



DERBY CITY COUNCIL

AUDIT AND ACCOUNTS COMMITTEE
2 April 2009

ITEM XX

Report of the Corporate Director of Resources

Annual Audit and Inspection Letter 2007/08

SUMMARY

- 1.1 The Annual Audit and Inspection Letter summarises the inspection work undertaken by the Audit Commission and the Council's external auditors, Grant Thornton. It provides the annual Direction of Travel statement on progress made in addressing our priorities and the auditor's work on the Council's accounts, governance and performance.
- 1.2 The Letter provides a positive report on the Council's performance in 2007/08. Overall the Council has retained the highest '4 star' rating in Comprehensive Performance Assessment - CPA and is assessed as 'improving well. The Council is continuing to improve services across priority areas and delivers good services for children and young people and for adults.
- 1.3 The Council received an unqualified opinion on the annual financial statements 2007/08. A number of significant accounting adjustments were made, but this will have no impact on Council Tax levels.
- 1.4 The Council has made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. The Council maintained an overall assessment of '3' for Use of Resources. Data quality arrangements are continuing to perform well.
- 1.5 The Annual Audit and Inspection Letter also contains recommendations arising from reviews of health inequalities, fees and charges and the Connecting Derby project.
- 1.6 The Letter will be presented to Council Cabinet on 21 April 2009.

RECOMMENDATION

- 2.1 To note the Annual Audit and Inspection Letter 2007/08.

SUPPORTING INFORMATION

Background

- 3.1 The Annual Audit and Inspection Letter summarises the inspection work undertaken by the Audit Commission and the Council's external auditors, Grant Thornton. It provides the latest assessment on the Council's performance under the Comprehensive Performance Assessment framework, including our Direction of Travel report and results of any inspections undertaken.
- 3.2 The Letter covers the following areas ...
- Overall summary of performance, including Direction of Travel.
 - Audit of accounts and value for money, including use of resources and data quality.
 - A summary of other audit work including reviews of health inequalities and fees and charges.

Key messages

- 3.3 The key issues identified in the Letter are as follows...
- The Council has retained the highest '4 star' rating overall Comprehensive Performance Assessment - CPA - category and is assessed as 'improving well.'
 - The Council is continuing to improve services across most priority areas. It works well with its communities and has further improved its already sound approach to diversity and equality. There are substantial new developments in the City Centre and greater resources for neighbourhoods, particularly in the most deprived wards.
 - The Council delivers good services for children and young people and for adults. There are robust plans for development and improvement planning is well implemented with good prospects for improvement in both children's and adult social care services.
 - Some areas remain problematic, for example around planning, revenues and benefits and timely delivery of some of the regeneration projects, but the Council continues to work to address these.
 - There is sufficient capacity to deliver the plans for the future and the Council has approved steps to radically improve the working environment of its staff.
 - Performance management is effective and is improving at the partnership level. Performance surgeries and the new Partnership Performance Support Group are supporting improvement.
 - The Council received an unqualified opinion on its 2007/08 financial statements. A number of significant accounting adjustments were identified to the prior year balances as well as adjustments to 2007/08 however these will have no impact on Council Tax levels. Some difficulties were encountered as working papers were not as comprehensive as previous years.

- The Council has made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. The Council maintained an overall assessment of '3' for Use of Resources.
- Data quality arrangements are continuing to perform well.

3.4 The Letter also highlights actions to be undertaken by the Council as follows...

- Ensure it implements the actions arising from 2007/08 audit of accounts.
- Prepare for the implementation of International Financial Reporting Standards and assess the impact on its financial monitoring and reporting arrangements.
- Continue to develop a corporate approach to Comprehensive Area Assessment and the Council's organisational assessment.

3.5 In addition, specific recommendations have been made in respect of review of health inequalities, fees and charges and the Connecting Derby project.

Next steps

3.6 The Letter will be presented to Council Cabinet on 21 April 2009.

For more information contact: Gordon Stirling Tel 01332 258457 gordon.stirling@derby.gov.uk

Background papers:

List of appendices: Appendix 1 – Implications
Appendix 2 – Annual Audit and Inspection Letter 2007/08

IMPLICATIONS

Financial

1. The audit and inspection fee for 2007/08 was £284,930 (£269,053 in 2006/07).

Legal

2. The Annual Audit and Inspection Letter has been produced in accordance with Section 10 of the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.

