

Annual Audit and Inspection Letter

March 2007



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Dudley Metropolitan Borough Council

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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.

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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 and from the Corporate Assessment that have been 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, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 In a normal year, we undertake a range of project work intended to address specific audit risks in relation to value-for-money. Because of the corporate assessment and the length of time taken to finalise this after the Council requested a review of the scores, we have not carried out the normal range of other projects, drawing instead on the findings from the corporate assessment to support our conclusions on value-for-money. Now that the corporate assessment scores have been finalised, however, we are recommencing our programme of other work, the outcomes from which will be reported to Members in due course.
- 4 The main messages for the Council included in this report are:
 - The Council continues to improve its priority services and to increase the impact of its wider community role and the extent of the Council's improvement compared to other councils is notable.
 - Children's services continue to be good and there have been significant improvements in educational achievement.
 - Adult social care services continue to be good and the CSCI have identified a range of significant improvements achieved.
 - The Council continues to perform well in using its resources and delivering value for money.
 - The Council's housing service has improved and gained a maximum score of 4 in the latest CPA assessment.
 - Good progress has been made in delivering environmental services and the Council continues to perform well in this area.
 - Cultural services are adequate but they continue to be the only service area which does not perform either well or strongly.
 - The housing benefits service achieved an 'excellent' rating following an inspection by the Benefit Fraud Inspectorate in 2006.
 - Strong partnership working has led to a continued decline in crime levels. However, outcomes on key local priorities such as anti-social behaviour are difficult to establish and the comparatively high fear of crime needs to be tackled.

- The Council has examples of trying to impact on deprivation but its activities are not co-ordinated.
- The Council Plan sets out clear areas for improvement but the Council needs consistently to set targets that are challenging and longer term.
- The Council has strengthened its performance management system, but further work is needed.

Action needed by the Council

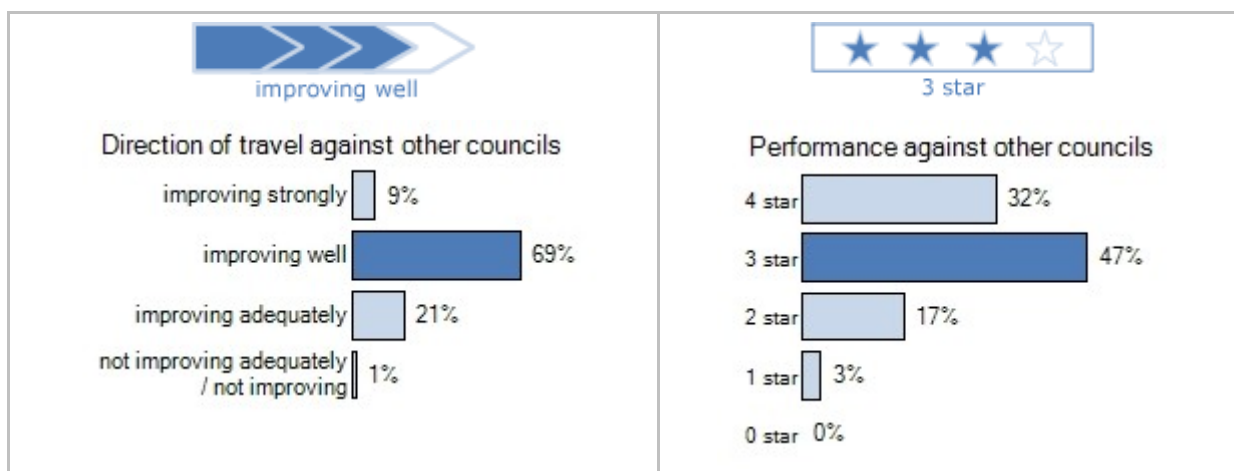
5 The key actions needed by the Council are:

- Ensure that there is a consistent, good quality of 14-19 education and training and that the provision of programmes to prepare young people for employment is increased.
- Continue increasing the number of packages provided of intensive homecare and intermediate care and ensure that strategies for the commissioning of services and joint commissioning arrangements with health remain a priority.
- Continue to develop medium term financial planning, asset management and risk management arrangements.
- Tackle the comparatively high fear of crime in the borough.
- Develop a coherent strategy across the Council on how services with partners can improve quality of life in the most deprived areas of Dudley.
- Consistently set targets that are challenging and longer term.
- Ensure that the performance management system is consistently and rigorously applied throughout the Council.
- Do more on defining and measuring the outcomes expected from policies rather than measuring outputs; enhance the level of challenge to existing performance by benchmarking against the highest performing Councils; and ensure consistent measurement of performance in its partnerships.

How is Dudley Council performing?

