

Annual Audit and Inspection Letter

March 2007



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**Oldham Metropolitan 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.

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## Our overall summary

- 1 This letter 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 letter 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 letter are as follows.
  - The Council is improving well, particularly in priority areas.
  - There are areas, for example use of resources and user satisfaction, where significant improvement is required.
  - Financial standing has improved but there are still significant financial pressures, not least from the Council's own ambition.

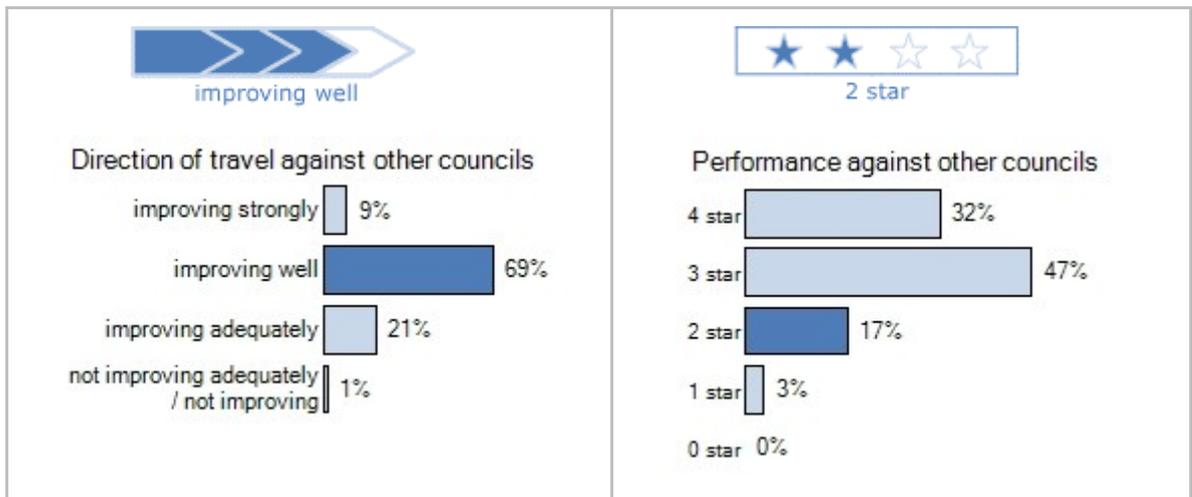
## Action needed by the Council

- Improve financial reporting.
- Ensure balances continue to be maintained at a prudent level.
- Understand the reasons for the comparatively poor user satisfaction scores when compared with other councils.
- Take further action to improve sickness absence rates.
- Continue to improve the arrangements to ensure data quality.
- Demonstrate that overall costs and unit costs for key services deliver best value allowing for the local context.
- Complete the implementation of the procurement action plan.
- Address the issues around asset management.

## How is the Council performing?

- 4 The Audit Commission’s overall judgement is that the Council is improving well and we have classified the Council as two 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

- 5 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
Overall	2 stars
<b>Current performance</b>	
Children and young people	2 out of 4
Social care (adults)	3 out of 4
Use of resources	2 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 out of 4
Corporate assessment/capacity to improve	2 out of 4

(Note: 1=lowest, 4= highest)

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

- 6 The Council and its partners are making good progress in regenerating Oldham, both physically and by underpinning social and economic change. For example, University Centre Oldham has been established in partnership with the University of Huddersfield and there has been further regeneration in the Cultural quarter which will support lifelong learning.
- 7 The Local Area Agreement is firmly based on improving quality of life in Oldham in those areas people say are most important to them. The Oldham Partnership is making excellent progress, for example in housing and improving educational attainment. The partnership is recognised by the Government Office North West as one of the most improved local strategic partnerships.
- 8 The Council is having success in implementing some ambitious plans and has won external recognition. For example work on sustainable communities won a Local Government Chronicle award for the Oldham Partnership. The Council have also been praised for good practice and progress around community cohesion, although the report recognises there are still some challenges in Oldham. The Council has also been recognised as a better place to work, winning the NW Employers coalition large employer of the year and gaining IIP accreditation.

