

# Annual Audit and Inspection Letter

City of York Council  
Audit 2007-2008

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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 The City of York Council continues to perform well or strongly across a range of service areas such as the environment, housing, children and young people and the use it makes of the resources available to it. These services are important to the communities that it serves. Parts of its services for adults have been criticised by inspectors but plans are in place to deal with their concerns. The Council has also had its score for the Audit Commission's assessment of its corporate capacity updated to reflect our more stringent harder test. We identified a number of areas for improvement including the need to improve its focus on priorities and it is making progress in addressing these.
- 2 It is also working hard and effectively in partnership with other organisations in the area to achieve improvement in jointly agreed priority areas. It has launched its new vision for the City with its partners and worked with them to re-invigorate the strategic partnership for the City, Without Walls. All this activity has made it more likely than ever that residents, businesses and visitors to the City will get better services that more closely match their needs and that help improve their lives.
- 3 The Council can not slacken its pursuit of the plans it has for itself and the area it serves. Working successfully in partnership with others is vital to achieving its aspirations (and those of the people it and its partners serve) and we will be examining this as part of the new Comprehensive Area Assessment which we and our colleague Inspectorates launch in April 2009.
- 4 Residents of York and businesses in the area are dealing with the impact of the current economic downturn. The Council and its partners are already considering the impact of this changed economic environment on themselves and the communities they serve but the Council and its partners will need to remain vigilant in managing risks to plans arising from the recession.
- 5 In the meantime there are a small number of key issues which Councillors should particularly pay attention to over the coming year.

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### Action needed by the Council

- 6 Councillors should satisfy themselves that sound arrangements are in place to deal with the following issues.
  - 2009 is proving to be a difficult year for all councils due to the national economic downturn. Pressures will increase further as the recession starts to bite. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.
  - The Council has put action plans in place to deliver the improvements that it has identified as being needed. These respond to the results of its own analysis of priorities as well as the various pieces of audit and inspection work described in this Letter. Councillors need to monitor progress on the delivery of these plans and take action when it's needed to put things back on track.

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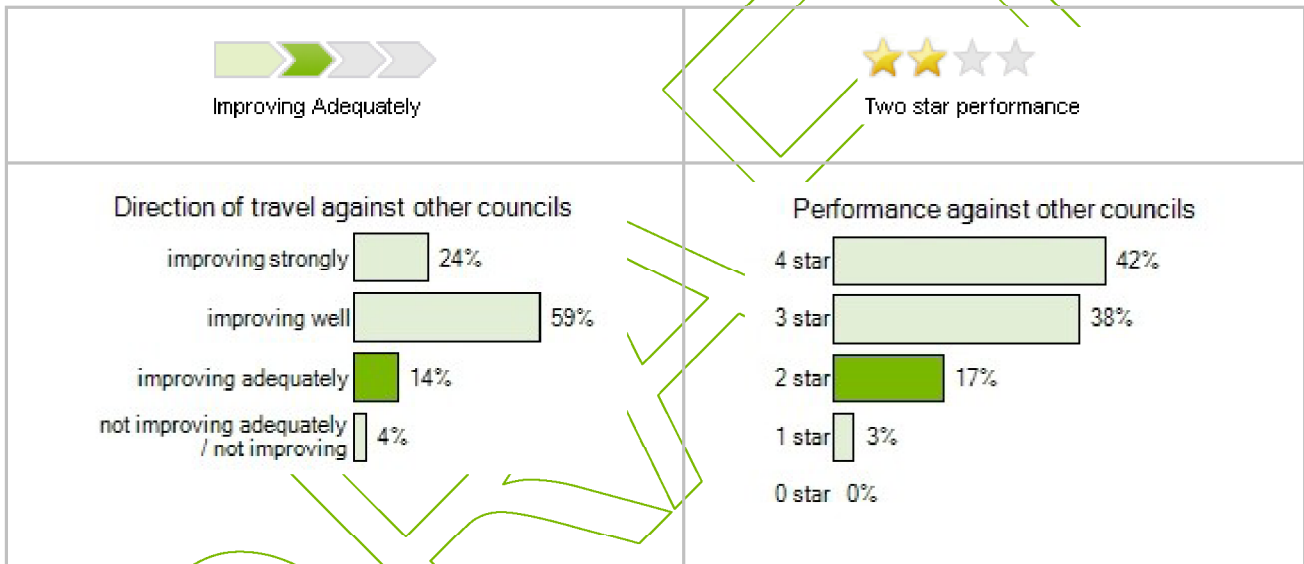
# Purpose, responsibilities and scope

- 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.
- 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](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 10 The appointed auditor, John Prentice, 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.
- 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 City of York Council performing?