Personnel

3. None directly arising from this report.

Equalities impact

4. None directly arising from this report.

Corporate priorities

5. None directly arising from this report.

Annual Audit and Inspection Letter

Derby City Council

Audit 2007/08

March 2009



Contents

Key messages	3
Purpose, responsibilities and scope	4
How is Derby City Council performing?	5
Looking ahead	17
Closing remarks	18

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

- 1 Derby City Council is improving well. The Council is continuing to improve services across most priority areas and partnership working is effective. It continues to work well with its communities and has further improved its already sound approach to diversity and equality. Value for money has improved. People are feeling safer in their communities and most types and fear of crime are declining. Services for young people and adult social care are good. There are substantial new developments in the City Centre and greater resources for neighbourhoods, particularly in the most deprived wards. Some areas remain problematic, for example around planning, revenues and benefits and timely delivery of some of the regeneration projects, but the Council continues to work to address these. There are robust plans for development and improvement planning is well implemented with good prospects for improvement in both children's and adult social care services. There is sufficient capacity to deliver the plans for the future and the Council has approved steps to radically improve the working environment of its staff. Performance management is effective and is improving at the partnership level.
- 2 In common with most areas of the economy the economic downturn has affected local authorities which face the challenge of increasing costs, reducing income and rising service demand. To address these and other financial challenges you have recently reviewed your spending plans.
- 3 The Council received an unqualified opinion on its 2007/08 financial statements from the external auditor, Grant Thornton UK LLP, on 30 September 2008, in line with the statutory deadline of 30 September. A number of significant adjustments were identified to the prior year balances as well as adjustments to 2007/08. In addition, due to overruns to the audit, the Council were charged an additional £15,000 to complete.
- 4 The Council's Whole of Government Accounts pack was certified by the due date.
- 5 The auditor issued a positive conclusion that, in all significant respects, the Council had made proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2008 on 30 September 2008.

Action needed by the Council

- 6 The Council must:
 - ensure it implements the actions arising from 2007/08 audit of accounts;
 - prepare for the implementation of International Financial Reporting Standards and assess the impact on its financial monitoring and reporting arrangements; and
 - continue to develop a corporate approach to Comprehensive Area Assessment and the Council's organisational assessment.

Purpose, responsibilities and scope

- 7 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 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It also includes the results of the most recent corporate assessment.
- 8 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.
- 9 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).
- 10 Your appointed auditor is 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, your appointed auditor reviews and reports 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.
- 11 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.
- 12 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Derby City Council performing?

13 The Audit Commission’s overall judgement is that Derby City Council is improving well and we have classified Derby City Council as four star 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.

Figure 1 Overall performance of councils in CPA¹



Source: Audit Commission

¹ Percentage figures may not add up to 100% due to rounding

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 Stars
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	4 out of 4
Benefits	3 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)

(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 14** In 2007 a Corporate Assessment judged the Council to be 'performing well' and since then it has continued to perform well in improving services across most priority areas.
- 15** The Council has six priorities for 2008-2011: making us proud of our neighbourhoods; creating a 21st Century city centre; leading Derby towards a better environment; supporting everyone in learning and achieving; helping us all to be healthy, active and independent; giving you excellent services and value for money. People are feeling safer in their communities and most types and fear of crime are declining. Key environmental areas such as waste and recycling are improving and performance on providing decent homes remains good, together with some improving trends in respect of homelessness. The Council has invested substantially in improving the City Centre, with developments such as the QUAD visual arts and media centre and improvements to the public realm. There are now 17 Neighbourhood Boards in place to further consolidate the Council's approach of putting the needs of customers and neighbourhoods at the forefront of its drive to improve the delivery of services.

How is Derby City Council performing?