- 9 In March this year the Council achieved level three of the equalities standard. Nationally only 16 per cent have reached this level and only 2 per cent of councils are doing better. This is rapid progress as only three years ago the Council was at level zero. There has been a significant change in organisational culture as a result. The Council is now working on strengthening the setting of meaningful equality targets, and recognises without these it will be difficult to demonstrate further progress.
- 10 The Council is broadly delivering improvement against its plans. The Oldham Business Planning Process and performance management systems are becoming more embedded and are helping to drive the improvement agenda. Performance is actively monitored, and there are remedial action plans for those performance indicators causing concern.
- 11 Public satisfaction with the Council and services is improving in almost all areas, including litter, individual waste management services (but not waste overall) and culture generally. The highest satisfaction rating is given to parks. However, the majority of the user satisfaction scores are still in the lowest two quartiles.
- 12 Crime indicators are generally improving but in many categories, for example burglary and robbery, performance is in the worst quartile. The exception to this is violent crime, where the position has improved substantially from last year.
- 13 Children's services have improved within the overall score of 2, particularly in terms of young people making a positive contribution, where good work on reducing the number of looked after children who re-offend has put Oldham into the top performing band. Attainment is in line with statistical neighbours, and reaches national levels of performance for KS2 maths and at GCSE. There have been good improvements in performance management and prioritisation, and a new leadership team is beginning to improve the integration of children's services.
- 14 The Council uses innovative projects to help young people who are at risk of social inclusion to access experiences that are aimed at increasing their chances of entering education, employment or training in the creative industries. However, the Council has more to do in ensuring all young people (YP) reach their potential, and particularly needs to further improve the speed at which it conducts assessments for vulnerable young people.
- 15 There are some good initiatives aimed at keeping children healthy, including Unity Sport and the Health4me website. There is also good performance of 16-18 year olds who are in education, training or employment - the second best in the GM area. Engagement with YP has improved, and there are better prospects for YP due to the development of the University College. In adult social care, improvements have been achieved in the timeliness of the completion of assessments and the provision of services following assessment. More people now receive a statement of their needs
- 16 First Choice Homes was assessed as a good service with promising prospects in November 2005. At the end of the year, there had been good progress in reducing the number of homes in non-decent condition, putting the Council in the top band of performance.

- 17 There have been good improvements in reducing the number of people in temporary accommodation as a result of the homelessness strategy, but for those using it length of stay is increasing.
- 18 There is a mixed picture in the Council's progress on recycling and waste. There is improvement in reducing the amount of non recyclable waste collected, although costs are increasing relative to other councils. Recycling is improving, but is worst quartile and behind target.
- 19 The Council continues to implement its plans for the cultural quarter successfully. The new library and Lifelong learning centre is open, offering specialist children's and teenage libraries, a homework centre and extensive free internet access, plus other resources to support learning development. Oldham Gallery, opened in phase 1 is seeing a big increase in visitor numbers and in uptake of family holiday activities. There has also been an increase of 10 per cent in the numbers of people coming into Oldham to visit the gallery.
- 20 The Council is performing well as assessed by the Benefit Fraud Inspectorate. In most areas performance is assessed as excellent, but the overall assessment is limited by poorer performance on the administration of claims, particularly with regard to timeliness. The Council has introduced new systems recently which caused the fall off in performance, but now that is fully operational prospects for better performance are good.
- 21 The Council is increasing its people and infrastructure capacity in support of improvement priorities. Further progress has been made in securing a strategic partner to increase the Council's capacity to drive further improvement.
- 22 Improvements in financial management have led to the Council delivering a balanced budget for the year - the Council's financial position is now much more stable than 2 years ago.

## Service inspections

- 23 There have been no service inspections conducted by the Audit Commission in the period covered by this letter.
- 24 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.
- 25 The Commission for Social Care Inspection (CSCI) assessed Adult Social Care to be serving most adults well and with promising prospects for future improvement. Just 2 years ago this judgement was serving some people well but with uncertain prospects, so significant progress has been made.
- 26 The Benefit Fraud Inspectorate judged that the Council were providing a good service. This rating is unchanged from last year.

- 27 In Children's services, the recent Annual Performance Assessment from OFSTED and CSCI judged the Council to be meeting minimum requirements and with good capacity to improve further.
- 28 Key messages from these assessments have been incorporated into the Direction of Travel report.