13 The Audit Commission's overall judgement is that the City of York Council is improving adequately and we have classified the Council as two 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

**Our overall assessment - the CPA scorecard**

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving adequately
<b>Overall</b>	2 stars
Corporate assessment/capacity to improve	2 out of 4
Current performance	
Children and young people*	4 out of 4
Social care (adults)*	2 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	3 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**

**Summary**

**14** City of York Council is improving adequately. Elements of services for vulnerable adults, for example those aimed at improving health, emotional well-being and personal dignity, have declined. The Council has achieved improvement in a number of other priority services and sustained high performance in services for children and young people. It has also contributed to improved outcomes in relation to health, crime and disorder, environment and sustainable transport and, with partners, is making progress on housing and regeneration ambitions. The Council has responded to the findings of the Corporate Assessment by developing a single improvement plan which is giving a sustained focus on improving corporate capacity. Managerial leadership remains strong. Progress has also been made in improving access to services and responding to the needs of diverse communities. Effective political leadership has enabled the Council to work well with partners to define priorities for the future and a range of robust service strategies are being implemented to achieve them. The delay in plans for new office accommodation represents a risk to the future delivery of the Council's ambitions but plans are in place to ensure progress is achieved.

## How is City of York Council performing?

15 In our direction of travel work we consider two questions:

- What evidence is there of the council improving outcomes?
- How much progress is being made to implement improvement plans to sustain improvement?

16 The following sections report our findings in answering those questions.

### What evidence is there of the council improving outcomes?

- 17 The Council has achieved improvement in a range of priority services. The overall level of improvement – with around 61 per cent of national performance indicators improving in 2007/08 - is around the average rate of improvement for single tier authorities. Elements of services for vulnerable older people, relating to health and emotional well-being and maintaining personal dignity and respect, have deteriorated.
- 18 The Council sustained its high performance in educational attainment, with particular focus on the most vulnerable children and young people. The number of children below the threshold at each key stage in core subjects has reduced, particularly in the most deprived areas. There has also been an increase in the number of looked after children achieving at least one GCSE pass or equivalent.
- 19 The Council has taken successful action to support the priority for improving the health of local communities. It has continued to expand its schools sports partnerships, which has contributed to achieving an increase in the number of children participating in regular exercise. The percentage of children engaging in two hours per week of high quality PE has increased from 90 per cent to 94 per cent. The health of looked after children is also improving and there has been a reduction in teenage pregnancies.
- 20 There have been notable reductions in the levels of crime and disorder, resulting in an increase in the percentage of people who feel York is a safe place. A targeted alley-gating campaign resulted in a fall in reported crime levels of 68 per cent in the Clifton area in August and September 2008, compared with figures for the same period in 2006. Re-offending rates of Youth Offending Team-supervised offenders fell by twice the target agreed as part of the 'Local Public Service Agreement 2' although they remain at a level significantly above those for similar areas. An external assessment of the Youth Offending Team found the service to be high performing, having shown significant improvement over the last two years to become the strongest performing team in the region. However, the dependency on short term funding presents a risk to sustaining the current level of performance.
- 21 Overall traffic volumes have remained stable and there is a strong focus on encouraging alternative methods of transport. Investment in park and ride schemes has resulted in usage steadily increasing between 2003/04 and 2006/07, although there was a reduction in passenger numbers in 2007/08 as the result of the introduction of the concessionary fares. Following successful initiatives to increase walking and cycling usage, York has been awarded Cycling City status, which has attracted £3.86 million in external funding to increase cycling further over the next three years.

