

Annual Audit and Inspection Letter

Dudley Metropolitan Borough Council

Audit 2007/08

March 2009



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Status of our reports

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

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

- 1 Dudley Council is improving well. It continues to improve in priority areas. Key regeneration projects have been delivered successfully this year including an important £25 million link road.
- 2 Adult social care and housing continue to be excellent and the Council consistently delivers good services for children and young people. Education results continue to improve overall, and achievement at age 16 has risen strongly. A new health and social care centre has opened due to good partnership working. Crime is reducing, continuing a good long-term trend in this area. Steadier progress has been made in improving the environment; recycling is improved and street cleanliness improved significantly and is now above average.
- 3 Overall Council improvement is about average. Arrangements to improve access to services for all communities are improving. Good progress has been made with modernising and improving the library service and feedback from users is positive. It continues to work well with partners and community leaders promoting community cohesion. The Council is maintaining good value for money. Effective planning and strong performance management mean the Council is well placed to stay on track for the future.

Action needed by the Council

- 4 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
- 5 To respond to this, the Council needs to continue working well in partnership. The Council is currently making a very positive contribution to wider community outcomes. It has worked constructively with partners and community leaders for instance in promoting community cohesion. Plans to strengthen neighbourhood working are progressing well. Partnerships are being created with other councils in the area, as part of the City Strategy initiative, to tackle the very challenging issues that underlie worklessness and low levels of skills in some communities. The economic downturn presents a risk sustaining improvement in this area and will potentially impact on outcomes such as worklessness. It is critical that the Council continues to work closely with partners to maximise the collective response to the issues in the area.
- 6 The Council needs to build upon its good work in library services to improve access to services across the board. It needs to continue working to improve its focus on equality and diversity and develop a clear, overarching customer access strategy.

Purpose, responsibilities and scope

- 7 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.]
- 8 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.
- 9 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].
- 10 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, he 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.
- 11 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.
- 12 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 Dudley Metropolitan Borough Council performing?

13 The Audit Commission’s overall judgement is that Dudley Metropolitan Borough Council is improving well and we have classified Dudley Metropolitan Borough 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 councils in CPA



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

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 stars
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	3 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

14 Dudley Council is improving well. It continues to improve in priority areas. Key regeneration projects have been delivered successfully this year including an important £25 million link road. Adult social care and housing continue to be excellent and the Council consistently delivers good services for children and young people. Education results continue to improve overall, and achievement at age 16 has risen strongly. A new health and social care centre has opened due to good partnership working. Crime is reducing, continuing a good long-term trend in this area. Steadier progress has been made in improving the environment; recycling is improved and street cleanliness improved significantly and is now above average. Overall Council improvement is about average. Arrangements to improve access to services for all communities are improving. Good progress has been made with modernising and improving the library service and feedback from users is positive. It continues to work well with partners and community leaders promoting community cohesion. The Council is maintaining good value for money. Effective planning and strong performance management mean the Council is well placed to stay on track for the future.

What evidence is there of the Council improving outcomes?

- 15** The Council has maintained strong performance in its Caring Matters priority. The latest annual assessment by the Commission for Social Care Inspection (CSCI) assessed adult social care services as excellent. A wide range of universal services are available to help older people to stay healthy and participate in their communities, and to enable people with a physical/sensory disability to live at home. The Council's contribution to safeguarding children and young people remains good, and prompt action has been taken to correct some areas where safeguarding performance had declined. A new health and social care centre has opened in Stourbridge, as part of partnership working with the NHS.
- 16** Good progress has been made in the Learning Matters priority. The Council has maintained a 'good' rating for its children's services in Ofsted's annual assessment. Educational achievement at 16 has risen strongly, and there are no schools judged as inadequate. Progress in reducing the numbers of young people not in education, employment or training (NEET) is off target, although overall levels of NEETs are low compared with other councils. Very good progress has been made with modernising and improving the borough's library service. Several libraries are now open on Sunday mornings and feedback from users is positive. New library facilities (known as Library Links) are now available via a neighbourhood learning centre and a children's centre, supported by self-serve technology to make borrowing and returning books easier.
- 17** Good progress continues to be made in the Safety Matters priority. Crime levels overall have reduced in the last 12 months, contributing to a 30 per cent fall in crime since 2005. A number of joint initiatives with the police, such as taxi marshalling schemes, have resulted in a 15 per cent reduction in violent crime in the southern part of the borough. Agencies have worked well together to tackle anti-social behaviour, and as a result youth offending rates are reducing. The numbers of people killed or injured in road accidents reduced in 2007/08.
- 18** Regeneration is a key priority for the Council, and outcomes from the wide range of investments underway are already evident. Work has been completed on the Brierley Hill Sustainable Access Network, a new £25 million strategic link road that is designed to reduce congestion and open up development land. A £30 million scheme to regenerate Halesowen town centre is due for completion by the end of 2008. The four year Building Essential Skills for Construction Trades programme has seen over 1,000 qualifications awarded. Performance on the speed of processing major planning applications has improved, with performance now above average compared with other councils. Performance on planning appeals has also improved, but remains well below average.

