

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Barrow-in-Furness Borough Council

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Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages

- 1 During 2006/07 the Council improved its performance across a range of services and corporate issues at a rate similar to other local authorities. The proportion of indicators that were in the best performing category was also similar to the average for district councils. Particular improvements were apparent with regard to regeneration, improving cleanliness of neighbourhoods and the speed of processing planning applications.
- 2 More focus is needed on improving the housing benefit service, meeting the minimum homes standard by 2010, and reducing the amounts of waste collected while increasing the Borough's recycling capacity.
- 3 Regeneration of the local area and economy is the primary focus of the Council's strategic plans and some large scale developments are proposed over the long term. Some of the key priorities within the Council's corporate plans - such as those linked to regeneration - need more measurable and challenging output and outcomes-based targets. The major plans for regeneration within the Barrow area are being co-ordinated with partners.
- 4 Future plans to ensure that the capacity of the Council and its partners is adequate to deliver objectives over the medium term are not yet complete.
- 5 The Council has yet to implement a new pay and grading system that meets equality standards. Workforce planning has not yet been sufficiently developed to take account of any potential for shared services and joint working across Cumbria.
- 6 Overall, the Council continues to have adequate arrangements in place to manage its use of resources. The Council can strengthen its arrangements by:
 - developing a strategic and forward looking asset management plan which demonstrates clearly how the Council's land and buildings will be used to deliver corporate priorities;
 - preparing equality impact assessments for all policy areas to allow the Council's priorities and strategies to be formally assessed against compliance with its duties under the equalities legislation;
 - developing and adopting an updated risk management strategy and policy ensuring that it is embedded into existing management and governance arrangements throughout the organisation; and
 - making greater use of information on costs and comparative performance to review value for money within services and corporately.
- 7 The Council along with others across Cumbria had made little progress in recent years in improving access to their services. All authorities need to do more with partners to ensure that services are accessible and focused on the needs of users.

Action needed by the Council

- 8 The continuing actions for the Council which relate to members' responsibilities include the need to:
- strengthen the arrangements for ensuring appropriate use of resources, focusing in particular on improving risk management arrangements, asset management and making greater use of cost and comparative information to review service performance;
 - ensure that key priorities have more measurable and challenging output and outcomes-based targets;
 - ensure that arrangements are in place for improving performance on waste management and monitoring the implementation of environmental impact plans;
 - continue to monitor the performance of the housing benefit services and take action where necessary to improve performance;
 - monitor the implementation of initiatives to improve access to services;
 - support and contribute to future plans to ensure that the capacity of the Council and its partners is adequate to deliver improved services to users; and
 - monitor the implementation of a new pay and grading system that meets equality standards.

Purpose, responsibilities and scope

- 9 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 10 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.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish it on its website.
- 12 As your appointed auditor I am 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, I review and report 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.
- 13 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.
- 14 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Barrow Borough Council performing?

- 15 Barrow Borough Council was assessed as 'Fair' in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 16 During 2006/07, the Council improved its performance across a range of services and corporate issues at a rate similar to other district councils. The proportion of these selected indicators that were in the best performing category was also similar to the average for district councils.
- 17 The cleanliness of local neighbourhoods has been maintained at good levels and there was significant improvement in some of the more deprived neighbourhoods that received targeted work and enforcement action from local teams.
- 18 There has not been any significant progress in reducing the impact of local activities upon the environment. The amount of waste collected from households reduced in 2006/07, but it was still amongst the highest levels nationally. The proportion of the waste that is recycled is the third lowest of any district in England, and is not keeping pace with improvement achieved by councils both locally and nationally.