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

Table 1



Source: Audit Commission

- 7 The detailed assessment for Dudley Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	***
Current performance	Out of 4
Children and young people	3
Social care (adults)	3
Use of resources	3
Housing	4
Environment	3
Culture	2

Element	Assessment
Benefits	4
Corporate assessment <i>(scorecard published by Audit Commission in February 2007 gave CA score as 2, as the 2006 CA had not been published at that stage)</i>	2 out of 4

(Note: 1=lowest, 4= highest)

The improvement since last year - our Direction of Travel report

Children and young people

- 8 The Council has placed children and young people at the centre of its ambitions and services for children, especially education, have been consistently prioritised by the Council. The report on the 2006 Joint Area Review (JAR) of services for children and young people, issued by Ofsted, graded the services as good in eleven of the twelve gradings in the report and one as adequate. The CPA score for children and young people services now stands at 3 out of 4.
- 9 The JAR found that educational standards are rising, attendance in schools is satisfactory and exclusions are decreasing. There is a good range of targeted family support services to prevent the need for children to be looked after by the Council and, as a result, numbers are reducing. The combined work of all local services in keeping children and young people safe is good and those most at risk of harm are protected effectively by multi-agency collaboration.
- 10 The Council has developed a clear improvement plan for developing 14-19 education and training in conjunction with the local Learning Skills Council. 14-19 outcomes in the borough are currently satisfactory and improvements are being made. Employment skills are improving and the number of young people entering higher education, though still low, is rising. The key long term action that the JAR identified was for the range and extent of provision to be better managed to ensure that there is a consistent, good quality of 14-19 education and training and that the provision of programmes to prepare young people for employment is increased.

Social care (adults)

- 11 The Commission for Social Care Inspection (CSCI) judged that the Council are providing social care services that are serving most adults well and that the Council's capacity to improve these services is excellent. The CSCI judgement was released in November 2006 and it gave an overall adult's star rating of 3 stars (3 out of 4).

- 12 The CSCI found that plans for the majority of improvements in 2005/06 were met and that ongoing plans seemed to be suitably ambitious in aiming to provide good services to all client user groups.
- 13 The Council continues to work well with all partners, particularly health, to deliver social care in Dudley. The Council has made increased use of intensive homecare and intermediate care packages to improve the speed of hospital discharge or prevent admission to hospital, particularly for older people, ensuring that they have support necessary to remain in the community. Community care and support packages have been provided to enable older people to maintain their independence and remain in the community with even fewer people admitted to residential care than in previous years.
- 14 The key areas for improvement that the CSCI have identified are that the Council should:
 - continue with its plan to continue increasing the number of packages provided of intensive homecare (and intermediate care where appropriate) to enable even more people to retain their independence where possible;
 - continue with its plans to engage with housing providers to encourage innovation and variety in types of housing made available beyond traditional sheltered housing developments; and
 - ensure that strategies for the commissioning of services and joint commissioning arrangements with health remain a priority so that the development and implementation of arrangements for all client user groups are afforded equal attention.

Housing

- 15 The Council is working well on improving local housing and progress on providing decent and modern accommodation is good. This is reflected in the CPA score which has increased from a 3 in 2005 to a maximum score of 4 in 2006. Only 24 per cent of the Council's housing stock does not meet the Decent Homes Standard and a robust and funded plan is in place to bring all homes up to standard by the deadline of 2010. The Council has minimised time spent in bed and breakfast and has refurbished its own hostel. Tenant representation and consultation has improved and this has helped the Council to address specific challenges on estates, such as the Priory estate.

Environment

- 16 The Council are performing well in this service area and this is reflected in the CPA score of 3 which was given as part of the 2006 assessment. Performance on waste management is improving, but the Council aims to meet only minimum standards. The total volume of waste collected per household is low, placing the Council amongst the best performing similar councils. The majority of waste that is not recycled is used to generate energy. The Council has funded plans to extend the composting of garden waste across the borough and improve recycling rates further. However, its short term targets for this are not challenging and the impact on introducing wheeled bins has not been fully assessed. A 30 year waste management study has now been completed, with the Council working in partnership with the other three Black Country authorities. This should enable a sustainable waste management solution to be delivered over the next three decades.
- 17 The Council has improved the cleanliness of its area and has responded to public concern by tackling abandoned cars, fly tipping and littering through increased enforcement. The Council has increased its own financial commitment for cleansing, although expenditure in this service area remains low compared to other councils. The Council has yet to ensure that its responsibility in this area meets both the expectations of local people and contributes positively to its other priorities such as regeneration. Local parks have started to be improved and good results have been achieved, especially in the transformation of derelict land.

