

Annual Audit and Inspection Letter

March 2007



# Annual Audit and Inspection Letter

**Stockton-on-Tees 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.

Reports prepared by appointed auditors are:

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- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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

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

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, from inspections 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 The main messages for the Council included in this report are as follows.
  - The Council has been recognised by the Audit Commission as being amongst the best ten in the country, 'the premier league of stellar performers', that have achieved four stars and are improving strongly. The Council has maintained top quartile levels of satisfaction overall against a background of national decline, and its independent residents survey (MORI) shows its highest ever rating. However, there remains scope for further improvement.
    - User satisfaction with the Council's services has declined in some areas. In particular satisfaction with transport, has declined across the board, with the level of satisfaction with public transport being amongst the lowest nationally.
    - both the Council and Tristar are aware that the current standard of improvement for the decent homes programme is falling behind tenants' aspirations, which have increased significantly since the programme started and that other areas of housing service needs to be improved.
    - Users are also less satisfied than previously with how the Council keeps them informed about the services and benefits it provides although performance remains in the top quartile. These changes reflect a growing trend of high expectation nationally.
    - The Council has only reached level 1 of the equality standard which is below average and falls well short of best practice.

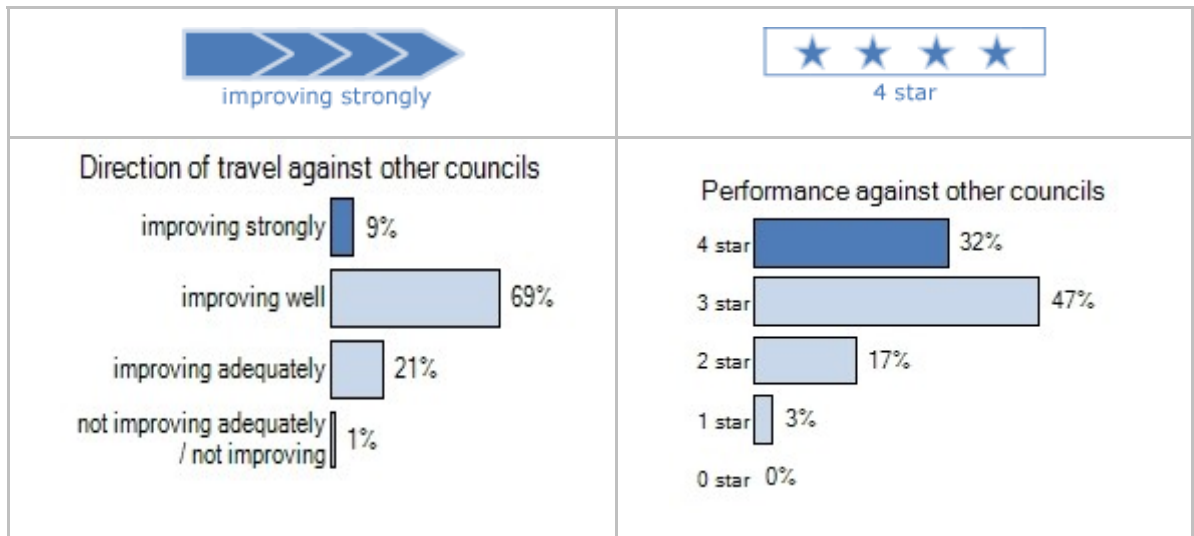
## Action needed by the Council

- 4 In order to maintain progress the Council needs to:
  - address those areas where its citizens' are now less satisfied with its performance, these include transport and some housing issues;
  - improve its communication with its citizens; and
  - ensure that it better meets the diverse needs of its community and attains an improved equality standard rating.

## How is Stockton Council performing?

- 5 The Audit Commission’s overall judgement is that the Council is improving strongly and is classified as four stars in its current level of performance under the Comprehensive Performance Assessment.
- 6 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 Stockton Council is as follows.