- 22** The volume of waste recycled increased to a level which is amongst the highest quartile of councils nationally. The volume of waste collected has reduced and the cost of waste collection and disposal remains within the lowest quartile for councils nationally. Satisfaction with the service continues to increase. Good progress is being made in improving the condition and appearance of the city's housing estates and street scene. Street cleanliness is improving and parks, play areas and public spaces are of a high standard. The improvement in environmental performance and public satisfaction whilst keeping costs low illustrates the Council's robust approach to value for money, which remains one of its key strengths.
- 23** There has been continued improvement in some aspects of housing performance. Re-let times reduced significantly to 19 days which is amongst the top performing quartile of councils nationally. The proportion of non-decent homes continued to fall - from 11 per cent to 10 per cent. However, the rate of improvement is below that achieved elsewhere resulting in the Council falling from top quartile to second quartile. There was a deterioration in performance regarding homelessness, where the length of stay in hostel accommodation increased to more than 9 weeks which is worse than the national average.
- 24** The Council has contributed towards ensuring local communities have the skills and knowledge to access employment. The percentage of young people not in education, employment or training (NEETs) fell from 5.9 per cent in 2006/07, to 3.9 per cent in 2007/08. There was also an increase in the number of adults achieving basic literacy, numeracy and IT qualifications, and young people gaining vocational qualifications. These actions have contributed to a narrowing of income differentials across the city.
- 25** However, progress against wider economic priorities has been impacted on by the current economic downturn, which is also placing increased pressure on the social housing stock and housing waiting lists. Progress continues to be made towards the decent homes standard but plans to provide additional housing – including affordable housing units – have been delayed. It is anticipated that the supply of affordable homes will not meet targets over the next two years.
- 26** However, the Council and its partners have responded positively to the economic downturn by taking a range of actions to mitigate its impact. These include actions to support business confidence, engaging with developers to support the local housing market, promoting the Credit Union and benefits take up, and the Kingsway pilot project to provide specific support to people in the most deprived area of the city. The Council is also working with two neighbouring authorities and three housing associations on the Golden Triangle partnership which is providing support to households who are having difficulty getting onto the property ladder or are having difficulties paying their existing mortgages.



## How is City of York Council performing?

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

- 27 Progress is being made with actions to strengthen the Council's approach to dealing with equalities and diversity and improve access to services. Good progress has been made in carrying out Equality Impact Assessments in priority services, with a view to incorporating actions into 2009/10 service plans. The format of the Social Inclusion Working Group is being reviewed to ensure it is accessible to representatives of all community groups, and staff reference and engagement groups are being developed. The Council has also delivered language training aimed at the increasing Polish community and increased engagement with 'Black and Minority Ethnic' communities to address health issues. However, planned training for front line staff and managers has been delayed to 2009/10 due to lack of resources. The Easy@York project has continued to improve access to services, along with the Council's ability to respond to service requests.
- 28 The Council and its partners have robust plans for improving. The Sustainable Communities Strategy (SCS) setting out their ambitions for the city for the period from 2008 to 2025 was agreed in September 2008, along with the Local Area Agreement (LAA) which sets targets and provides the focus for action over the next three years. The SCS was based on a good understanding of local needs, following an extensive consultation process.
- 29 The Council has reviewed its Corporate Plan to ensure alignment with the SCS and has developed a range of robust service strategies to underpin the delivery of all community priorities. They are supported by action plans and funding from a range of sources. Progress is being made relating to the newly prioritised issue of climate change through an environmental sustainability strategy and a carbon management programme as the Council moves towards developing an integrated climate change strategy. The Local Transport Plan 2006/11 has been rated as 'excellent' by the Department of Transport, and includes major projects to extend the existing park and ride network. As part of their approach to community safety, partners have agreed an Anti-Social Behaviour Strategy to ensure actions to deal with this issue are better co-ordinated and have maximum impact. The Council's housing strategy has a clear focus on achieving decency standards and increasing the supply of affordable housing and an updated homelessness strategy has recently been agreed. Plans are in place for joint commissioning of care services for older people with the PCT, although strategies to support the wider independence of older people are not yet fully developed.