## Financial management and value for money

- 29** As your appointed auditor I have reported separately to the Cabinet 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 and complies with statutory guidance.
- 30** In my report to the Cabinet, I drew members' attention to the weaknesses in the accounts preparation process, and I made two recommendations.
- Improve year end, and qualitative, processes for producing the financial statements to ensure the accounts presented for approval are free from significant errors and supported by a robust set of working papers.
  - Build sufficient time and resources into the accounts closure programme to carry out a qualitative review of the accuracy and completeness of the financial statements.
- 31** The Director of Finance and IT has put arrangements in place to implement these recommendations for the 2006/07 accounts.
- 32** 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).
- 33** 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	1 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)*

- 34** An overall Use of Resources score of '2' means the Council is performing adequately. A report, which summarises the judgements and identifies the improvement opportunities, has been provided to the Director of Finance and IT.
- 35** The key issue arising from the audit, as reflected in the above judgements, is the score of '1', for the second year, in Financial Reporting. The reasons for this were the weaknesses in the accounts preparation processes, including:
- poor working papers, and produced late;
  - unsupported balances;
  - lack of control account reconciliations;
  - insufficient capacity;
  - lack of quality assurance checks; and
  - lack of a timetable or closedown plan for group accounts.

As I have reported at paragraph 41 above, the Director of Finance and IT has put arrangements in place to significantly improve the processes for the 2006/07 accounts.

- 36** Other improvement opportunities include the following.
- Improve the profiling of budgets to ensure that financial monitoring reports are more meaningful.
  - Establish a corporate landlord function and develop a corporate property strategy.
  - Identify the level of backlog maintenance and develop a plan to ensure it is addressed.
  - Consistently maintain spending within budget and without significant overspends.
  - Develop arrangements to manage risks in relation to significant partnerships.

- Establish an Audit Committee which has principal responsibility for audit and governance issues.
- Increase the level of proactive fraud and corruption work and publicise the updated whistleblowing policy.
- Demonstrate that overall costs and unit costs for key services deliver best value allowing for the local context.
- Complete the implementation of the procurement action plan.
- Be more rigorous at following through predicted savings to ensure these materialise.

## Other use of resources/value for money work

### Data quality

- 37 Good quality data is the essential ingredient for reliable performance and financial information to support decision making. The data used to report on performance must be fit for purpose, and represent an organisation's activity in an accurate and timely manner.
- 38 Our review found that the Council has made good progress developing its management arrangements for data quality.
- 39 In addition, the Council has effective arrangements for the governance, monitoring, review and use of data quality. These arrangements could be further improved by producing an overarching data quality strategy.
- 40 The Council's data quality systems and processes are generally robust. However, these arrangements are not yet being applied consistently across all departments. Our review and spot checks of six specified PIs revealed that three had been fairly stated, two required amendment and one was found not to be fairly stated.

### Workforce management and development

- 41 The Council has made excellent progress in the implementation of the People Strategy. Organisational development is integral to the Council's improvement agenda and management training is now better targeted. The results from the recent staff survey show the strategy is beginning to have an impact. This has contributed to successful 'Investors in People' accreditation of the Council to new, more difficult standards.
- 42 More needs to be done to ensure consistency of application of HR policies by departments; for example sickness absence and exit interviews. In adult social care, there has been a significant reduction of sickness absence levels during the year, which has resulted in savings in agency staff costs. However, the Council has not managed to reduce sickness absence across the Council in 2005/06, showing a slight increase in the average days lost per employee from last year.

## Performance management

- 43 The Council's arrangements for performance management are largely effective with strong leadership and close working at political and senior management level. The performance management arrangements work well and include processes for debate and challenge at both corporate and service level to address areas of poor or declining performance. Significant emphasis is placed on creating a performance culture within the organisation and there are many examples of good practice where staff and stakeholders are informed of and engaged in performance management and improvement. The challenge for the Council now is to ensure that the arrangements are consistently applied in all departments and services.
- 44 There is evidence that user and staff complaints and grievances inform and improve service development. The Council has a system for collating stakeholder comments on service performance as part of their complaints procedure. Processes exist in some service areas, for example social services, for users, staff and other stakeholders to contribute to performance review but not all services have a formal system for users to contribute to performance improvement. The Council can demonstrate that it invites internal and external evaluation and challenge which leads to service improvements.
- 45 The Council makes good efforts to communicate performance information at both corporate and service levels via newsletters, team briefs, management forums and local briefings, but it is not reaching or meeting the needs of all staff delivering front line services
- 46 Although resource management and performance management are becoming more integrated there is scope for further improvement. The Council acknowledges this and has introduced performance agreements for senior managers which cover both service and financial performance.

