

# **Annual Audit and Inspection Letter**

**Middlesbrough 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.

© Audit Commission 2007

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)

**Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

## Contents

<b>Our overall summary</b>	<b>5</b>
Action needed by the Council	5
<b>How is Middlesbrough Borough Council performing?</b>	<b>6</b>
CPA scorecard summary	7
The improvement since last year – our Direction of Travel report	9
Service inspections	12
Users' views	13
Other performance work	14
<b>Financial management and value for money</b>	<b>15</b>
<b>Conclusion</b>	<b>17</b>
Availability of this letter	17

## Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from 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 that:
  - Middlesbrough Borough Council has again been assessed as having a four star overall performance and improving well. The Council delivers good value for money across the board and all services where comparisons can be made are assessed as improving well relative to the performance of other councils. However, user satisfaction indicates that while some services have improved others have deteriorated. Our Use of Resources judgement shows an improvement from last year with all of the five categories scoring 3, performing well;
  - we gave an unqualified opinion on the statement of accounts. This was the first year that the Audit Code of Practice required a conclusion on whether we are satisfied that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of your resources (the value for money conclusion). We were able to issue an unqualified conclusion that the Council has proper arrangements in place; and
  - improvements were achieved in preparing the statement of accounts in a more timely manner supported with better working papers through project management of the process. However, project management is not applied uniformly across the Council and delays have been experienced especially on major capital projects.

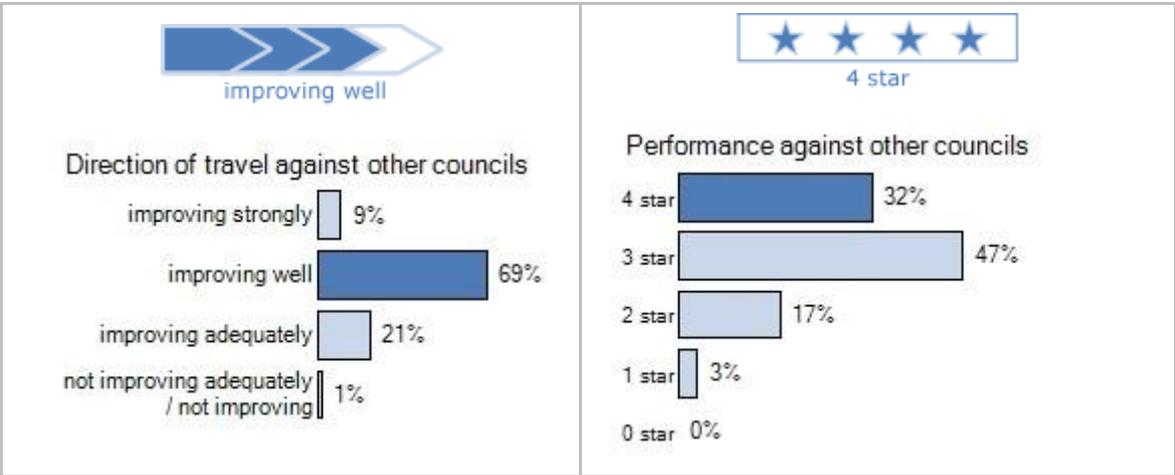
## Action needed by the Council

- 4 To sustain improvement the Council needs to:
  - consider what action it can take to improve those services where user satisfaction has declined; and
  - review the approach to project management and ensure it is applied consistently across all departments.

# How is Middlesbrough Borough Council performing?

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

**Table 1**



Source: Audit Commission

- 6 The detailed assessment for the Council is as follows.

### Our overall assessment - the CPA scorecard

**Table 2 CPA scorecard**

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

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

### CPA scorecard summary

- 7 Services are improving in areas identified as important to local communities. Targeted actions have resulted in tangible benefits for children, with continued improvement in educational achievement and at a faster rate than nationally for Key Stage 2. Adult social care continues to be good, with significantly high numbers helped to live at home. The Council works well with others to reduce drug misuse and more people believe their neighbourhood is safer, with significant recent progress in some crime performance.
- 8 Overall employment has seen a closing of the gap with the English average, where the Council has exceeded local targets for assisting new businesses and creating jobs. Services for homeless people have improved and housing improvement programmes are on track. Recycling rates are improving but remain well below national targets.