### Our overall assessment - the CPA scorecard

**Table 2 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving strongly
Overall	4 Stars
Current performance	out of 4
Children and young people	4
Social care (adults)	3
Use of resources	4
Housing	4
Environment	3
Culture	3
Benefits	4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2006	4

(Note: 1 = lowest, 4 = highest)

### CPA scorecard summary

- 8 Strong progress has been made in priority areas. Educational attainment has improved in all key stages, with GCSE results amongst the most improved nationally. The Benefits Service has improved to Excellent; there are distinct improvements in adult social care, including services for people with learning disabilities. A number of environmental awards have been gained; crime levels have fallen considerably and more people feel safe. Strong partnership working is helping to improve the health of local people – smoking and drug use have reduced and there is an increase in the use of sports facilities.
- 9 The Council makes a strong contribution to wider community outcomes, helping to increase employment, housing and citizen satisfaction. Access to services for all citizens is improving though scope remains to improve equality in service provision. The Council is working to improve its performance on recycling and to reduce the numbers of young people offending.
- 10 Overall, financial arrangements have improved and are now assessed as excellent, with good value for money and improved procurement arrangements. Relationships between councillors and officers are effective.

## The improvement since last year - our Direction of Travel report

- 11 The Council continues to improve in most service areas and has made strong progress in all of its priority areas including education, social care, housing and care for your area. High performance is helping the Council to achieve its LAA targets, with 91 per cent of PI's on track or achieved and 83 per cent showing an improvement.
- 12 The Council's score for its children and young people's services has improved from good to become the first Council in the north east to be judged as excellent. The Council has responded positively to the 2005 judgement that it was a coasting council in respect of its children's social care and services have been significantly improved, leading to much improved outcomes. There has been continued progress in the educational achievement of young people with GCSE results being among the most improved in the Country and attendance has improved.
- 13 The Benefit Fraud Inspectorate considers the Council's benefits service to be excellent. In 2005/06 the service improved in one of the four themes and maintained performance in the other three. This resulted in the service improving its score from good to excellent.
- 14 The Council's adult social care services continue to be good. The Council has made distinct improvements in many areas due to good partnership working and improved performance management arrangements. The Council commissioned its own inspection of services for people with learning disabilities and with the commitment of extra funding these services are well placed to further improve. However, the number of older people given residential or nursing care is increasing, which is against the national trend for increased homecare; and the time taken for older people assessments needs to be addressed.
- 15 Environmental services are good. The Council has achieved a number of awards, including Britain in Bloom and Green Apple awards and it is keeping the Borough clean. However, recycling is not meeting national and local targets and planning performance has fallen below national standards for dealing with applications.
- 16 The Council's work with Tristar, the housing Arms Length management Organisation (ALMO), has resulted in a noticeable improvement in performance. The ALMO achieved a 'good and promising' score for its 2006 housing inspection and continues to be good overall. It is a progressive organisation delivering customer focused services and has set clear targets to deliver decent homes. However, the ALMO and the Council are aware that the standard of improvement now falls below tenants' aspirations which have increased significantly since the programme was put together. This has to be addressed and in particular how it will be funded. Some areas are not improving or achieving their targets and customer involvement in developing strategic documents is limited.

- 17 The work of the Safer Stockton Partnership has achieved Beacon status and a 'green light' award. Crime figures for 2005/06 show a strong improvement with robberies, burglaries and vehicle crime all down. Crime levels have fallen significantly, with performance against agreed crime targets ahead of expected progress at this stage, although offending by young people is increasing. More people are reporting that they feel safer. The Council is working positively with partners to tackle drug misuse. Cultural services continue to be good although some aspects of services show clear improvement.
- 18 The Council makes a strong contribution towards wider community outcomes. Local Strategic Partnership working, including joint funding with the Primary Care Trust, is helping to achieving challenging targets such as reducing smoking and the misuse of drugs. The Council's contribution to healthier communities, including the increased use of sport facilities and the improvements to Ropner Park, is helping to maintain improvements in priority areas.
- 19 Effective partnerships with public and private sector groups are helping to regenerate the area and improve performance for employment and housing provision. This includes 678 start-up businesses with 30 per cent run by people from areas of high deprivation. The Council has effective involvement at a regional and sub regional level including its role in the 'Tees Valley City Region' approach to regeneration.
- 20 The Council continues to improve access to services for all its citizens. It has introduced 24-hour online access to services and provides a 'talking bill' service for people with written communication difficulties. All schools inspected during 2005/06 were deemed to have appropriate diversity and inclusion policies and procedures in place. The Council is adapting to changing issues such as supporting Asylum Seekers and Refugees. The Council has only reached level 1 of the equality standard which is below average, but there is an improvement plan to achieve level 3 by 2009.
- 21 The way in which the Council makes use of its resources has improved from good to excellent; and it provides good value for money in most service areas with revenue spending on services just below median for similar councils. Sixty per cent of PIs are in the top two quartiles with 12 per cent being in the bottom quartile. Overall Gershon efficiency savings of £6.54m were achieved during 2005/06, exceeding the target of £5.13m.
- 22 The Council further strengthened its robust performance planning framework during 2005/06 by improving its monitoring and reviewing of service delivery at service and corporate levels. Regular monitoring of performance is carried out by Corporate Working Groups and the Extended Management Team, as well as quarterly performance reports to Cabinet as suggested in the last corporate assessment. The Council develops action plans to address significant areas for improvement such as for the learning disability services that was identified in a recent externally commissioned inspection.



