

Annual Audit and Inspection letter

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

Reports prepared by appointed auditors are:

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

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Contents

Summary	4
Action needed by the Council	4
How is the Council performing?	5
The improvement since last year - our direction of travel report	6
Other inspectorates and regulators	7
Financial management and value for money	9
Use of resources	9
Other performance and audit work	12
Conclusion	14
Availability of this letter	14

Summary

- 1 This letter provides a 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 Members, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages are:
 - the Council is improving well and has maintained its three star CPA status;
 - the Council received an unqualified opinion on its 2005/06 financial statements;
 - the Council received an unqualified opinion on its arrangements for securing value for money in 2005/06; and
 - the Council has improved its financial position.

Action needed by the Council

- 4 The Council should:
 - continue with its robust financial management to ensure that balances and reserves are maintained at an adequate level and the objectives of the financial strategy are delivered; and
 - take action in areas where performance needs to be improved or which are problematic eg recycling, leisure and crime.

How is the Council performing?

- 5 The Audit Commission's overall judgement is that the Council is improving well and has classified the Council as three stars in its current level of performance under the Comprehensive Performance Assessment. The detailed assessment for the Council is as follows.

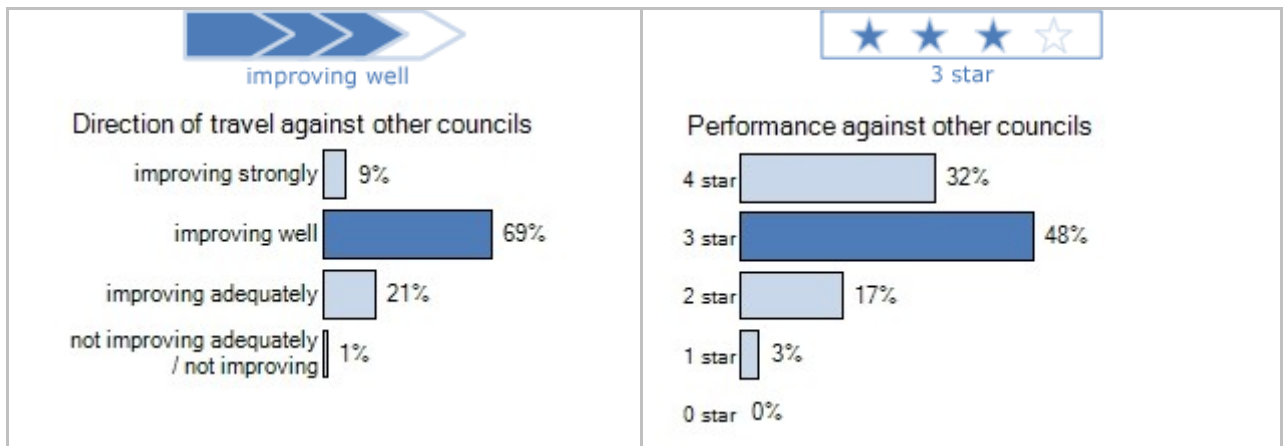
Table 1 CPA scorecard

Element	Assessment (out of 4)
Direction of travel judgement	Improving well
Overall	3 star
Current performance	
Children and young people	3
Social care (adults)	3
Use of resources	3
Housing	3
Environment	2
Culture	2
Benefits	4
Corporate assessment	3

(Note: 1=lowest, 4= highest)

- 6 The scores are the same as last year's except that the housing score has improved from 2 to 3. All five themes within use of resources scored 3 (three scored 3 last year).
- 7 These assessments have been completed in all single tier and county councils and the following table shows how councils have performed nationally.

Figure 1



Source: Audit Commission

The improvement since last year - our direction of travel report

- 8 We carried out an assessment of the Council's progress in improving services. Our assessment was that the Council is improving well and we have given the Council a direction of travel score of 3 out of 4. The direction of travel report, which has been published on the Audit Commission website, is set out below:

'Outcomes for citizens are improving in many services which are priorities for the Council and which matter for local people. For example, housing, secondary school attainment, planning services and benefits processing have all improved. However, a few services such as recycling need to improve more. Residents' satisfaction with sports and leisure facilities is low and uptake is limited. Certain types of crime such as robbery are increasing. Access to the Council is becoming easier through the contact centre. The Council makes good use of external funding to help disadvantaged parts of the borough. Service costs remain relatively low and value for money is good.

The Council has been successful in its key priority of keeping the council tax low and the Council's overall financial position continues to improve. A new plan has been developed to deliver sustained improvement and monitoring arrangements have been strengthened. The Council has a good understanding of what it needs to do to modernise its services and a well-conceived programme of change is underway. There are no significant weaknesses that might prevent improvement levels being sustained.'

Other inspectorates and regulators

- 9 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. During the year the Council has received the following assessments from other inspectorates.