Culture

- 18 The Council delivers adequate cultural services. This is the only service area where the Council scored a 2 in the 2006 CPA assessment. The CPA score is based on performance information and inspection reports. Analysis of performance information taken into account for the CPA assessment shows that the Council fails to perform adequately in areas such as:
- the percentage of adults participating in at least 30 minutes of moderate intensity sport and active recreation on three or more days a week;
 - the percentage of the population that are within 20 minutes travel time of a range of three different sports facility types; and
 - public library service standards on stock.
- 19 However, the service performs strongly in such areas as:
- public library service standards on ICT provision;
 - resident satisfaction with libraries; and
 - museums accreditation.
- 20 The inspection report that was taken into account in reaching the CPA score of 2 was the 2005 inspection of cultural services which we reported on in last year's annual audit and inspection letter. This scored the service as one star 'fair' with uncertain prospects for improvement.

- 21 The Council has drafted a long term strategy for cultural services and this is evidence of the Council's intention to improve service performance and its CPA assessment score.

Benefits

- 22 The Benefit Fraud Inspectorate (BFI) performed an inspection of benefit services in 2006 and found that the Council was performing to an excellent standard in its benefit administration and counter-fraud activities. This is reflected in the CPA assessment where a maximum score of 4 was awarded. This level of performance is particularly impressive given that a new Benefits IT system was introduced in August 2005.

Corporate assessment

- 23 A corporate assessment was performed during 2006. The purpose of the assessment was to assess how well the Council engages with and leads its community, delivers community priorities in partnership with others and ensures continuous improvement across the range of Council activities. The assessment concluded that the Council is performing well and awarded an overall score of three from a maximum of four. There are five themes within the corporate assessment and these are all scored separately. The scores for each of the five themes are detailed in Table 3 below.

Table 3 Corporate assessment

Theme	Score
Ambition	3 out of 4
Prioritisation	2 out of 4
Capacity	3 out of 4
Performance management	2 out of 4
Achievement	3 out of 4
Overall corporate assessment score	3 out of 4

(Note: 1=lowest, 4=highest)

- 24 The Council has clear and long term ambitions that are founded on the needs of its communities. These ambitions are set out in the Black Country Study which provides a 30 year vision to shape development and investment in the area. The community strategy, produced by the Council and the Dudley Community Partnership, covers the period to 2020 and sets out an overall vision for 'stronger communities', supported by six priorities that link to the Council's own. The Council needs to work with the Dudley Community Partnership to develop precise milestones and targets for improvement to underpin the priorities in the community strategy. The new shared agenda in the community plan has addressing disadvantage as a core challenge. The Council has examples of trying to impact on deprivation but its activities are not co-ordinated. There is a need to develop a coherent strategy across the Council on how services with partners can improve quality of life in the most deprived areas of Dudley.
- 25 The Council's corporate plan aims to achieve its vision that 'local people matter' which is translated into challenging ambitions, particularly for regeneration and improving the achievement and life chances for children and young people. The Council Plan sets out clear areas for improvement but the Council needs consistently to set targets that are challenging and longer term.
- 26 The Council has good knowledge of local communities. Priorities are supported by a range of good quality consultations and the Council is improving the way in which it accounts for the needs of its diverse communities. The Council's approach to user focus and diversity is developing well with some good examples of responding clearly to user needs such as older people and the plan for additional single access service points.
- 27 Effective political and managerial leadership is giving the Council clarity of purpose and a focus on improvement. Good capacity exists in the Council through positive managerial leadership of staff, the ability to revise and improve working procedures such as procurement and in maximising the use of its IT infrastructure. The Council has extended its capacity by working in partnership and much effort has been put into systems to improve partnership working. There is good working with health partners, making an impact on long term issues such as life expectancy and teenage pregnancy.
- 28 Progress has been made on strengthening the Council's performance management system, but further work is needed to ensure that this is consistently and rigorously applied throughout the Council. More needs to be done on defining and measuring the outcomes expected from policies rather than measuring outputs; enhance the level of challenge to existing performance by benchmarking against the highest performing Councils; and ensure consistent measurement of performance in its partnerships.
- 29 The Council has used its resources to support the achievement of its priorities. There are links between its financial and service planning but these need to be further improved so that the longer term financial implications of its priorities are made clearer. This should help the Council to make decisions on the longer term funding of projects, including the continued roll-out of Dudley Council Plus.

- 30 Overall, the Council is performing well in the delivery of its priorities and there are a number of good outcomes in the Council’s drive for sustainable communities. Unemployment has reduced and a focus on skills is supporting local people into jobs. Arrangements for community safety are well developed and overall crime has reduced significantly. However, outcomes on key local priorities such as anti-social behaviour are difficult to establish and the comparatively high fear of crime needs to be tackled.

Use of resources

- 31 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).
- 32 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 Use of resources assessment

Element	Assessment
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	2 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)

- 33 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

Financial reporting

- 34 The Council continues to perform well in producing annual accounts. The audit of the 2005/06 accounts is covered in greater detail in a later section of this letter.

