

DC Annual Audit and Inspection Letter

March 2007



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**Copeland Borough Council**

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

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:

- 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.

### **Copies of this report**

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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. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 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 that it:
  - has started to develop its Medium Term Financial Strategy (MTFS) and links to other key strategies and plans;
  - has improved its position in terms of comparative costs to the extent that overall they are not significantly higher than other councils, but this improvement has not been matched by improvements in the relative performance of services;
  - will not have an agreed workforce strategy in place by the nationally agreed timetable of the end of March 2007;
  - needs to consider improving its capacity with respect to the application for and management of grant funding; and
  - needs to establish a comprehensive business continuity plan.

## Action needed by the Council

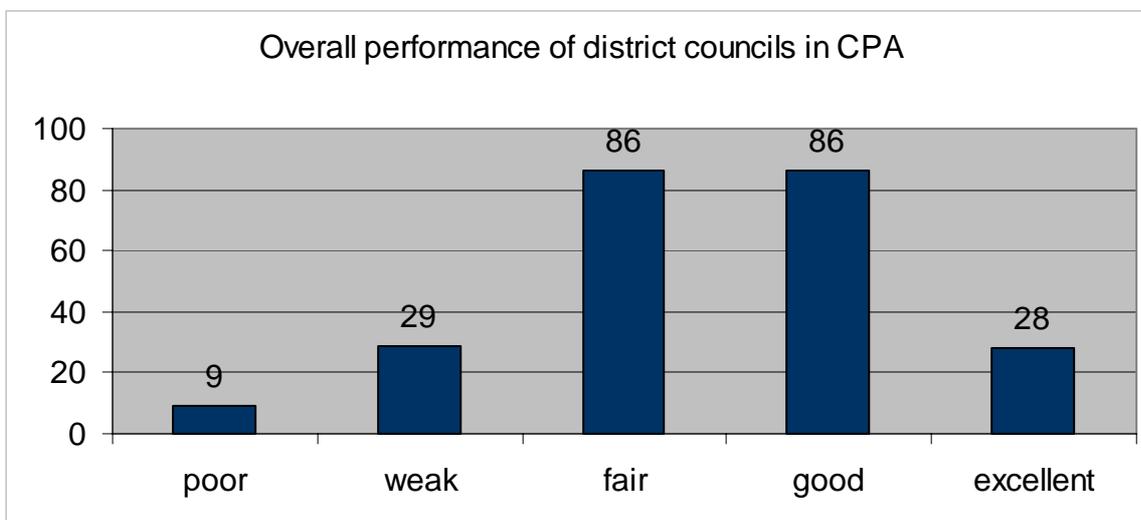
- 4 The continuing actions for the Council which relate to members' responsibilities include the need to:
  - ensure the Medium Term Financial Strategy (MTFS) and Corporate Plan are further developed to provide clarity on the links to other key strategies and plans such as HR, workforce development, IT and stakeholder priorities including the evaluation of the impact on users;
  - further develop financial management and performance information to evaluate the quality and accessibility of services to inform and generate a faster rate of improvement overall and be clear about targets for improvements in under-performing or priority areas;
  - develop and agree a workforce strategy;

- consider increasing capacity in respect of applying for and monitoring grant funding in order to maximise income opportunities for the Council; and
- develop a comprehensive business continuity plan.

## How is Copeland Borough Council performing?

- 5 Copeland Borough Council was assessed as fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update them, 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?

- 6 The overall improvement trend for the Council's services is below average and there is a mix of areas that have achieved improved performance and other areas that have shown deterioration.
- 7 Using a comparison of selected performance measures that relate to corporate health and shared priority areas, since 2004/05 the Council has improved those measures at a rate below the average for other district councils, (52 per cent compared to the average range of 57.4-58.6 per cent). The Council achieves a lower proportion of these measures than the average in the best quartile compared to other districts (24 per cent compared to the average of 31 per cent).