Commission for Social Care and Improvement (CSCI)

- 10 CSCI's annual assessment of adults' social care gave the Council a score of 3 out of 4. A number of improvements were noted:

'The Council has implemented an action plan to address the areas for improvement highlighted in last year's CSCI performance review report. Outcomes for service users have improved. Response to referrals is timelier; the Council's Contact Centre has ensured that more referrals are dealt with at initial contact; the timeliness of assessments for service users and carers has improved. The modernisation of services is taking place on a number of fronts, including the New4Old project, which is on target to develop significantly new residential and day care services for older people. Partnership work is well established and has delivered on key strategic and joint working objectives, for example, the review of integrated mental health services and delivery of the single assessment process. Access to services for black and ethnic minority ethnic communities has continued to improve and the Council has implemented a 'fair access' procurement strategy to address the main finding of their race equality impact assessment reviews. Performance management and quality assurance systems are robust and are used effectively to monitor improvement. Financial control is good and linked to priorities. Recruitment and retention is well managed and rates are comparatively low.'

- 11 The assessment also noted some areas for improvement:

'The Council should continue to improve performance on helping older people and people with physical/sensory disabilities to live at home in line with comparator authorities. The reduction in delayed transfers of care should be sustained through continued monitoring and robust managerial oversight. Services to carers have improved but more breaks should be provided. Co-location of HIV services should proceed as planned when suitable premises are identified. The creation of a directorate for adult services should parallel developments in the Council's integration of children's services by spring 2007.'

Office for Standards in Education (Ofsted)

- 12 Ofsted assesses council services and makes judgements on how well children are being served. Ofsted scored the Council 3 out of 4. Its report noted:

'Overall, the management of children's services is good. Outcomes for service users are improving. The Authority has worked hard and successfully to address most of the recommendations of the APA last year. In some instances repeat requirements were made during the inspections of the Council's regulated services. These have now been fully addressed. Plans are in place to restructure the authority's education and social care departments and to create a Directorate of Children's Services with full implementation from spring 2007. The capacity for further improvement is good. Strong commitment to improving outcomes for children and young people is reflected in the Children and Young People's Plan, 2006-09. It details clear priorities and targets, which were developed as a result of consultation with children, young people and their families. All the one year actions have been jointly agreed and are achievable within existing resources. The plan will be monitored through reports to the Children and Young People's Strategic Partnership, the Primary Care Trust Board and Council's Cabinet. The Partnership, Commissioning and Performance Unit has been established to ensure that the framework for joint commissioning is applied in a coherent and consistent way across partner agencies and that expenditure is properly aligned with priorities. This will provide the basis for future pooling arrangements'.

Benefits Fraud Inspectorate

- 13 The Inspectorate scored the Council's benefits service 4 out of 4. The assessment is based on:
- the Council's self assessment;
 - best value performance indicators and performance measures;
 - discussions with Council officers; and
 - the Inspectorate's CPA 2005 report.
- 14 The number of temporary staff has been reduced and there have been improvements to some key benefit administration processes. The Council cleared new claims more quickly in 2005/06 (27 days compared with 47 days the previous year). The Council demonstrated a continued commitment to the detection and investigation of fraud. An audit-fraud policy was approved by Members and there is a fraud business plan.

Financial management and value for money

- 15 We reported separately in our annual governance report to Corporate Services Committee in September 2006 on the issues arising from the 2005/06 audit and have provided:
- an unqualified opinion on your accounts and pension fund; and
 - a conclusion on your value for money arrangements.
- 16 There were no major issues raised in our annual governance report. We noted the co-operation that we had received from officers on our work on the accounts and the good quality working papers. We made three recommendations, for the Council to:
- continue to build up balances to the level that the Director of Finance and Resources considers appropriate;
 - review social services' budget and spending to minimise the risk of overspends; and
 - take action to improve council tax collection performance.
- 17 We have also issued a report on the best value performance plan confirming that the plan has been audited and that the content complies with statutory requirements.

Use of resources

- 18 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); and
 - value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 19 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

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

(Note: 1=lowest, 4=highest)

- 20 This represents an improvement on last year when financial standing and internal control each scored 2. Scores for the other three themes have been maintained at level 3.
- 21 The key findings arising from the audit are as follows.

Table 3 Use of resources key findings

Element	Summary findings
Financial reporting	Financial reporting arrangements are sound and working papers were generally good quality.
Financial management	Financial management is robust. The three year medium term financial strategy is updated each year and the budget is closely monitored through the year, with overspending risks identified and addressed. The budget was not exceeded in 2005/06 although there were some significant departmental overspends eg in children’s services. For 2006/07 the Council is forecasting that expenditure will be contained within the budget.
Financial standing	General fund balances have been built up in line with the medium-term financial strategy. They stood at £4.5m at 31 March 2006. The Council is forecasting a level of £7.7m at 31 March 2007, which is the target established by the medium term financial strategy. Progress towards achieving this position has been challenging and it is important that the Council maintains a focus on the objectives of the financial strategy and continues with its robust financial management to secure the longer term financial standing of the Council.