- 30** The Council has taken action in a number of areas to implement its service strategies. New facilities such as the Danesgate Skills Centre and Learning Centres in Acomb and New Earswick opened in 2008 to provide increased access to lifelong learning opportunities, resulting in increased participation in adult learning programmes. The Council has also entered into a Multi Area Agreement (MAA) with a number of other councils to focus on the issues of skills and transport links on a regional basis. Access to external funding has enabled the Council to enhance its support to children and families through Parenting Programmes which have supported 248 families. Additional action groups have been set up through the Active York partnership to engage with schools to increase participation in physical activity and improve health. The Council is also working with the Schools Food Trust to promote healthy school meals. The recent annual primary school conference included a School Food Partnership workshop to discuss how issues such as sustainability can be taken into account in order to comply with enhanced criteria for Healthy Schools status, currently enjoyed by a large proportion of the city's schools. The Council is also increasing the supply of new, energy efficient housing and recently opened a new homeless hostel.
- 31** The Council has also continued to build on the strong plans in place to deal with the economic challenges facing the city through the recent creation of the Business Forum. The forum has a wide membership drawn from across the city and has enabled partners to develop a co-ordinated response to the particular challenges presented by the current economic downturn.
- 32** The Council has responded positively to the findings of the Corporate Assessment report published in June 2008. It has developed a Single Improvement Plan which provides a single focus for developing organisational capacity. Early progress has been made in developing a corporate approach to workforce development, strengthening service and financial planning processes, reviewing scrutiny arrangements and reviewing the effectiveness of community engagement. Action is also being taken to ensure that recent reductions in sickness absence levels can be sustained.
- 33** The Council is strengthening its corporate management to make best use of its capacity. The management team, supported by the Corporate Leadership Group, is providing good leadership to ensure a joined up approach to deal with cross-cutting issues through the 'York Business Model'. Political leadership remains effective and has supported the reshaping of community priorities.
- 34** The Council is leading a review of the themed partnerships within the LSP to ensure they have the capacity to deliver the outcomes required. Action planning is underway for each of the themed partnerships and the Council has made funding available through its LPSA performance reward grant to fund partnership initiatives. The Council is also investing in new IT systems to improve efficiency and capacity. These include new financial management and performance management systems as well as new systems in adult care services and improved broadband access.

## How is City of York Council performing?

- 35 The Council is taking steps to improve its asset management, although some significant issues remain to be addressed. The Council is making progress in increasing the community use of assets and has begun to develop asset management plans for local areas which will deal with localised issues to improve access to services. The Single Improvement Plan also includes actions to strengthen management of the capital programme. However, the office accommodation project remains a major risk to the Council. The delay in plans for the Hungate development after a significant period of investment and negotiation is creating additional financial pressures, hindering plans for improving access to services and preventing improvement in the Council's environmental performance. The Council has worked well to develop new plans to take its ambitions forward for Hungate and its own accommodation strategy.

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### Service inspections

- 36 An important aspect of the role of the Relationship Manager is to work with other inspectorates and regulators who also review and report on 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 the Commission for Social Care Inspection (CSCI) and Ofsted.

#### CSCI's annual performance assessment of social care services for adults

- 37 We have taken account of CSCI's findings in our direction of travel report. Their annual assessment examines the Council's performance in two key areas: delivering outcomes; and, capacity to improve. In delivering outcomes CSCI rated the Council as adequate overall with four of the seven areas it examined being adequate and three good. The areas of good performance were: making a positive contribution; freedom from discrimination and harassment; and, economic well-being. CSCI rated the Council's capacity to improve adult social care as uncertain.
- 38 CSCI noted key strengths across all the areas that it reviewed. It also identified key areas for further development which the Council is working on. In particular the assessment drew from an inspection of *Independence Wellbeing and Choice for Older People undertaken by CSCI in June 2008*. The inspection rated safeguarding older people as adequate, personalising services for older people as adequate and preventative services as good. Inspectors judged the capacity for improvement as being uncertain because of a range of factors including the impact of a recent re-organisation of part of the services provided to older people.
- 39 The Council has developed and is implementing plans to address these problems. We will consider the Council's progress in completing our new joint assessment of its management of performance that will be published in the autumn of 2009.

**Ofsted's annual performance assessment of services for children and young people**

- 40 Ofsted's latest assessment (the Annual Performance Assessment (APA)) of the City of York Council's performance in this area said the following.

**“The City of York Council consistently delivers outstanding services. The council has made good progress in responding to the recommendations made in the 2007 APA and Joint Area Review (JAR) report published in June 2008.**

The council has built on significant achievements to further its outstanding provision. It has maintained its level of outcomes for enjoying and achieving, staying safe, making a positive contribution and achieving economic well-being. Of particular note are: the continued upward trend in learners' educational attainment across all key stages, when figures are already above national average; the overall quality of childcare and the improvement in young children's development; the quality of the schools; and the preparation for young people for adult life, with nearly all young people leaving school entering further employment, education or training.

