opinion on the Council's 2005/06 financial statements.
 - The 2005/06 audit has not been formally closed because of an outstanding issue raised by electors on the legality of specific charges made in relation to taxi licensing.
 - The Council maintained its 2005 score of 3 out of 4 ('performing well') for the 2006 Use of Resources assessment.
 - 2006 was the first year that councils were assessed on their corporate arrangements to secure data quality. The Council scored 3 out of 4 ('performing well') for this assessment.
 - A number of grant claims and returns submitted by the Council during the year were either qualified or required amendment following audit review.

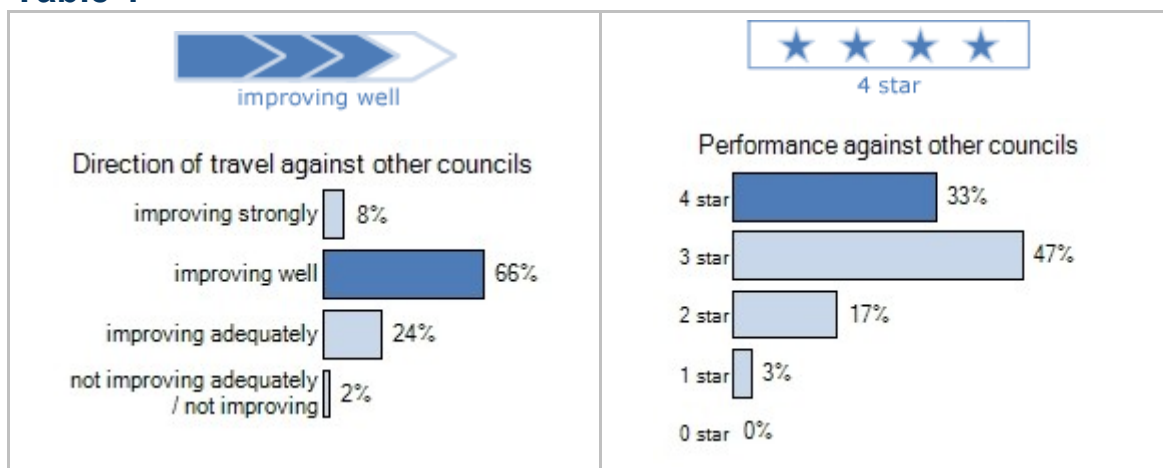
Action needed by the Council

- The Council should continue its efforts to tackle crime and to improve performance on waste management.
- The Council must improve its grant management arrangements to ensure that claims are more accurate and are submitted on a timely basis.

How is Darlington Council performing?

- 4 The Audit Commission’s overall judgement is that Darlington Borough Council is improving well and we have classified the 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.

Table 1



Source: Audit Commission

- 5 The detailed assessment for Darlington Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

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

(Note: 1=lowest, 4= highest)

- 6 Darlington Borough Council is improving well. It has made progress in all its key priority areas and satisfaction with services is high. The local economy has continued to improve, with more jobs created through Council initiatives. Services for children and young people have improved with rising attainment at both Key Stages 1 and 4. Levels of absence and exclusion, however, remain high. The Council continues to develop its community engagement, with initiatives actively involving local people. Both provision for adult social care and the youth service have improved since 2005. Housing services have improved to high levels and the benefits service remains very good. Improvement work has not yet led to better outcomes in community safety and waste management. Crime levels increased and levels of recycling did not improve in 2005/06.
- 7 The commitment to improvement remains strong. There are good plans in place and the 'Leading Edge' programme and associated projects provide effective challenge to existing ways of doing things. The benefits of this approach have resulted in improvements to the local environment and produced savings. The Council provides good and improving value for money.

The improvement since last year - our Direction of Travel report

- 8 The Council has made good progress in all its key priority areas of improving the local economy, raising educational achievement and promoting inclusive communities. Its performance in meeting its LPSA targets is above average, with all but two improving. Adult social care has again improved and is now good. Only community safety and elements of waste management did not improve in 2005/06.
- 9 Local people rate the Council above average in 11 out of the 14 main user survey indicators. The percentage of local residents expressing overall satisfaction with the Council in 2006/07, at 52 per cent, is lower than in 2003/04, when it was 61 per cent, but this is in line with national trends.
- 10 The Council has contributed well to improving the local economy. A new retail distribution centre opened with 700 new jobs. A development agreement has been signed for a £90 million shopping and leisure centre. The first businesses have opened as the new Morton Palms office development. The Council has taken action to address the problems of overruns on cost and delivery of the Pedestrian Heart project.