- 23 These arrangements have contributed to the achievement of most key objectives and milestones. Since 2002/03 the Council has maintained or improved performance in at least 80 per cent of its corporate basket of PIs. During 2005/06, 75 per cent of key service improvement objectives and 76 per cent of key organisational objectives were achieved or on track at the year end. For individual services, 86 per cent of service targets and 62 per cent of organisational capacity targets were achieved or on track. This demonstrates the Council's ability to achieve challenging targets and address priority issues.
- 24 Where the Council is not achieving its objectives and milestones it uses project appraisal and a priority procedure but these need to be followed more effectively by service providers. The Council will be reviewing procedures during 2006/07 to improve arrangements.
- 25 The Council is improving its capacity to provided services in a number of ways. It is continuing negotiation to harmonise terms and conditions via a Single Status agreement. Its' improved procurement arrangements have produced savings including reduced service supply cost with partners such as Tees Valley Joint Procurement Group. It is continuing its successful work with partners, including the North East Centre for Excellence (NECE), to look at effective alternative procurement arrangements.
- 26 Strong corporate governance arrangements provide a strong basis for continued improvement. Performance and financial management systems are well established, robust and continue to improve. The approach to risk management is well embedded. Political arrangements are stable and there are good relations between councillors and officers.

## Service inspections

### Supporting People

- 27 This inspection report was published in March 2007 and assessed Stockton on Tees Borough Council as providing a 'good' two-star programme that has promising prospects for improvement.
- 28 A number of positive areas are identified in the report. These include:
  - the Council has effective arrangements in place to involve key partners in the programme. This identifies shared priorities for the development of new services and this is reflected in a range of strategies for delivery;
  - clear aims and objectives have been set for the programme and achievements are annually reviewed and reported. Action is taken to involve partners in priority areas for development, such as service user involvement and meeting the diverse needs of the community;
  - providers and partners consider the Supporting People team to be providing excellent support. The team has relevant skills to effectively deliver the programme;

## 10 Annual Audit and Inspection Letter | How is Stockton Council performing?

- new services are being developed and existing services are being remodelled. This is meeting the housing-related support needs of additional service users;
- the Council is driving up standards in service delivery using the Quality Assessment Framework (QAF) for Supporting People. This has identified service improvements which have been delivered through action planning;
- financial capacity is improving and value for money assessments have been made. Quality and outcomes are being assessed and improved; and
- the Council is improving the way it engages with service users. The priorities of service users for the Supporting People programme are better understood and inform the future direction of the programme.

29 Two areas for further development are identified in the report, which are:

- arrangements to assess value for money and facilitate procurement opportunities through the programme are not embedded. Neither are they fully understood by providers; and
- the quality of information available to service users at public access points is weak and support plans are not always robust and in some instances are not in place.

### **Tristar Homes (ALMO) Re-inspection**

30 The re-inspection report was published in December 2006 and assessed Tristar Homes as providing a 'good' two-star service that has promising prospects for improvement.