Element	Summary findings
Internal control	<p>The risk management strategy has been updated. New software is now in place and staff and Members have received training in risk management. Internal control is generally sound and the Audit Advisory Committee is providing challenge to both internal and external audit. It is also reviewing how some specific high risks are being managed.</p> <p>The Council has improved its approach to fraud and propriety. It is taking a lead, with two other London Boroughs, in developing the Audit Commission's National Fraud Initiative. Internal Audit have reviewed gifts and hospitalities registers and found that they were not being kept up to date. We understand that the position has now been remedied.</p>
Value for money	<p>The Council's costs are relatively low compared with other councils although relative spending has increased, particularly in some adult social services. The reasons for this are well understood and action is being taken. The Council has addressed some areas of underperformance and there are processes in place to benchmark costs. A zero based budgeting approach has delivered savings and there have been improvements in procurement procedures. The Council has also achieved the target 'Gershon' efficiency savings. The Council was awarded £77m under the Local Enterprise Growth Initiative to support and develop local businesses and encourage investment.</p>

Use of resources report

Other performance and audit work

- 22 We have issued a number of reports since my last annual audit letter in February 2006. These are presented to the Audit Advisory Committee together with action plans. A summary of our findings is below.

Table 4 Summary of other performance and audit work.

Topic	Key issues
Performance management	<p>The Council is improving its performance management arrangements. It has simplified the basket of indicators reported to Members on the performance of the Council. This allows a better focus on a smaller number of relevant topics. Full reporting of all best value performance indicators now only takes place twice a year which is more manageable for Members. Also, the individual job review (appraisal and personal development) system is being redrafted to give a better assessment of how staff contribute towards the Council's objectives.</p> <p>We identified some key areas for further action, including:</p> <ul style="list-style-type: none"> • providing Members with relevant benchmarking information, to help drive improvement; • continuing with plans to better align financial and performance reporting, to give Members and senior officers a more comprehensive view of how the Council is progressing; and • considering ways of measuring how the work of the Council's Scrutiny Panels improve services for local people.
Special Educational Needs (SEN) costs	<p>Financial management in this area has improved considerably since our previous audit work in 2003/04 and 2004/05. Increases in out-borough placements have now been contained, although the numbers of pupils in non-Croydon schools will not start to fall until additional SEN capacity is created within the borough. The Council retendered the transport contract but this has not achieved the level of savings hoped for. Budgets for most pupils with statements have been delegated to schools and this should lead to better use of resources. The Council needs to develop a forecasting model to support future planning, and to ensure that statutory obligations are met in terms of annual reviews and transition plans.</p>
Children's Trust	<p>Steady progress is being made on most aspects of integrated children's services. Most importantly, the issue of officer capacity has been addressed, notably through the creation of a new role of Divisional Director (Change for Children). This post reports to the Directors of Education and Social Services and provides clear operational leadership for an integrated children's service.</p> <p>The Council is: developing a common assessment framework; creating children's centres; and is working on the practicalities of managing the transition to an integrated children's service. However, officers acknowledge that more needs to be done on developing an integrated workforce and putting in place a system to monitor how well new commissioning arrangements are working.</p>

Topic	Key issues
Changing organisational culture	<p>The Audit Commission has developed a web-based survey which has been used in many councils. The aim of the survey is to:</p> <ul style="list-style-type: none"> • gain a clearer understanding of the Council's stance on fraud; • assess the impact of anti-fraud initiatives already in place; and • increase awareness of fraud and corruption risks and identify areas for improvement. <p>1,283 staff responded and we shared the findings with senior officers. We found that the Council has made a clear commitment in raising the profile of the fight against fraud and in establishing a robust corporate anti-fraud culture. In particular staff perceive that the Council as a whole has made a significant commitment to fight fraud and corruption. We found some areas where there is scope for improvement. In particular, the Council needs to:</p> <ul style="list-style-type: none"> • ensure key corporate counter-fraud messages are being communicated to all staff in all departments and sections; and • ensure all staff are aware of key ethical governance and counter fraud arrangements, such as whistleblowing. <p>The Council has followed up with workshops in each department to explore general issues and issues specific to each department.</p>
Data quality	<p>The Council's management arrangements for data quality are satisfactory. The Council has effective arrangements for the governance, monitoring and review of data quality, although these are not formalised in an overarching data quality strategy.</p> <p>Our review and spot checks of eight specified performance indicators revealed that the underlying systems for producing the indicators were sound. Two indicators (on recycling and composting) required minor amendments before final submission.</p>
Pension fund	<p>The financial position of the pension fund improved during 2005/06. At 31 March 2006 it was estimated that it was 68 per cent funded to meet its liabilities. This compares with 62 per cent at 31 March 2005 and 58 per cent at 31 March 2004. In 2005 the Council increased the employer contribution and reviewed its investment strategy.</p>
Grant claims	<p>Each year we certify claims for grant that are submitted to government departments. We found that the process for submitting claims in 2006 showed an improvement. Four out of 25 were submitted late (16 out of 26 in 2005). We amended or reported observations on 10 of the 25 claims (10 out of 26 in 2005).</p>

Audit Commission reports

Conclusion

- 23 This letter has been discussed and agreed with the Chief Executive and Director of Finance and Resources. A copy of the letter will be presented at the Audit Committee on 12 June 2007.
- 24 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

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

Derek Elliott
Relationship Manager
March 2007