**8 Annual Audit and Inspection Letter | How is Middlesbrough Borough Council performing?**

- 9** Services are sensitively tailored to meet community needs. The Council achieves good value for money and has the capacity for further improvement. Political and managerial leadership is strong. Financial capacity is good with good use of external funding to deliver against priorities. Effective performance and financial management systems are well established.

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

- 10 Services are improving in areas the Council has identified as priorities and the public say are important to their communities. The Council has seven strategic priorities; for four of these there is clear progress while the remaining three shows a more mixed performance. The Audit Commission's basket of comparable PIs shows the extent of improvement for this Council to be above average. 66 per cent of the Council's Corporate Plan PIs have improved.
- 11 In working towards its priority of supporting children and learning, services have been maintained as good, consistently delivering above minimum requirements for users. The Council can demonstrate that its targeted actions have resulted in tangible benefits for children, young people and their families. There has been continued improvement, often at a faster rate than found nationally or in similar authorities. For example, value-added measures from Key Stage 1 to Key Stage 2 show that pupils make better progress than the national average. However, at secondary level, value-added measures show lower than average progress from Key Stage 2 to the end of Key Stage 4 and achievement remains well below the national averages and that of similar authorities. Although attendance is not yet good enough, robust strategies are in place to tackle this and the attendance of targeted pupils is improving.
- 12 Social care services for adults continue to be good. The Council improvement strategy for social care has resulted in sustained recent progress as evidenced across a wide range of performance indicators, service achievements and improved CSCI star rating. The independence of service users is strongly supported. High numbers of people are helped to live at home, 148 per 1,000 of the elderly population, which is substantially more than other councils. The Council is still performing less well than comparator councils at providing adaptations and equipment to support people in their own homes. The Council is continuing to make progress on its priorities for promoting healthier communities. It is working well in partnership with others to tackle and reduce drug misuse.
- 13 The Council's priority on creating safer and stronger communities has seen mixed performance, although the percentage of residents who believe that their neighbourhood is either very or fairly safe has risen significantly, from 60 per cent in 2001 to 93 per cent in 2005. There has been significant recent progress in some areas of crime performance. Burglaries and violent crime have both increased, but vehicle crime and robbery have reduced, with the latter reducing significantly.

- 14 In its priority to transform the local environment the Council has made limited progress. Recycling rates are improving but at 11.4 per cent are still well below both the Council's and national targets. The overall level of unclean land because of litter has increased on last year, although the gap between the more affluent and deprived wards has been narrowed. Progress has been made in relation to the quality of parks, with the Council securing Green Flag status for the Albert, Stewart and Pallister Parks.
- 15 There has been mixed progress on the priority area of meeting local transport needs more efficiently. The Council has promoted bus use as the key means for delivering sustainable transport in the town with publicity campaigns, concessionary fares and improving the bus infrastructure and travel information. However, bus passenger journeys while just above the average for a unitary council, fell below target and last year's performance. Areas of improved performance included lower than average road accident casualties where numbers were further reduced in 2005/06, contributing to a safer environment.
- 16 The Council has performed well against its priority of promoting the economic vitality of Middlesbrough. Overall, employment has seen a closing of the gap with the English average, although it remains below that for the region. The Council has exceeded targets for assisting new businesses including creating 259 jobs and helping over 700 residents into employment. Housing services have made strong progress. They have reduced the number of homeless people from 462 to 277 and are on track to meet the housing decency target. The new 'mima' arts centre is now in place and opened in January 2007, offering local people a broader range of cultural opportunities.
- 17 The Council is improving both access and the quality of service for all its citizens. There has been particular success in work with the black and minority ethnic community, including that of the Local Safeguarding Children Board in promoting children's safety. Council services are now sensitively tailored to suit Black and Minority Ethnic Communities, complementing their cultural strengths and working in partnership to develop trust. Diversity Action Plans (DAPs) have been embedded in each directorate as a means to improve service provision for hard to reach groups. Good progress is being made against the actions detailed in the DAPs, which are monitored quarterly. In contrast, user focus within the Benefits service has been judged poor.
- 18 The Council has secured significant cost reductions in recent years and achieves good value for money by the balance between costs, service quality and working environment. The Council maintained its use of resources score of three for value for money. Key drivers in this have been the strategic partnership, member led performance clinics and service reviews which target both overspending and high cost services.