Financial management

- 35 The Council has adequate financial management arrangements in place and continues to make improvements to them. The Council performs well on managing performance against budgets but there is scope to make further improvements in medium term financial planning and asset management.
- 36 The Council has a medium term financial strategy in place and the latest version covers the period from 2006/07 to 2009/10. Our use of resources work was based on the previous version of the strategy and concluded that it could be improved by better demonstrating how it is linked to other Council strategies such as the IT Strategy and People Management Strategy. We will consider the latest version of the medium term financial strategy as part of our 2007 use of resources assessment.
- 37 The Council continues to develop its asset management arrangements and produced its first Annual Property Performance Report in November 2006. If further progress is to be made then plans for addressing backlogs in maintenance should be presented to members and investment and disposal decisions should be based on thorough option appraisal and whole life costing.

Financial standing

- 38 The Council's financial position continues to be well managed. Spending is contained within budgets and there are no significant unexpected overspends or underspends. General Fund balances fell from £3.8m to £3.3m between the start and end of the 2005/06 financial year. The Council budgeted to use £2.4m of these balances during 2006/07 and will also use the remaining £0.9m in 2006/07 to help fund additional spending on children's out of borough placements, fostering and Dudley Council Plus. This would have left the Council without any general balances at 31 March 2007 but a review of earmarked balances and provisions has identified a sum of £8.2m that will be transferred to general balances at 31 March 2007. This sum will be available to support spending in 2007/08 and later years.
- 39 Spending on the 2005/06 capital programme amounted to £70.8m compared to a budget of £78.2m. This represents slippage of 10.4 per cent compared to slippage of 6.6 per cent in 2004/05 and 9.4 per cent in 2003/04. The latest capital programme monitoring report to Cabinet showed that 55 per cent of the £85.3m budget for 2006/07 had been spent by 31 December 2006. Members should continue to monitor the capital programme closely and ensure that all possible action is taken to reduce slippage.

- 40 Council Tax collection rates rose slightly in 2005/06 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 rose in 2005/06 compared to the previous year but the Council's performance is below the average for metropolitan authorities. The Council's collection rate for housing rents fell slightly in 2005/06 compared to the previous year but performance is above the average for metropolitan authorities.

Internal control

- 41 The Council has adequate internal control arrangements in place and continues to make improvements to them. The Council performs well on promoting and ensuring probity and propriety in the conduct of its business but there is scope to make further improvements in its arrangements for managing significant business risks and maintaining a sound system of internal control.
- 42 The Council has made significant progress in developing its risk management arrangements in recent years. The key improvement that is now needed is for risks relating to significant partnerships to be considered and assurances to be obtained about management of those risks. The key improvement that needs to be made in respect of internal control is for an assurance framework to be embedded that maps strategic objectives to risks, controls and assurances. We are aware that the Council are taking action to address both of these issues and we will assess the progress that has been made as part of the 2007 use of resources assessment.

Value for money

- 43 The Council continues to provide value for money and has good arrangements in place to manage and improve value for money. The Band D Council Tax is low in comparison to comparable councils and, where there are areas of spend which are higher than at other comparable councils, the Council is generally able to provide appropriate explanations for variances in relation to performance or priorities.

The audit of the accounts

- 44 As your appointed auditor I have reported separately to the Audit Committee on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 45 The Council presented accounts for audit at the end of May 2006. This was an impressive achievement given the number and range of new financial systems that were introduced during 2005/06.
- 46 The accounts presented for audit contained a material error relating to the misclassification of cash received shortly before the year end. Debtors had been included in the accounts for various sums which were thought to be outstanding at year end. However audit testing identified that cash had been received in respect of these debts before year end. This cash had not been correctly reflected in the accounts which meant that debtors were overstated by £9.7m, receipts in advance were understated by £945k and the cash overdrawn balance was overstated by £10.6m. The accounts were amended accordingly and there was no impact on the 'bottom line' of the revenue accounts.
- 47 This issue arose because the accounts were prepared from financial systems which were used for the first time in 2005/06. The new financial systems operated differently to the systems used to prepare previous years' accounts and the impact of the difference between how the old and new systems operated had not been identified by officers at the time that the accounts were prepared. Officers have assured us that they have taken action to ensure that this issue will not arise in future years.

Conclusion

- 48 This letter has been discussed and agreed with the Chief Executive and Director of Finance. A copy of the letter will be presented at the Audit Committee on 19 April 2007.
- 49 The Council has taken a positive and constructive approach to our audit and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation. We look forward to working with you in the coming year to deliver our full range of work.

Availability of this letter

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

John Gregory
Relationship Manager