- 16** The Council delivers good services both for children and young people and for adults. For children its contribution to improving outcomes in being healthy and making a positive contribution is outstanding. The commitment to fully engage with children and young people and act upon their views on the services provided is exemplary. The Council's commitment to narrowing the gap for the most vulnerable children and young people has improved the outcomes for these groups. For adults the Council is delivering well against its priorities. With partners it is providing a wide and improving range of services to help older people remain independent and keep fit and healthy for longer and overall satisfaction with the Council in this area is rising.
- 17** In recognition of the cross-cutting nature of its priorities, the Council delivers many improvements through strong partnership working. The ambitious programme of regeneration work being delivered through the Derby City Partnership's City Growth Strategy and Derby Cityscape Master Plan is continuing. There has been effective work in reducing the numbers of 16-19 year olds not in education, employment or training and new libraries are coming on stream combining effective partnership working and community involvement with wider and more imaginative settings, for example, in sports centres or through joint working with the police. The community safety partnership works well in communities to improve the quality of life in priority neighbourhoods and there have been significant improvements on many of the challenges set through the Local Area Agreement (LAA). For example the Derby Healthy City initiative has increased the number of people stopping smoking and helped to reduce premature mortality rates, while the Cultural City initiative has led very strong performance on the B-Active programme where the numbers of young people participating in dance, and schools participating in the Creative Partnership programme is impressive.
- 18** However, there are areas where the Council is performing less well. Compared to other unitary and county councils Derby's improvement against national performance indicators has been below average for 2007/08, with 60 per cent of indicators having improved since last year, placing Derby 124th out of 150 councils. Improvement in performance indicators over the past three years has been within the average range for similar authorities. Key areas of concern include outcomes for children for 'enjoying and achieving' at the ages of 11 and 16. Though slowly improving over time, these remained below those in similar councils and national averages in 2007 and, while performance for 2008 for gaining GCSEs and improvements at key stage 2 looks much better, these figures are, as yet, unaudited. Benefits performance remains poor and this service will come under increasing pressure given current economic forecasts and the likelihood of increasing numbers of vulnerable people becoming eligible for housing and council tax benefits.

- 19** The Council engages well with local communities, using their views to develop ambitions and inform action on local priorities. The Council has a strong commitment to community cohesion. It bases its approach on good local knowledge and extensive involvement through various forums, underpinned by a vision of a city where people live together and respect one another. The 17 Neighbourhood Boards have focused support which is increased in the four areas of highest deprivation. Boards now have £15,000 to spend on community projects and consideration is being given to how further decision-making, for example on highways, can be devolved. The Council is working to reduce inequalities between neighbourhoods by supporting job creation through the Workstation model and is looking to build bridges between communities through its Community Cohesion Strategy. Within the City it is working to improve accessibility, for example through its integrated partnership approach within its Trailblazer Service and improvements in public transport facilities, and to increase economic growth and sustainable investment. The Council is continuing to deliver on its responsibilities under race equality and disability legislation. It has Level 3 of the Equalities Standard (in the top third of councils nationally) and is performing well in respect of the balance of its workforce and its duty to promote race equality.
- 20** The council provides good value for money. There is a strong track record of managing costs alongside the quality of services, while responding to local needs. There are innovative approaches to improving cost-effectiveness, joint procurement is used to secure VFM (for example with the county council and the NHS), efficiency review has been integrated into performance management arrangements and the Council has analysis and challenge of VFM embedded across all services. The Council has met its individual efficiency target each year and remains ahead of its cumulative target.

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

- 21** The Council has robust plans for improving. It has a clear and challenging vision based on the needs of the area and its communities and extending to the city's wider role in the region. Its ambitions for the area are challenging and realistic with stretching and SMART targets and are founded on a good and improving understanding of the problems and opportunities faced by each neighbourhood in Derby. Robust action plans address the needs of black and minority ethnic communities and other groups at risk of disadvantage. Transforming Derby is a comprehensive approach to delivering a fundamental transformation in the way that the Council provides services to its customers. A key element of this is the New Ways of Working project which aims to deliver flexible and efficient ways of working which can adapt to the changing needs of the organisation. Central to this is the £20 million transformation of the Council House which has now been approved and will start in 2009 unless the Council is able to attract an alternative offer for a new building in the city centre.
- 22** Improvement planning is being well implemented. The Council's own monitoring shows that it is making good progress on achieving corporate plan measures and performance indicators. 85 per cent of targets are forecast to be met by year-end, though 9 per cent will miss target by more than 5 per cent.