- 19 Progress is being made to implement robust improvement plans to sustain future improvement. The LSP improvement plan represents a significant improvement from 2005, with the only real area of weakness being around resource identification in some areas. The Strategic Plan links the Mayoral 'raising hope' agenda and the Community Strategy, to provide clear objectives. A new local public service agreement has been put in place till 2008, with a focus on raising educational attainment and supporting vulnerable persons. There is scope to improve the clarity and consistency of children and young people plans. The strategy for older people is clear and comprehensive and embraces national priorities and objectives.
- 20 The Council has met 75 per cent of its 136 key commitments and hit or exceeded 62 per cent of its 86 targets for BVPIs. This represents good progress against its key objectives and milestones. Performance clinics are held regularly to monitor progress against key targets and indicators. Integrated clinics for performance and budget are run quarterly for each directorate, involving the executive and senior management. This is a key driver in delivering against milestones. External regulators have identified positive responses to areas for improvement highlighted in last year's assessments. For example, the Council has taken action to improve the weaker areas identified in last year's children and young people assessment, such as its use of data and educational support for looked after children.
- 21 The Council has the capacity and skills that it needs to achieve change and further improvement in services. There is strong political and corporate leadership. The Council's financial capacity is good and it makes good use of external funding to deliver against priorities. There is a potential significant cost pressure emerging around equal pay settlements, which could have a serious impact on the Council's future financial health, but it is too early to be precise about how this will impact on future capacity. The Council has an open approach to exploring alternative methods of service delivery and the use of partnerships to provide services in areas such as social care and community safety.
- 22 To deliver its fit for purpose agenda, which would enhance its capacity, the Council has several areas to improve. Sickness absence has been reduced, following a range of initiatives, to 11.8 working days but remains well above the average and the Council's target. Collection of council tax, NNDR and payment of invoices are improving but remain below average performance.
- 23 Strong corporate governance arrangements provide a sound basis for continued improvement. Effective performance and financial management systems are well established. Risk management arrangements have been strengthened. Political arrangements are stable. There are no significant weaknesses in arrangements for securing continuous improvement or failures in corporate governance that would prevent improvement levels being sustained.

## Service inspections

24 The Audit Commission has not undertaken any specific service inspections in the last year. Another 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:

- Joint Ofsted and CSCI assessment for children and young people;
- CSCI assessment of audit services; and
- BFI assessment of the benefits service.

### Joint Ofsted and CSCI assessment

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

*'Middlesbrough Borough Council makes good provision for children and young people. There is a strong vision, a clear recognition of what still needs to be improved and a firm commitment to achieving better outcomes for children and young people. The Council can demonstrate that its targeted actions have resulted in tangible benefits for children, young people and their families. Although some outcomes are not yet good enough, such as the standards in secondary schools, there has been continued improvement, often at a faster rate than found nationally or in similar authorities. The Department of Children, Families and Learning has a good strategic overview of its work and its forward planning is effective, taking into account the significant changes and challenges which the Council faces. However, this is not always reflected clearly or consistently in its plans. The Council's work is well informed by its consultation with children, young people and their families. The range and quality of consultation is a strength, as is the relationship with the Council's partners; both are contributing to some significantly improved outcomes for children and young people. The Council has taken action to improve the weaker areas identified in last year's APA, such as its use of data, educational support for looked after children and reducing the number of young people not in education, employment or training (NEET) or after the age of 16. The Council has good capacity to improve its services further.'*