- 8 There had been a sharp deterioration in the processing speeds for housing benefit claims during 2005/06. The processing speed for claims fell to rates significantly below national standards and were in the worst quartile in comparison to all other councils. The accuracy of processing claims improved slightly but remained in the worst quartile. Processing speeds have recovered in 2006/07, improving towards the national standards, although accuracy rates have showed less progress to date.
- 9 Progress has been made in reducing the impact of waste on the environment. The amount of waste generated within the district has reduced in 2005/06 reversing the growth trend of recent years. Improved recycling rates are supported by the increasing coverage of households with kerbside collection, although this is still comparatively low.
- 10 Significant improvement has been achieved in the cleanliness of local neighbourhoods. Cleanliness has steadily improved from poor standards to a level well within the national minimum standard in 2005/06. Further improvement is expected to be achieved in 2006/07 to a good standard. It is not clear that this improvement has been concentrated in the most deprived areas, but resources and initiatives are being focussed in these neighbourhoods.
- 11 The Council has been identified as a 'planning standards' authority for 2007/08 in respect of the processing of major applications, due to poor and deteriorating performance trends in recent years. The processing speeds for these applications are now in the worst quartile compared to all other councils. Performance in 2006/07 is recovering towards meeting the national standards. The quality of the service measured against the profession's quality checklist improved during 2005/06 but remained in the worst quartile.
- 12 Performance against the checklist of enforcement good practice for environmental health service did not improve in 2005/06 and remains in the worst quartile.
- 13 Positive progress has been made in bringing down unemployment levels and partners have been successful in meeting job creation targets, but this needs to be re-focussed on employment rates. There are difficulties in localities and single parent access to employment. The pilot programme for job entry targets for people on disability allowance has made rapid progress in the last year.
- 14 Copeland is a relatively low crime area and reductions have been achieved across a range of crime categories. There had been a reduction in overall crime levels (British Crime Survey basket of offences) in 2005/06 and this progress has been sustained in 2006/07. There also had been a reduction in the level of violent crime, which had been a key concern following an increase the previous year. Accelerating progress in reducing some of the volume crimes, such as criminal damage, means that the overall crime reduction target is expected to be met in 2007/08.

- 15 The Council has prioritised social inclusion but has made limited progress in developing its approach to ensuring all of its policies and activities promote equality of opportunity for minority and other groups. The Equality standard is a framework to help local authorities introduce a comprehensive and systematic approach to dealing with equality issues. Local authorities can assess their progress based on five levels. The Council's assessment against this standard is currently only at level one.

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

- 16 The Council is developing its next corporate plan using a five-year timescale, which will be supported by an annual delivery plan to focus activity in the short term. The plan is expected to be approved in early 2007.
- 17 The Council is a key contributor to strategic plans that are being developed, with partners, to respond to the de-commissioning of nuclear facilities in the district and the long term socio economic impact.
- 18 The engagement of public bodies in the West Cumbria Local Strategic Partnership (LSP) has improved and the Council has supported the partnership in making good progress over the last year. Programmes to improve local performance against floor targets are better established and better managed although there are still gaps in local intelligence and appropriate target setting.
- 19 A sub regional housing strategy has been agreed across a range of agencies, which provides a secure and agreed plan for dealing with the strategic housing priorities within the county area. This has provided benefits to individual councils and the county as a whole through the effective targeting of action and the improved use of resources to deliver improvement. The strategy is recognised as the first of its kind in the country and is used as an example of partnership working and strategic planning.
- 20 LSP action plans for the local housing market show a reasonable position for housing decency standards in the social and private sector with a possible concentration of non decent housing in particular neighbourhoods. HMR delivery plans for 2006/07 have been slow to develop to a stage where the required resources are identified with clear targets for community outcomes.
- 21 The Council's planning for its future staff resource needs is not developed sufficiently to inform the medium term financial plan and improvement plans of the Council. The potential impact of future service delivery models, shared services and other strategic procurement options on staff skills and job roles has not been evaluated. The capacity of partners and contractors to support improvement plans over the medium term is yet to be incorporated into medium term planning.

- 22** The Council will not achieve the implementation of a grade and pay review in accordance with the national agreement timetable. The Council has only considered recently how it would wish to progress towards a new pay structure and a pay and reward approach that is appropriate to its needs. The outline plan is for implementation of a new pay structure in April 2008. As a result, at present the Council cannot be assured that it has fair and equitable pay structures that will support wider pay and workforce plans to meet the future needs of the organisation.

## Financial management and value for money

- 23 As your appointed auditor I have reported separately to your Audit Committee on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
  - a conclusion on your Value for Money (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.
- 24 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).
- 25 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

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**Table 1**

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

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

- 26** The Council has continued to improve and strengthen arrangements in a number of key areas. In particular:
- there has been an improvement in the quality of the accounts and associated working papers submitted for audit that has allowed the Council to move from level two to a level three score for Financial Reporting;
  - the Council achieved scores of two for all three elements of Financial Management last year and due to improvements in asset management, one of these elements has now moved to a level three, but the Council maintains its overall score of two for Financial Management; and
  - in respect of Internal Control the Council has developed member involvement in reviewing the Statement of Internal Control and its underlying sources of assurance through the introduction of an Audit Committee during 2006. These and other improvements have raised the score on one of the three elements of internal control from a one last year to enable the Council to consolidate the overall level two score for Internal Control.
- 27** There are some areas where the Council needs to develop procedures further to consolidate current scores and also move to the next level. 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.

## Conclusion

- 28 This letter has been discussed and agreed with the Chief Executive and Head of Finance and Business Development. A copy of the letter will be presented at the Audit Committee on 28 March 2007.
- 29 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

- 30 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.

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March 2007