How is Dudley Metropolitan Borough Council performing?

- 19** The Council is making steady progress in its Environment Matters priority. The waste recycling/composting rate improved to 27 per cent in 2007/08. Although this was still below average compared with similar councils, the Council performs better when considering composting and the amount of waste converted to energy. Composting rates have continued to improve in 2008 following the roll-out of green waste collection. Stourbridge town won a gold award in the Heart of England in Bloom Awards. Street cleaning improved significantly in 2007/08, and performance is now better than the national average. However, performance on tackling fly posting and graffiti has not improved. The Council has maintained its good overall service score for environment. Progress continues to be made in meeting the decent homes standard for all council-owned homes, and the Council has maintained its overall excellent service score for housing.
- 20** Adequate progress is being made in the Quality Service priority. Achievement of value for money continues to be rated as 'good', as does the Council's overall use of resources, although some aspects of financial management and reporting have weakened. Sickness absence is improving, although performance is not as good as the top performing councils. Overall Council performance is below average compared with other councils. The proportion of Best Value Performance Indicators (BVPIs) that improved over the last year (at 61 per cent) is about average for all single tier councils. Looked at over a three year timescale, the proportion of improving BVPIs is below the average (62 per cent, against the single tier average of 67 per cent). The proportion of BVPIs in the top performing category (at 25 per cent) was also below the single tier average of 30 per cent. However, the Council did meet most targets for its key performance indicators in 2007/08.
- 21** Access to services is improving, although in some areas the pace of improvement is not as quick as the public would expect from a four-star authority. The Council remains at level 2 of the Equality Standard for local government, and scores below average on the duty to promote race equality. We understand that the Council plans to work with and make progress against the new Equality Framework when it is issued shortly. It has improved the management of its customer service centre in Dudley, although it has yet to develop a clear, overarching customer access strategy. Most of the Council's buildings are reasonably accessible to people with disabilities, although plans for further improving access are not challenging enough. Access to library services has, however, improved significantly.
- 22** The Council is making a very positive contribution to wider community outcomes. It has worked constructively with partners and community leaders in promoting community cohesion, for example by working with local Imams and hosting Tackling Extremism Together conferences. Plans to strengthen neighbourhood working (which the Council refers to as Community Renewal) are progressing well. Partnerships are being created with other councils in the area, as part of the City Strategy initiative, to tackle the very challenging issues that underlie worklessness and low levels of skills in some communities. Partnership working generally is productive. Dudley Community Partnership governance is being reviewed, because of the new Local Area Agreement (LAA), in order to focus more consistently on the delivery of objectives. The Phase 1 revision of the Regional Spatial Strategy has been approved by the government, a testament to sustained leadership by the Council, with Brierley Hill being designated a strategic centre in the Black Country.

How is Dudley Metropolitan Borough Council performing?

How much progress is being made to implement improvement plans to sustain improvement?

- 23** Steady progress is being made with developing and implementing improvement plans. The Council has strengthened its service planning arrangements to ensure greater consistency and to improve target setting. It has also strengthened its programme management arrangements. Good progress is being made with partners in developing LAA delivery plans, with a clear focus on outcomes for local people. The Council is at the early stages of preparing a transformation strategy, which will aim to re-shape services to focus more consistently on the needs of customers, although it is much too soon to assess the viability or impact of this strategy. Progress has been made on Single Status and equal pay, with most job evaluations now complete, although the Council is now entering the more challenging phase of implementing new pay arrangements.
- 24** The Council has the capacity in place to sustain further improvement. It has moved quickly to appoint interim managers following the departure of the Chief Executive and the secondment of the Director of Children's Services to the government. The shared Mental Health Trust with Walsall became operational in October 2008.
- 25** The Council has responded to previous audit findings on regeneration capacity, by establishing a new company to deliver regeneration initiatives, initially focusing on Dudley and Brierley Hill. CSCI assess the capacity to improve adult social care services as excellent, and Ofsted report good capacity to improve in children's services. The Council and its partners continue to attract external funding, for example it has received £7 million to invest in parks and play areas, as part of the Play Pathfinder and Healthy Town initiatives. Funding to support regeneration is also being brought in to the borough, for example £13 million from English Partnerships and Advantage West Midlands towards the delivery of the Dudley Area Development Framework. The economic downturn presents a risk sustaining improvement in this area and will potentially impact on outcomes such as worklessness. It is critical that the Council continues work closely with partners to maximise the collective response to the issues in the area.