How is Derby City Council performing?

- 23** Areas of under-performance are being tackled by the Council although some of these are proving difficult to resolve. The performance surgeries introduced in 2007 have helped to improve performance. 25 of the 30 indicators which have been referred have either had an improvement in 2007/08 or achieved their annual target. A third of surgery indicators demonstrated an improved quartile position. In addition, remodelling of services is helping to make significant improvements. For example in Revenues and Benefits the Customer Service Improvement Programme is helping to develop a 'right first time' approach. To ensure that there is a similar focus on partnership performance, a Performance Support Group has been created to consider both improving and underperforming indicators and challenge progress against action plans. It will receive quarterly highlight reports and recommendations from Derby City Partnership Management Group and Derby City Council Chief Officer Group, monitor the delivery of local priorities, coordinate review across partners and support Comprehensive Area Assessment.
- 24** The Council's capacity to improve its services for children and young people and its management of these services is good. It has made good progress in responding to the recommendations of the 2007 inspection reports and through sharp identification of priorities and careful, creative planning, has made good progress against most outcomes. The Council's capacity to improve adult social care further is promising. There is strong political and organisational commitment and a significantly improved financial settlement this year, including investment in dementia, reflects the priority given to this area by members. 'A Better Derby for Older People' is based on the future needs, aspirations and priorities of older people.
- 25** The Council has the capacity to deliver its plans. It is effective at working in partnership and at identifying and securing external funding to address local priorities. For example it has used PFI credits to develop new schools and for upgrading street lighting. The creation of an ALMO has attracted additional funding which has enabled the Council to meet the 'decent homes' standard several years ahead of the deadline and the formation of the urban regeneration company (Derby Cityscape Ltd) has helped to attract private sector investment. This is starting to deliver improvements, for example the Westfield Shopping Centre redevelopment and the Riverlights development. The Council is in the fifth wave of the Building Schools for the Future programme and has met all key targets to date. As a result of a successful joint waste management project with Derbyshire County Council, a preferred bidder is due to be appointed in January 2009 to build a new waste plant to meet the city and county's domestic and commercial waste disposal requirements for the next 25 years. The contract is worth £500 million.
- 26** The Council has good service management and is successfully building its internal capacity to deliver its corporate priorities. A strong culture of performance management is developing at all levels, with well-embedded systems and processes holding services to account for their performance and helping to shift resources in line with priorities. Investment is made in under-performing services to secure future improvements in value for money. There is a robust financial strategy and management and the Council is using best procurement practice to improve its capacity to deliver. Significant business risks are well managed, with risk management embedded into strategic planning, financial management, policy-making and review and performance management.

Service inspections

27 There have been no service inspections in the past year.

The audit of the accounts and value for money

- 28** The audit of the 2007/08 accounts was carried out in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards and the accounts were submitted for audit within the statutory deadline.
- 29** The audit encountered a number of difficulties where the Council was not as prepared for the audit as it has been in previous years. A complete set of working papers was not made available for audit to support the statement of accounts, which resulted in an inefficient audit process and made the task of completing this year's audit more difficult for the Council's accountants and the audit team.
- 30** As reported in the *Annual report to those charged with governance* September 2008, a number of audit adjustments were agreed with officers and reflected in the accounts. This included three significant adjustments, one of which related to 2006/07.
- 31** The net impact of all audit adjustments on the 2007/08 Income and Expenditure was a decrease of £0.1million. The net impact of adjustments resulting from a correction of prior year treatment was an increase of £18.4million.
- 32** An action plan was developed and agreed with the Council to address the areas for improvement identified during the course of the audit, which will be followed up through the course of 2008/09. We are pleased to note that the Council held an accounts development workshop, which we presented at, to contribute to improvement in this area.
- 33** Grant Thornton's review of VFM arrangements resulted in an unqualified VFM conclusion in regard to the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources.

Use of Resources

- 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).

How is Derby City Council performing?