31 Positive aspects highlighted by the report included:

- Tristar Homes is providing a good housing service with promising prospects for improvement;
- Tristar Homes has set clear targets to deliver the government's target for decent homes, within sustainable communities and to be a progressive organisation delivering customer focused services. The priorities reflect the views of local residents as well as regional and national agendas;
- in line with these priorities tenants receive a customer focused service, satisfaction levels are high and all offices can be accessed by disabled visitors. The specific communication requirements of the majority of customers are used to provide information in the format requested and complaints of anti-social behaviour are investigated promptly and in a supportive manner;
- less popular homes are being addressed through investment or demolition and there is a useful range of options for tenants to influence the delivery and improvement of services;

- the new senior management team is effective, there is more involvement in partnerships and significant investment in IT systems. Priorities are linked to performance and feedback from tenants and there is an effective performance management framework in place; and
- since the last inspection, the ALMO has addressed many of the previous weaknesses and has developed an effective and appropriate relationship with the Council and elected members.

**32** Areas for further development included:

- customers would like more flexibility on the times when staff can be contacted as this issue has not been fully addressed. There are some areas where performance has not improved since the last inspection such as rent collection and the insulation levels of some homes are low making them difficult to heat;
- the Council and the ALMO have not developed a choice based lettings scheme and the Board does not know if some customers face any difficulties in accessing particular services;
- the ALMO and the Council are aware that the standard of improvement for the decent homes programme now falls below tenants' aspirations. This is a significant issue which has to be addressed and in particular how it will be funded. Some areas are not improving or achieving their targets and customer involvement in developing strategic documents is limited; and
- the Board has struggled to fill two vacancies and has still to conclude whether its existing format is the most appropriate to assist the decision making process.

### **Other inspectorates**

- 33** 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.

34 The assessment of children's services, carried out jointly by Ofsted and CSCI concluded that:

- 'the leadership and management of council services for children and young people in Stockton-on-Tees Borough Council are excellent. The council and its partners are determined that the needs of all children and young people will be met through the provision of innovative and creative interventions. Senior leaders have a strong sense of moral direction and a determination that no child or young person will be left behind. The corporate commitment to the involvement and participation of children, families and wider stakeholders in decision-making is very strong and is a characteristic of the learning culture which has been created and which is now embedded throughout the council. The contributions made by children and young people have made an impact across the five outcome areas. Last year the council was judged a coasting council in respect of its children's social care services. The council has responded very positively indeed to that judgement over the past year and has significantly improved both its services and direct outcomes for children and young people.'

35 The CSCI assessment of adult services concluded that:

- 'the council continues to develop its services in the context of national priorities and strategic objectives, and the White Paper, *Our health, our care, our say*. It has commissioned its own inspection of services for people with learning disabilities and with the commitment of extra funding these services should continue to improve. Partnership working is a strong feature of the council's organisation and approach to commissioning. There is good integrated working across all user groups based on clear partnership arrangements, particularly with the Primary Care Trust and neighbouring councils. The response to areas for improvement identified in last year's performance assessment has been very good and there have been distinct improvements in many areas, due in many cases to improved and robust performance management arrangements. The council is fully committed to extending the choice and range of services in the context of community cohesion and social inclusion, and to moving the balance of services towards prevention, choice and enablement.'

36 The BFI assessment of the benefits service concluded that:

- 'Stockton on Tees Borough Council met 8 of the 12 performance measures where the Department had set a Standard, and 60 of the 65 enablers. A document management system was introduced in February 2005 which enabled the council to monitor its workloads and outstanding work more efficiently, and target resources on those claims that had been outstanding for over 50 days. Since the new document management system was introduced the council's performance in Claims administration has improved. The council exceeded the Standard set for the average number of days taken to process claims and changes of circumstances. Security performance remained excellent. The council met, or exceeded, Standard for each of the 3 performance measures set for Security. The recruitment of 2 new staff to prepare and present appeals contributed to steady improvement against all 3 performance measures set for User focus. This resulted in an increased score from fair to excellent. However, there were some areas where the council needed to improve to fully meet the Department's Performance Standards. It did not meet the Standards set for the percentage of new claims decided within 14 days, the percentage of cases where the amount of benefit due was calculated correctly and the number of appeals submitted to the Appeals Service within three months.

## Other performance work

### **Partnership working across Teesside: tackling drugs misuse**

- 37 This report was published by the Commission in December 2006. It looked at the way in which a number of agencies are working together, both locally and across Teesside.
- 38 The main conclusion in relation to work across Teesside was that partnership working is improving and becoming increasingly effective in its impact on the various elements of drug misuse. It also highlighted that partnerships are learning from each other to improve service delivery and the approach to performance management is good. Priorities are appropriate and change is generally managed effectively.