## Cross-cutting work

- 47 During the year three cross-cutting projects were delivered across all audited and inspected bodies in Greater Manchester. These were:
- Health Inequalities;
  - Children's placements; and
  - Integrated Social Needs Transport.

Oldham Council participated in and benefited from each of these projects.

## Health Inequalities

- 48 Greater Manchester has one of the lowest life expectancies in the country. We have undertaken a review of the arrangements in place across Greater Manchester to address health inequalities. The review has involved 41 organisations including primary care trusts, acute and mental health trusts, local authorities and the Strategic Health Authority.

- 49 This work is now complete; the key issues that we reported are:
- Collaboration – Greater Manchester is moving in the right direction;
  - Greater Manchester knows what the health inequalities issues are;
  - there is no health vision for Greater Manchester and a lack of champions; and
  - concerted, radical action is required to make a difference and reduce the health inequalities gap.
- 50 The Greater Manchester for Health launch event 'Everybody's Business' was held on 7 December 2006 where all public sector organisations across Greater Manchester signed up to a public pledge to address health inequalities. The main recommendations are:
- ensure non-executive directors (NEDs) and members are equipped to challenge in a robust manner;
  - ensure policy decisions are considered in light of their impact on health inequalities;
  - recognise the potential of a well organised Directors of Public Health (DPH) group informed by public health intelligence at a Greater Manchester level;
  - ensure commissioning capacity is available to engage in a wider range of activities to inform decisions;
  - embrace corporate responsibility; and
  - define the health leadership group and its terms of reference.
- 51 A follow up review is anticipated in early 2008 to monitor progress with the implementation of these high level recommendations.

### **Children's placements**

- 52 Placements of looked after and special needs children in external accommodation can be costly and may not provide the best outcomes for children. Our review examined the significant attention by the Council and other Greater Manchester colleagues on the challenge of improving the value for money of children's placements. In particular we reviewed the AGMA 'Outside Placements and Joint Commissioning Unit' and piloted a tool to improve commissioning and value for money considerations in decision making.
- 53 Overall we found that the challenge of achieving improved outcomes remains a significant one that will require continued commitment and leadership. Other issues we reported include the following.
- The AGMA joint commissioning unit needed refocusing. Detailed recommendations were made and have been implemented in order to improve its focus.

- The pilot commissioning tool provides a greater focus on achieving outcomes and helps identify strategic commissioning implications for future service design to improve outcomes for vulnerable children. Health and education services were particularly identified as not always providing most effectively for vulnerable children.
  - The commissioning tool provides a helpful means for assessing options that can enable improved value for money considerations in decision making.
- 54** Further work is planned during 2007 to promote the commissioning tool to ensure it contributes towards a stronger focus on outcomes. In addition we will work with health partners in order to help them understand how they can contribute to this agenda. We will monitor progress on taking up the challenge of outcomes driving commissioning or other approaches that are meant to deliver better outcomes across all agencies.

### **Social Needs Transport**

- 55** During 2006 we examined how councils, the passenger transport executive/ authority, the ambulance service and Primary Care Trusts provide social needs transport (SNT). These services are often the only means of people accessing education, social activities, health appointments or essential parts of daily living. Key messages from the review are that whilst users value SNT there is considerable scope for improvement, with most organisations not sufficiently taking user access into account in the planning of services. The impact on users is not clearly understood and prioritised by the majority of organisations commissioning and providing services. Opportunities to increase the quality of these services and improve value for money through integration are not being maximised across Greater Manchester. One particular issue is the potential for improved efficiency and effectiveness of SNT services through integration both within the Council and with partner organisations.
- 56** The Council has been asked to complete an action plan responding to the recommendations made to date. Additional work is planned during 2007 where we will monitor progress and examine specific aspects of SNT including identification of gaps in services taking into account:
- eligibility criteria;
  - implementation of route planning systems; and
  - cost and activity data.

## Conclusion

- 57 This letter has been discussed and agreed with the Chief Executive, the Interim Executive Director of Strategy and Resources and the Director of Finance and IT. A copy of the letter will be presented at the Audit Committee on 7 June 2007.
- 58 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

- 59 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.

Clive Portman  
Relationship Manager