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- 19 Clear plans are not yet set out for how the Council's environmental impact is to be managed and how others are to be encouraged to change behaviours to tackle climate change. There has been some progress in purchasing 'green' energy and reviewing energy efficiency in council buildings, but an overall approach on making council actions and policies more sustainable has not been agreed.
- 20 Good progress is being made overall to improve the standard of local housing, through the demolition or repair of poor housing that is not appropriate for local needs. The proportion of low demand housing has reduced through this programme but remained in the worst 25 per cent of all councils nationally in 2006/07. The proportion of housing that did not meet decency standards increased during 2006/07 as properties with older facilities started to fall below the standard. The investment programme is being accelerated to fully use available funds and ensure all properties meet the minimum standard by 2010.
- 21 The Council has not made any progress in developing a choice based letting scheme and the waiting list for a council property is substantial. This reflects the limited availability of the property type local people want within council housing stock.
- 22 Barrow remains a low crime area overall and crime levels fell by almost 8 per cent in 2006/07. The most deprived wards have had targeted initiatives to reduce local crime and some have made significant improvement. Violent crime remains a category where sustained reduction is not being achieved. Local people value the increased visible presence of PCSOs, wardens and police.
- 23 Poor health and life expectancy for the local population, particularly men, remains a key concern. The health inequality gap is not narrowing and an improved focus and co-ordination of all effort is required to improve the quality of life for residents.
- 24 Performance in the housing benefits services is not improving overall. The speed of processing for new benefit claims and those subject to change is low, compared to progress being made nationally. The accuracy of claims processing deteriorated in 2006/07 falling back from good levels to the worst 25 per cent compared to all other councils.
- 25 All categories of planning application were processed faster than national standards during 2006/07 and user satisfaction with the service reflects progress over recent years.
- 26 The Council's approach to equality and diversity within its local population has been an area of weak performance over recent years. It remained at level 1 of the local government equality standard, while the vast majority of other councils were at level 2 or above. There has been limited progress in reviewing the quality and access to services for vulnerable groups.

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

- 27** Regeneration of the local area and economy is the primary focus of future planning and some large scale developments are proposed over the long term that will have a major influence for the local communities. The major plans for regeneration within the Barrow area are being co-ordinated with partners. The master plan for the waterfront is a key part of the economic plan for Cumbria and sets out a £200m scheme to transform underused dockland, creating business, leisure and residential opportunities.
- 28** The Council's corporate plan sets out a series of objectives, actions and targets against priorities. Progress is being closely tracked and reported, predicting the completion of the key tasks identified. A set of key indicators are used to provide quarterly updates on performance progress against targets and on an exception basis to overview and scrutiny committees. However, the key priorities for 2006/07 and 2007/08 lack definition by measurable targets that relate to outputs and outcomes.
- 29** Target setting against BVPI's provides for incremental improvement, but it is not ambitious for areas where performance is currently low. The Council's vision is to have high quality services but the scale of improvement to achieve this and variations in current performance are not clearly reflected in target setting and resource decisions.
- 30** The arrangements for financial management, managing risk in the Council's strategic operations and wider governance structures are key areas requiring improvement. Following Audit Commission facilitated workshops on financial management and risk management, the Council is developing appropriate action plans and arrangements to assist with sustainable and improved outcomes.
- 31** The skills and competencies of staff at the Council and its partners have not been evaluated against what may be needed to deliver local objectives over the medium term. Staff absence levels have improved and are now above the worst 25 per cent of councils, where performance had been for a number of years. A new equitable pay and grading system has not been implemented at the Council yet and there is no clear implementation date.
- 32** The Council has yet to progress to an assessment of its future resource needs at a more detailed service level to deliver its improvement plans. Workforce planning has not been sufficiently developed to take account of any potential for shared services and joint working across Cumbria.

Service inspections

Access to services – follow up inspection

- 33** In 2004 the Audit Commission inspected the arrangements at Cumbria County Council and the six district councils within Cumbria for ensuring that services are accessible and focused on the needs of users.
- 34** This year we assessed the progress made by the councils since that programme of inspections. In particular we have considered how services are meeting the needs of the community and users and the prospects for further improvement. As well as considering the cross-cutting issues that affect access to local government services in Cumbria, the report identified areas of progress and for further improvement specific to each individual council.
- 35** The main conclusion was that the councils have made limited progress since 2004. They have failed to implement many of the recommendations made following the previous inspections. In particular the opportunities for joint working and the potential for efficiency and quality improvements have not been fully explored.
- 36** Progress has been made in a number of areas, including:
- a more strategic approach to planning access to services;
 - greater understanding of the needs of specific communities and users and the development of initiatives for involving them in the design of local facilities;
 - improving the range of channels through which users can access services;
 - the wider use of e-government and websites to improve access (such as contact centres and the Cumbria Information Hub); and
 - council and service-specific access improvements, such as advice and assistance for users in making council tax and housing benefit claims.
- 37** However, progress has been slow to address key issues that were highlighted in 2004. Areas for further improvement include the need to:
- base decisions about access to services on a comprehensive understanding of the needs of all elements of the community;
 - strengthen partnership working to enable better use of combined capacity and resources, share information and expand effective practices;
 - publicise clear and comprehensive standards, which include targets for responding to service requests, so that users can judge the actual quality of services;
 - implement diversity and equalities policies and related strategies - such as procurement - to ensure fair access to services for users;
 - make better use of public buildings to provide seamless local government services and improve access for users, particularly those with disabilities; and

- strengthen detailed performance management arrangements.