39 In looking at the work being undertaken in Stockton, the report noted that there is strong partner representation on both the Safer Stockton Partnership (SSP) and the Drug Action Team (DAT) which has been developed over time. Both the SSP and DAT have developed sound and positive working relations with Tristar Housing. If clients using the four designated premises for referrals keep the property clean, tidy and show that they can be responsible tenants, then they are moved into the general housing stock. Three of the four clients housed this year have done so. Partners demonstrate their commitment and willingness to be involved with issues on the fringe of misuse of drugs, such as anti social behaviour. To get a better picture of the drugs situation in the Stockton area the partnership is investing in two analysts for the next two years. Cleveland police are funding one post and a half time post is funded by the partnership.

## Citizens' views

- 40 Overall compared with 2004, users in 2006 were less satisfied with some aspects of the Council's performance and more satisfied with others. Overall satisfaction with the Council remained static at 58 per cent satisfied which is within the top quartile against a background of national decline whilst the Council's own independent residents' survey saw satisfaction reach its highest ever level.
- 41 Satisfaction with crime related issues, with leisure, and with environmental issues was mixed, whilst satisfaction with transport issues was consistently lower in 2006 than in 2004. Satisfaction with complaints handling has declined and a lower percentage of citizens thought that the Council kept them well informed about the services and benefits it provides, although the Council's performance remains within the top quartile reflecting a national trend of growing expectation of council services. Overall compared to others performance was positive however, with 11 out of 16 statutory satisfaction indicators in the top two quartiles.
- 42 Reduced satisfaction, compared with 2004, with transport was recorded in the following areas:
- traffic congestion;
  - public transport, with the percentage of people dissatisfied being amongst the highest 25 per cent in the Country;
  - the frequency of buses; and
  - satisfaction amongst respondents over 55 with bus services overall, which was another area where dissatisfaction is in the highest 25 per cent in the Country.
- 43 The Council is seeking to address problems with public transport through partnership working across Tees Valley in developing a transport strategy.

## Financial management and value for money

- 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 Audit findings are an important component of the CPA framework described above. In particular the Use of Resources score is derived from audit assessments 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).
- 46 For the purposes of the CPA I have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 3**

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

*(Note: 1 = lowest, 4 = highest)*



- 47 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- The Council has improved its processes for financial reporting – in particular the working papers supporting the statements of account were exemplary.
  - The Council has taken effective action over the past two years to ensure that its medium-term financial strategy, budgets and capital programme are soundly based and are designed to deliver its strategic priorities. Performance is actively managed against budgets and officers have proposed a number of measures to improve how assets are managed.

### **Financial standing**

- 48 The Council consistently remains within budget and has a policy for reserves and balances based on risk. This is reported to members quarterly and is scrutinised by Audit Committee and where targets for balances are exceeded they are reviewed against strategic future risk and service pressures.
- 49 The Council continues to face financial pressures over the course of the current medium term financial plan. On-going litigation on equal value and pay claims in other authorities could have an adverse impact on the Council and it is imperative that reserves and balances are maintained to ensure no adverse impact on service delivery through unforeseen financial commitments.

### **Internal control**

- 50 The Council continues to demonstrate a strong risk management culture. There is a strong framework for internal control. There is a comprehensive map of the environment supporting the Statement of Internal Control which is supported by a database of information. However, a number of issues were identified during the audit which prevented the Council achieving a score of 4 in this area.
- The Council needs to ensure consistency in how service groups approach risk management. In addition continued challenge should ensure that the risk identification process does not become used as a route for additional resources.
  - Internal Audit has uncovered a number of breaches in internal control particularly in CESC and Planning service groupings. These arose through non-adherence to existing controls rather than gaps in the control environment. The Council has learned lessons and is strengthening the framework as a result.
  - The Council needs to demonstrate that its control environment is embedded more strongly, particularly in schools.



## Conclusion

- 51 This letter has been discussed and agreed with the Chief Executive and Corporate Director of Resources. A copy of the letter will be presented at the Audit Committee on 19 April 2007 and to Cabinet following Council elections.
- 52 The Council has taken a positive and constructive approach to our audit and inspection. I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

## Availability of this letter

- 53 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.

Steve Nicklin  
Relationship Manager  
March 2007