Service inspections

- 26** There have been no Audit Commission inspections that have been published by the date of the AAIL.
- 27** 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.

How is Dudley Metropolitan Borough Council performing?

- 28 Annual performance assessment of services for children and young people in Dudley Metropolitan Borough Council 2008.** This summarised the findings of the 2008 annual performance assessment (APA) for your council. The evaluations and judgements in the letter drew on your self-assessment and the evidence and briefings provided by Ofsted, other inspectorates and relevant bodies. The letter confirmed agreement with the accuracy of the self-assessment and is consistent with the evidence you have provided and the progress your council has made since the 2007 APA. The following table sets out the grades awarded for performance in 2008.

Table 2

	APA grade
Overall effectiveness of children's services	3
Being healthy	3
Staying safe	3
Enjoying and achieving	3
Making a positive contribution	3
Achieving economic well-being	3
Capacity to improve, including the management of services for children and young people	3

Inspectors make judgements based on the following scale – 4: outstanding/excellent, 3: good, 2: adequate, 1: inadequate

How is Dudley Metropolitan Borough Council performing?

Table 3 Adult social care performance judgments for 2007/08

Areas for judgment	Grade awarded
Delivering Outcomes	Excellent
Improved health and emotional well-being	Good
Improved quality of life	Excellent
Making a positive contribution	Excellent
Increased choice and control	Excellent
Freedom from discrimination and harassment	Good
Economic well-being	Excellent
Maintaining personal dignity and respect	Good
Capacity to Improve (Combined judgment)	Excellent
Leadership	Excellent
Commissioning and use of resources	Excellent
Performance Rating	3 Stars

The audit of the accounts and value for money

- 29 Your appointed auditor has reported separately to the Audit Committee on the issues arising from our 2007/08 audit and have issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008: and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 30 The report concluded that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources - the value for money conclusion. We performed a number of specific pieces of work to assist us in reaching this conclusion. The findings from these pieces of work are detailed further below.

Dudley Council Plus

- 31 The Council enhanced customer access to its services through Dudley Council Plus (DC+) as part of its Customer Access to Services (CATS) programme. The Council hired external consultants to review DC+ and CATS. The consultants found that DC+ costs were not being kept within budget and expected benefits were not being delivered. They made a number of recommendations for improvement. We reviewed the progress that the Council had made in tackling the problems identified and found that:
- DC+ performance has improved with a 45 per cent increase in calls answered and a reduction in the percentage of abandoned calls;
 - the budget deficit for DC+ has been resolved through provision of additional budget, transfer of services and staff reductions;
 - the operational management of DC+ has been improved. DC+ is now part of the Finance Directorate and has a new, experienced operational manager; and
 - there have been improvements in performance reporting.
- 32 However, we also found that:
- the Council's draft strategy for customer services has not been approved by members and there is no clear link between the priorities and objectives set out in the strategy and the Council's corporate priorities. Although there is clear common ground between customer services and DC+, it is not clear whether it is Council policy to have all services provided through DC+;
 - there is no comprehensive corporate plan to have all Council services accessible through a single contact centre; and

The audit of the accounts and value for money

- there is a lack of clarity in the CATS strategy and the delivery approach for this programme. As a result, the CATS team has been made the responsibility of the Head of Policy. Although some team development is underway, the reported lack of clarity has not been resolved.

33 Therefore, we have recommended that the Council ensure that it has a clearly defined direction for the provision of frontline services to the public. This should include:

- developing the customer service strategy and associated action plans so that it translates the Council's overall vision for customer services into clear steps that will achieve that vision; and
- ensuring that offices and Members sign up to the delivery of that vision.

Disability

34 The Council does not have a strong record of performance in respect of providing access to its buildings for people with disabilities or in employing people who declare that they have disabilities. Data for 2007/08 shows that:

- only 33 per cent of buildings offered comprehensive access and facilities for people with disabilities;
- 2 per cent of Council employees declared a disability compared with an average of 2.8 per cent for other metropolitan borough councils; and
- 3.5 per cent of senior Council employees declare a disability compared with an average of 3.7 per cent for other metropolitan borough councils.