### CSCI assessment of adult services

26 The CSCI assessment of adult services concluded that:

*'the Council's improvement strategy for social care has resulted in sustained recent progress as evidenced across a wide range of performance indicators and service achievements. Relevant strategies and objectives are in place to support ongoing improvements for all user groups. There is good evidence that partnerships are strong and a determination that this will be sustained through the transitions to new NHS organisations. The independence of service users is strongly supported and this is reflected in high numbers of people helped to live at home across all the main user groups. Person Centred Planning has now become central to the way in which services are delivered for all user groups. There has been significant progress in addressing the areas for improvement that were identified last year, notably in the delivery of assessments for older people. The Council has achieved the establishment of an electronic single assessment process across the whole Council area in conjunction with its partners. Given the current position and evidence of continued improvement there is good reason for the Council to be optimistic about the improvement outlook for the year ahead.'*

## **BFI assessment of benefit services**

27 The BFI assessment of the benefits service concluded that:

*'Middlesbrough Borough Council met 4 of the 12 performance measures where the Department had set a Standard, and 61 of the 65 enablers. Security performance remained excellent. The Council met Standard for each of the 3 performance measures set for Security. Although the Council did meet the Standards set in the last quarter of 2005/06 for PM 1, 3, 4, and 5 for Claims administration and PM 18 and 19 for User focus, its reported performance for the full year did not. For 2005/06 the Council did not meet the Standards set for 5 of the 6 performance measures in Claims administration or the 3 performance measures in User focus. The Council needed to improve in these areas to fully meet the Department's Performance Standards.'*

## **Users' views**

- 28 Overall, compared with 2004 users in 2006 were less satisfied with the Council's performance. However, when asked about specific services, on the whole, citizens were more satisfied in 2006 compared with 2004, with responses relating to crime being more positive across the board.
- 29 Users' felt less well informed about the Council's services in 2006 than in 2004. The concerns about teenagers hanging around, public transport and waste collection seem to be those which the Council should give some greater attention to in order to maintain its improvement journey.

## Other performance work

### Partnership working across Teesside: tackling drugs misuse

- 30 This report was published by the Audit Commission in December 2006. It looked at the way in which a number of agencies are working together, both locally and across Teesside.
- 31 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.
- 32 In looking at the work being undertaken in Middlesbrough, the report noted that the Safer Middlesbrough Partnership (SMP) is working effectively as evidenced by improvement from an amber rating in 2004/05 to green in 2005/06; and the outcome of the recent IMPACT and Partnership Assessment Delivery and Service (PADS) studies. Considerable joint training is undertaken between partners with good evaluation carried out. As a result there is greater awareness of drug issues and what services are available to help partners; and improved knowledge and multi-agency approaches to local issues. A good example is that the Council's community wardens have moved to be part of social care with a broader role than just crime.

## Financial management and value for money

- 33** As your appointed auditor I have reported separately to Corporate Affairs 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.
- 34** 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).
- 35** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 3**

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

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

36 The key issues arising from the audit, as reflected in the above judgements are as follows:

- scores for financial reporting and internal control have improved so that the Council has no category scored less than 3, performing well;
- the processes for financial reporting have improved through better project management which ensured that the Statement of Accounts was produced earlier to a more demanding internal deadline. Working papers were produced in an electronic format and there was a clear improvement in approach and quality;
- the Council has sound internal control procedures and plans to strengthen them further through the production of business continuity plans. Further enhancement through the introduction of an Audit Committee to oversee the process would improve the position considerably;
- the Council's spending per head of population compares favourably with similar local authorities and high cost areas are also the Council's priority areas. The approach to achieving good value for money could be further developed through ensuring all departments have a clear programme to identify and target opportunity for efficiency savings; and
- improvements have been achieved through project management but this is not universal across the Council especially for key capital initiatives.

## Conclusion

- 37 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the audit committee in spring 2007.
- 38 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

- 39 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**