- 11 Overall services for children and young people have improved. Ofsted and CSCI judge children's services at three out of four, with good capacity to improve and outstanding social care services. Child protection, for example, is very well managed. There has been good progress against most, but not all, of the issues raised in the 2005 Annual Performance Assessment. Educational standards at both Key Stages 1 and 4 have improved, the latter significantly. At the other Key Stages, standards are broadly in line with comparators. The proportion of looked after children who achieved five GCSE A* to C grades has more than doubled and is now well above average. However, attendance remains low across the board and in the secondary sector is not improving, while exclusions are high.
- 12 The Council has made good progress in delivering its third key priority to promote inclusive communities. It has now achieved level 3 of the Equalities Standard. The percentage of Council employees who are disabled has increased, even though it is still in the bottom quartile; the percentage from ethnic minorities has also increased, though is still below average. Effective community engagement is progressing well with a number of initiatives actively involving local people. People with disabilities played a central role in developing the new disability equality scheme. All 11 community partnerships are now well established and can point to achievements on the ground including, for example, the refurbishment of a community centre and more activities for children and young people. The Council has reacted well to local opinion, for example in responding to the results of large-scale consultation on town centre development.
- 13 Provision for adult social care has improved since 2005; the service has been awarded three stars by CSCI with excellent prospects for improvement. More people are now supported in their own homes as a result of more flexible intermediate care services. The youth service has improved since a critical inspection report from Ofsted in 2005. Under new leadership and with extra funding, all the recommendations in the improvement plan have been carried out. Links between the youth service and other agencies that provide specialist advice to young people on health and personal issues have significantly improved. The Council has retained its grading from BFI as a top performing benefits service and has made further improvements. Housing remains a strength and the Council's score has gone up from level 3 to 4, the highest. All houses now meet the decent homes standard and the Council is working to bring homes to a higher quality, specified in the Darlington Homes Standard.
- 14 Access to the Council's services has improved. A Customer Contact Centre has opened in the last year, providing a single point of contact for most services. The percentage of council buildings accessible to the public has increased from 75 per cent to 86 per cent.
- 15 Improvement work has not yet led to better outcomes in community safety and waste management. The tonnage of waste both recycled and composted is not increasing; waste disposal methods are currently the subject of a major procurement exercise for a new contract that will address this.

- 16 Domestic burglaries, vehicle crimes and theft all increased in 2005/06, as did the number of incidents of anti-social behaviour. The Council is working with its partners in the Crime and Disorder Reduction Partnership to take action to reduce crime, linked to the Local Area Agreement.
- 17 The record on aspects of the local environment, other than waste management, is more encouraging. The time taken to deal with both major and minor planning applications improved significantly. The indicators on transport vary. Road casualties have increased slightly. However, there has been considerable investment in improving the state of the roads and pavements through the 'Let's Get Cracking' programme, based on carrying out priorities identified by residents. Residents' satisfaction levels have risen as a result and the number of claims against the Council has reduced. The number of children cycling to school has increased dramatically in some schools.
- 18 The Council maintains a good record in culture and leisure services. Customer satisfaction with the Council's leisure and cultural provision remains among the best nationally. Visits to museums and participation in physical activity by children both increased.
- 19 Value for money is improving. The Council has set and is achieving targets for efficiency above the 7.5 per cent required by the Gershon review. The Council continues to achieve high performance at comparatively low cost on most key services. The Council's own analysis shows that Darlington is the lowest spender per head of all unitary authorities graded at four stars.
- 20 Darlington Council is clearly committed to sustaining improvement. The improvement plan is well embedded within the corporate plan. Service plans all set out how they will deliver departmental priorities for improvement and these are well aligned to corporate priorities. The 'Leading Edge' programme provides a robust and challenging approach to improvement across the Council. 'Leading Edge' projects are being used to test out different ways of working. The Street Scene project, for example, has resulted in radically new ways of providing services, new improved service standards and projected savings of £1.4 million built into the medium-term financial plan over the next three years. The procurement project resulted in the reorganisation of the procurement process and first year target savings have been exceeded.
- 21 As one of the smallest unitary authorities, the Council is acutely aware of the need to improve its capacity by working more efficiently and through developing partnership working. A partnership with a neighbouring council on back-office functions, including elements of joint procurement, is making progress. Following job evaluation, single status has been implemented effectively and the Council is considering appeals. The Council makes strategic use of consultants to increase capacity. This means that in-house capacity can be targeted where it is most effective.

- 22 Strong corporate governance arrangements provide a sound basis for continued improvement. Effective performance and financial management systems are well established and are continually being honed to improve their effectiveness. The Council scored three out of four on all elements of the Audit Commission's Use of Resources assessment. Staff know what standards of service are expected and what targets they have to meet. Risk management is well embedded. Political arrangements are stable and there are good relations between councillors and officers.

Service inspections

- 23 We have carried out no service inspections of the Council during the year.