The council accords a high priority to looked after children and young people, with notable success in securing and supporting stable, longer-term placements. The recent JAR inspection judged that inclusion services in schools were excellent.

Since the 2007 APA the council and its partners have further improved the outcomes for children and young people with respect to being healthy. For example, the council has worked hard to achieve some reduction in the rates of teenage pregnancy, though for 16- to 18-year-olds this remains an aspect to target. The council is ranked highly nationally for its commitment and success in the Healthy School standard.

The council's capacity to improve is outstanding. The leadership team, new at the time of the 2007 APA, have shown that they can deliver on their vision. They have clear priorities for continued improvement, established through extensive consultation, and enjoy strong partnerships and support to realise these. The council represents very good value for money.”

# The audit of the accounts and value for money

- 41** Your appointed auditor, John Prentice, reported separately to the Audit & Governance Committee on the issues arising from the 2007/08 audit and has issued:
- his audit report, on 1st October 2008, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate; and
  - his report on the Best Value Performance Plan confirming that the Plan has been audited.
- 42** The audit was more difficult than in previous years, with particular problems with the quality and availability of working papers, and this resulted in:
- the audit opinion being given late, and
  - the council being charged an additional £11,000 as a result of the additional time and work required to audit the statements.
- 43** The key issues for the council to address are around project planning and project managing the production of the financial statements, and ensuring that the financial statements are supported by good quality comprehensive working papers. Based on the progress so far, the council has begun to address these issues, although it is not possible to comment further until the audit of the 2008/09 financial statements commences in July 2009.

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## Use of Resources

- 44** 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).
- 45** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 2**

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

Note: 1 – lowest, 4 = highest

**The key issues arising from the audit**

46 The audit identified some key issues which are summarised below.

- Financial reporting - the council needs to address the significant weaknesses in producing the financial statements, as reported in the appointed auditors' Annual Governance Report. The council also needs to improve the accessibility and availability of council documents (for example agendas and minutes of council meetings, and the financial statements and annual report).
- Financial management - the council needs to improve the content and communication of the medium term financial strategy, and improve the financial monitoring reporting to members in terms of the frequency, timeliness and sophistication of the reporting. The council also needs to improve its arrangements for managing its assets, in particular around the asset records and the information held that should be used to make decisions.
- Financial standing - the council needs to improve the monitoring of the budget to ensure that they are aware of all significant overspends and underspends, and can take appropriate decisions to manage the financial position through the year. Improvements are also needed in the effectiveness of the debt collection policies.
- Internal control - improvements are needed with the reporting of risk management to members, in particular to ensure that members with responsibility for risk management have sufficient information to discharge their responsibilities.
- Value for money - the council continues to deliver generally strong services for a relatively low level of council tax. Improvements are needed in the approach to equalities and diversity, and in demonstrating the impact and outcomes from the procurement strategy.

47 Further details are provided in my report on the Use of Resources issued to the council in December 2008.

### Advice and Assistance work

- 48 During 2008 we concluded a review of the council's ethical governance arrangements, that we undertook using our Advice and Assistance powers. The council asked us to review their arrangements to gauge how effective they were, and to inform the future direction. We carried out
- a review of council policies and procedures;
  - a survey of council members and senior officers; and
  - workshops with senior officers and with members.
- 49 The key findings from this review were that generally the council has a good level of awareness of ethical governance issues, although there are improvements required in the awareness of equalities legislation and member/officer culture and relationships. We summarised these issues in three reports, one from each stage of the review, and have agreed action plans with the council.

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# Looking ahead

- 50 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.
- 51 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.
- 52 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.

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# Closing remarks

- 53 This letter has been discussed and agreed with the Chief Executive and the Director of Resources. A copy of the letter will be presented at the Audit & Governance Committee meeting on 31 March 2009. Copies of this letter need to be provided to all Council members.
- 54 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.

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**Table 3     Reports issued**

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	October 2008
Value for money conclusion	October 2008
Final accounts memorandum	December 2008
Annual audit and inspection letter	March 2009

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- 55 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.

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## Availability of this letter

- 56 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

Michael Newbury  
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March 2009