Health inequalities

- 38** The health and well-being of the nation is of concern to everyone. Healthier communities improve prosperity and investments which improve health are likely to have long term benefits. Healthier communities is one of the shared priorities across government departments.
- 39** As part of our work programme for 2007/08 we are carrying out a review of the effectiveness of partnership arrangements to address health inequalities needs within Cumbria. This work is still progressing with the first element completed in March 2008. The findings were discussed with partners at a workshop led by the Director of Public Health on 10 March 2008.

The audit of the accounts and value for money

40 As your appointed auditor I have reported separately, in the Annual Governance Report, to the Audit Committee on the issues arising from our 2006/07 audit and I have provided:

- an unqualified opinion on your accounts;
- a conclusion on your value for money arrangements to say that proper arrangements are in place to secure economy, efficiency and effectiveness; and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

41 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).

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

Table 1

Element	Assessment score range 1 to 4	Assessment score range 1 to 4
	2006/07	2005/06
Financial reporting	3	3
Financial management	2	2
Financial standing	2	2
Internal control	2	2
Value for money	2	2
Overall assessment of the Audit Commission	2	2
1	Below minimum requirements – inadequate performance	
2	Only at minimum requirements – adequate performance	
3	Consistently above minimum requirements – performing well	
4	Well above minimum requirements – performing strongly	

- 43 The table shows that the Council's arrangements remain adequate overall and are operating at minimum requirements. However, we note that the Council continues to perform well with respect to its financial reporting arrangements.
- 44 The Council needs to further improve its arrangements in some key respects. In particular there is a need to:
- develop a strategic and forward looking asset management plan which demonstrates clearly how the Council's land and buildings will be used to deliver corporate priorities;
 - prepare equality impact assessments for all policy areas to allow the Council's priorities and strategies to be formally assessed against compliance with its duties under the equalities legislation in relation to race, gender and disabilities;
 - develop and adopt an updated risk management strategy and policy as a matter of priority and ensure that it is embedded it into existing management and governance arrangements throughout the organisation;
 - identify, evaluate and manage or mitigate potential risks associated with partnership working;

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- make greater use of information on costs and comparative performance to review value for money within services and corporately;
- have a clearer focus on Value for Money (VFM) in evaluating quality and impact on users within business plans and option appraisals for spending decisions; and
- continue to strengthen procurement by incorporating the core areas identified in the national procurement strategy and implementing throughout the Council.

45 The Key Lines of Enquiry (KLoE) against which the Council is assessed will include new and challenging requirements for the coming year. We have reported separately to the Council on areas where further development is required.

Financial management review

46 The Council is continuing to take steps to strengthen its financial management arrangements and to ensure that resource allocation and financial monitoring support the delivery of corporate objectives. Our review of these arrangements comprised:

- the coordination of a self-assessment of financial arrangements by the Council's finance staff;
- conducting a set of financial management electronic surveys of budget holders, finance staff and members to ascertain the extent of satisfaction with existing financial management arrangements; and
- some facilitation of officers and members to enable them to identify potential improvements to current arrangements.

47 The Council's financial management arrangements have improved over the last year with sound budget setting and monitoring in place. A longer term perspective on the Council's finances has been achieved through a medium term financial strategy and an updated asset management plan.

48 The senior management team is formulating a detailed action plan based on the findings of this project with a focus on the following key improvement areas:

- the appointment of a member champion for integrated management including financial, performance and risk management;
- joint reporting of financial, performance and risk management considerations to facilitate well-informed decision making;
- greater involvement of members and officers in setting priorities during the budget-setting process;
- improved internal and external communication on the budget setting and monitoring arrangements to engender officer ownership and better public accountability; and

- a review of human resources policies and the training programme to support an effective financial management culture.

Your business at risk

- 49** The growth in the use of newer technologies to give greater public access has resulted in increased IT-related risks for public sector bodies. Computer viruses, IT fraud, hacking, invasion of privacy and downloading of unsuitable material from the internet remain real threats to many organisations.
- 50** We surveyed all the Council's staff to ascertain the degree of current staff awareness of IT and other security issues and identify any areas where further action may be needed by the Council to improve arrangements. We obtained responses from 85 users and 8 ICT staff.
- 51** Our survey identified that in several key risk areas there is a need to improve staff and user awareness of IT and general security issues. In particular, the survey indicated the need for:
- greater awareness of documented change control procedures among IT staff;
 - a risk-based disaster recovery plan;
 - increased awareness of the existence, identity and role of the Council's Data Protection Officer; and
 - better awareness of the existence of the Public Interest Disclosure Act and its application to local government.
- 52** The Council has responded positively to the findings of the survey and action plan and is making progress in implementing the key recommendations.