User satisfaction

- 24 The Best Value user satisfaction surveys were undertaken during 2006/07; the previous surveys were undertaken in 2003/04. The results for 2006/07 place the Council at either best or above average national performance on 11 out of the 14 main user survey indicators. Overall satisfaction with the Council fell from 61 per cent in 2003 to 52 per cent in 2006 but this was in line with a national fall in satisfaction with the overall performance of councils. The percentage of residents who felt that the Council kept them well informed dropped by a quarter. In common with the national picture, satisfaction with services in Darlington generally rose. The results indicate that residents feel that Darlington is a safer place to live than in 2003. Satisfaction with environment services rose, with results in the top or second quartile. There was a mix of increased and decreased satisfaction with both leisure and transport services.

Assessments from other inspectorates

- 25 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.

Table 3

Inspectorate	Activity	Assessment
Commission for Social Care Improvement (CSCI)	Annual performance assessment for adult social care	<p>Overall assessment: 3</p> <p>This has been another year of change and improvement. Developments introduced over the past three years are now providing improved outcomes for people, and increased joint working between social care, health and housing staff has resulted in new strategies for the main service user groups and reduced duplication and delay in service provision. Budgetary and performance management systems are good. Although a number of senior managers were lost at the time of organisational restructuring, services were not disrupted, and the benefits of working with other disciplines in the new department are already emerging. A project plan is in place to integrate adult social care far more closely with the PCT, and following a review of transport arrangements there are plans to ensure that transport arrangements become an integral part of care services.</p>
CSCI/Ofsted	Annual performance assessment of services to children and young people	<p>Overall assessment: 3</p> <p>Darlington Borough Council delivers good overall provision for children and young people. In aspects including being healthy, staying safe and making a positive contribution, it is outstanding. There is very good partnership working between agencies and with children, young people and their families. The authority has a clear understanding of local needs, based upon a detailed wide ranging self-assessment; it has identified how they will be met through precise targeted actions. Good progress is evident against most, but not all, issues identified in the 2005 APA. The Children's Services Department has been operational for 18 months. It has good capacity to reshape services and improve outcomes for all children and young people in the area.</p>

Financial management and value for money

- 26 Your auditors, PricewaterhouseCoopers LLP (PwC), have reported separately to the Council's Audit Committee on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your value for money arrangements that stated that these were adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 27 The findings of the auditors 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).
- 28 For the purposes of the CPA, PwC has assessed the Council's arrangements for Use of Resources in these five areas as follows.

Table 4 Use of Resources scores

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

(Note: 1 = lowest, 4 = highest)

- 29 The key issues arising from the audit, as reflected in the above judgements where appropriate, are set out below.

Accounts

- 30 PwC gave an unqualified opinion on the Council’s 2005/06 financial statements by the statutory deadline of 31 September 2006.
- 31 Despite the unqualified opinion on the accounts, PwC have been unable to formally conclude the 2005/06 audit because of an outstanding issue raised by electors on the legality of specific charges made in relation to taxi licensing. Work to resolve this is continuing.

Use of Resources

- 32 The Council has maintained its 2005 score of 3 out of 4 for Use of Resources. This equates to ‘consistently above minimum requirements – performing well’. This represents a good performance set against a more stringent set of assessment criteria in 2006.
- 33 One feature of the Use of Resources assessment was an improved score of 3 out of 4 for the procedures in place to manage and improve value for money.

Management arrangements in relation to data quality

- 34 During the 2005/06 audit, for the first time, the Audit Commission required auditors to assess the management arrangements in place to secure data quality across audited bodies.
- 35 Darlington Borough Council’s overall score for this assessment was level 3 (‘consistently above minimum requirements – performing well’). PwC scored the Council against each of the data quality key lines of enquiry as follows.

Table 5 Data Quality arrangements

Element	Assessment
Governance and leadership	3 out of 4
Policies and procedures	2-3 out of 4
Systems and processes	3 out of 4
People and Skills	3 out of 4
Data use	3 out of 4
Overall	3 out of 4

(Note: 1=lowest, 4=highest)

Summary of results of data quality spot checks

- 36 PwC carried out detailed checks on the accuracy of nine performance indicators. Five of the nine had to be amended as a result of PwC's review. The common theme underlying inaccuracies in those indicators that required amendment were inconsistencies between the supporting information and the figures used in the calculation of the indicators.
- 37 More robust systems are required to reduce the level of errors arising in the performance indicators submitted for audit.

Certification of grant claims and returns

- 38 PwC has certified 20 grant claims and returns to date in 2006/07 for Darlington Borough Council. A number of these claims were either qualified or required amendment following PwC's review. In addition, a proportion were submitted for certification by the Council after the date required by the scheme rules.
- 39 The Council must improve its grant management arrangements to ensure that claims are more accurate and are submitted on a timely basis.

Conclusion

- 40 This letter has been discussed and agreed with the Chief Executive and the Director of Corporate Services. A copy of the letter will be presented at the Audit Committee on 28 June 2007 and to Cabinet on 10 July 2007.
- 41 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

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Appointed Auditor