35 We performed a review and found that the Council's building stock includes some old and listed structures for which improvements to access for the disabled can be difficult and costly. The Council has accurate data on the accessibility of its buildings for people with disabilities and has improved the quality of data it holds on employees with disabilities. However, the Council's plans for improvement do not reflect the level of ambition expected of a 4 star authority and are not challenging enough to close the gap between their performance and that of the best performing councils. Therefore, we recommended that the Council should:

- research the achievements of better performing councils to identify best practice; and
- review its plans and adjust them to provide challenging targets for improvements that will close the gap on the achievements found in the better performing councils.

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 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).
- 37** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 4

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	3 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 key issues arising from the audit

Financial reporting

38 An unqualified opinion was provided on your 2007/08 accounts. A score of 2 for financial reporting was given for use of resources. This was lower than the score of 3 which was given in 2007. The score was lower because of a material adjustment to the accounts in respect of deferred grants and a significant adjustment in respect of the gross book value of fixed assets. These issues came to light on the transition to more complex rules for accounting for fixed assets in 2007/08. They did not have any effect on the deficit reported in the Income and Expenditure Account or the revenue reserves available to the Council. We have recommended that the Council's officers review the level of record keeping for fixed assets and consider the option of acquiring and implementing specialised fixed assets IT software to address the complexity of the new rules.

Financial management

39 The Council continues to perform well in respect of its medium term financial planning. An overall score of 2 was given for financial management for use of resources which was lower than the score of 3 given in 2007. The score was lower because of a budget overspend in respect of the Leaps and Bounds project. The circumstances behind this overspend were investigated by internal audit and reported to the Audit Committee by the Interim Chief Executive and Director of Finance on 12 February 2009. They reported that the project had incurred a total of £1.375m unbudgeted expenditure in 2007/8 and 2008/9, which had to be met from the Council's General Fund. The investigation by internal audit found that officers involved with the project.

- Had procured goods and services and authorised expenditure, for which there was no approved budget.
- Had failed to follow Financial Regulations and Standing Orders, or failed to seek formal exemptions from Standing Orders where this might have been justified.
- Had incurred unreasonably excessive levels of expenditure on certain items (eg catering and transport costs).
- Were involved in the establishment of a company which eventually became a registered charity without seeking the necessary authorisation, or properly declaring their interests.
- Did not follow basic project management guidelines and good management and financial control practices (eg failed to produce a business plan).
- Appeared not to have any conception of value for money issues.

Financial standing

40 The Council's financial position continues to be well managed. Revenue spending for 2007/08 was kept within overall budgets and slightly less reserves were used than planned. General Fund balances fell from £11.5m to £7.9m between the start and the end of the financial year but this reflected planned use of reserves in 2007/08 to support revenue expenditure.

The audit of the accounts and value for money

- 41 The final costs of single status and equal pay back pay continue to remain uncertain. The Council has made provision in its forward plans for the total ongoing costs of single status and equal pay back pay but this will need to be reviewed as revised pay and grading structures and back pay levels are agreed with staff.
- 42 Council Tax collection rates rose slightly in 2007/08 compared to the previous year and the Council's performance continues to rank in the upper quartile for metropolitan authorities. Business rates collection rates also improved compared to the previous year but are below average for metropolitan authorities. The collection rate for housing rents stayed virtually the same and the Council's performance continues to be above average for metropolitan authorities.

Internal control

- 43 The Council continues to perform well on internal control. A score of 3 was given for use of resources which was the same as given in 2007. However, there have been changes in two elements of the score between the two years. The score given for systems of internal control fell from 3 to 2 because of internal control weaknesses in respect of the Leaps and Bounds project. However, the score given for risk management arrangements rose from 2 to 3 to reflect the improvements made in this area.

Value for money

- 44 The Council continues to provide value for money and has good arrangements in place to manage and improve value for money. The Council continues to have a low Band D Council Tax in comparison to comparable, and neighbouring, local authorities.

Looking ahead

- 45 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.
- 46 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.
- 47 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 aspect of each area's Local Area Agreement.

Closing remarks

- 48 This letter has been discussed and agreed with the Interim Chief Executive and Director of Finance. A copy of the letter will be presented at the Cabinet on 18 March 2009. Copies need to be provided to all Council members.
- 49 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 5 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Supporting people with disabilities	June 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Dudley Council Plus	January 2009
Annual audit and inspection letter	March 2009

- 50 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

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

Gary Stevens
Comprehensive Area Assessment Lead

18 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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