Data quality

- 53** Our review of the Council's arrangements for ensuring that the performance data it produces is of appropriate quality led us to conclude that improvements have been made since last year. We noted in particular that:
- senior managers are taking the lead to ensure that data is of the right quality;
 - adequate performance information data collection systems are in place overall; and
 - there is a suitably skilled officer taking a corporate lead role overseeing data quality issues.
- 54** However, further improvement is needed in a number of key respects to strengthen the quality of data. Particular areas still needing improvement include the need to:
- develop a strategy and policy covering the Council's approach to ensuring good quality of performance data, and adoption of a plan to implement it;

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- ensure that all of the Council's systems for deriving performance data are of adequate quality in all service areas and with respect to information provided by third parties; and
- ensure that processes and arrangements to support the production of reliable performance data are consistently applied across all areas of the Council's activities.

Cumbria safer communities – stage 2 review

- 55 In September 2004 the Audit Commission carried out a staged review of the effectiveness of the public sector organisations in Cumbria in tackling the impact of illegal drug use in their communities.
- 56 The first stage review focused on arrangements and systems that partners had put in place and the results were reported in 2005. The second stage of the review was carried out this year and focused on outcomes and impact for drug treatment service users and carers. It reached the conclusions set out below and made a number of recommendations for improvement to all partners. The area of particular note for Copeland Borough Council is in relation to support for recovering drug users in terms of housing and employment opportunities.
- 57 There has been continued progress in integrating policy issues around the impact of illegal drug use in communities. The strategic plans of partners are now interlinked and provide mutual benefit in a number of areas. The Drug and Alcohol Action Team has developed to be an important and respected partner within community planning for Cumbria.
- 58 The strategic plans for treatment services have set out new and improved arrangements, commissioning better services for those seeking treatment. The treatment plans are supported by recently improved management information on finance and activity.
- 59 Partners have very limited ability to evaluate the effectiveness and value for money of initiatives and treatment services. Historical activity and resource information is considered unreliable and prevents detailed benchmarking of costs and performance from informing decision making.
- 60 Partners have been successful in engaging more people in drug treatment services and the proportion of problem drug users in treatment is now at a good level. There are a number of treatment interventions where performance is improving and the range and quality of provision is being strengthened by new and re-commissioned services.
- 61 There remain key weaknesses in the treatment services offered. The waiting times to access services are too long and vary considerably across the county area. The objective of providing accessible and equitable services for all still presents significant challenges.
- 62 The ability of services to retain people within programmes for significant periods is improving and now compares to the average for the north west of England. However, the planned completion of programmes or transition to other support remains very low and is not improving. The wider community support to recovering drug users, such as relapse prevention, suitable housing, training and employment support is underdeveloped and is a barrier to their recovery within communities.

Additional services - risk management

- 63 Your Council requested additional services work in relation to risk management. This was delivered in February 2008, through facilitated training workshops involving both officers and members.
- 64 The key objectives of the workshops were to:
- explore risk management, governance and wider management linkages;
 - review the existing risk management policy statement;
 - consider the overall effectiveness of current risk management arrangements;
 - consider and establish Barrow BC's appetite for risk;
 - develop basic but effective integrated risk management arrangements; and
 - review simple but effective partnership risk management arrangements.
- 65 The workshop identified the need for the Council to develop:
- a revised policy statement which supports a risk-aware culture;
 - a revised corporate risk register closely linked to the corporate objectives which includes consideration and identification of 'upside' opportunities as well as 'downside' risks;
 - joint risk, performance and financial management reporting;
 - the integration of risk management considerations into future committee papers to encourage a risk-aware culture; and
 - adoption of HM Treasury good practice guidance on managing risks with delivery partners.

Looking ahead

- 66 The public service inspectorates are currently developing 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.
- 67 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 68 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 Local Area Agreements.

Closing remarks

- 69 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the audit committee on 19 March 2008. Copies need to be provided all Council members.
- 70 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Your business @ risk	November 2007
Inspection Reports issued since last Annual Audit and Inspection Letter:	
Access to services	November 2007
Safer Communities	November 2007
Data quality report	November 2007
Use of Resources 2007 report	December 2007
Financial management review	December 2007
Best Value Performance Plan opinion	December 2007
Annual audit and inspection letter	March 2008

- 71 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

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

Mark Heap
District Auditor and Relationship Manager

March 2008