- 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 2

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

Note: 1 = lowest, 4 = highest

- 36** The Council has maintained an overall assessment of 3 for Use of Resources. The scores for four of the five elements were maintained at the level attained in 2007. However, the score for financial reporting deteriorated from 3 to 2 because of deteriorations in the score for both of the financial reporting Key Lines of Enquiry (KLOE).
- 37** As set out above, comprehensive working papers were not ready at the start of our audit and the quality of the working papers provided were not of a high standard. In addition, the draft accounts contained a number of significant errors and disclosure issues. These issues resulted in the assessment for KLOE 1.1 reducing from 3 to 2. The annual report is only a double page spread and does not contain summary financial statements or information about the Council's environmental footprint and, as a result, the Council's score for KLOE 1.2 was reduced from 4 to 3.
- 38** The Council's performance for KLOE 2.1 was assessed as having deteriorated from 4 to 3. The Council has introduced measures that demonstrate the links between financial and operational objectives. However, this is only going to be fully rolled out in the course of 2008/09 and was not embedded in 2007/08. In addition, there was insufficient evidence that detailed financial modelling is carried out and that it is linked to risk management and financial reports. Despite this score reduction for KLOE 2.1 this did not result in a change in the overall score for financial management, which was maintained at level 3.
- 39** The Council continues to be assessed at level 4 for financial standing. This reflects the fact that the Council continues to demonstrate that it has met all of the level 2, level 3 and level 4 criteria and has further embedded its arrangements during 2007/08. It is this consistency of meeting all of the requirements which is evidence of good practice.

- 40** The Council also continues to deliver its previous high standards of performance and, as a result, has been assessed at level 4 for KLOE 5.2. In seeking to develop more innovative approaches to improvement the Council developed an improvement programme called 'Building on Excellence'. This is a series of inter-related strategies with the objective of delivering real improvements and changing the way the Council works and how it deals with customers. The approach has identified both cashable and non-cashable efficiency savings and users of services are starting to access services differently as the approach is developed.
- 41** There were no further changes to any of the remaining individual KLOE scores but it is worth noting that the Council has made a number of improvements in performance to maintain these scores because of the increased standards set out in the criteria for the 2008 assessment.
- 42** We have been working closely with the Council with regard to the introduction of the new Use of Resources framework and facilitated a seminar attended by officers in December 2008 which was intended to:
- provide them with an overview of the new Use of Resources framework;
 - summarise the links with the CAA framework;
 - highlight the key differences between the new and the previous approaches to Use of Resources; and
 - discuss next steps and agree a way forward for the completion of the 2008/09 review.
- 43** As a result, the Council has identified lead officers for each of the new KLOEs and we have planned a series of meetings with key officers to progress the 2008/09 review.

Data Quality

- 44** The three stage approach to this year's data quality review was as follows:
- management arrangements;
 - analytical review; and
 - data quality spot checks.
- 45** The review of corporate arrangements to secure data quality was required for the VFM opinion and consisted of an update on the progress with implementation of the recommendations from the previous year's action plan and an assessment of the Council's performance against the revised KLOEs for this year's review. We assessed the Council as continuing to perform well overall and against four of the five KLOEs. In addition, we assessed the Council's arrangements for data use as continuing to perform strongly.

How is Derby City Council performing?

- 46** The analytical review was performed to provide an arithmetic check of the calculations for BVPIs and non-BVPIs including variances, plausibility and expected ranges. This exercise was supported by supplementary information from Audit Commission's central PI team. We discussed any outliers with Council officers to establish if the reasons and used the process as a basis for selecting non-mandatory BVPIs for the data quality spot check stage of the review.
- 47** The data quality spot checks provided an in-depth review of sample of PIs from a list of specified BVPIs and non-BVPIs. The PIs reviewed were as follows.
- BV 78a - Speed of processing new claim to HB/CTB (Mandated).
 - BV 78b - Speed of processing changes of circumstances to HB/CTB (Mandated).
 - BV 165 - Pedestrian crossings with facilities for disabled people (Selected).
 - BV 199a - Local Street and Environmental Cleanliness - Litter and Detritus (Selected).
 - BV 199b - Local Street and Environmental Cleanliness - Graffiti (Selected).
 - BV 199c - Local Street and Environmental Cleanliness - Fly-posting (Selected).
- 48** The findings of our data quality spot checks were that all six of the PIs tested were fairly stated. In particular, we note that the significant improvement in the outturn data (36.0 days) for BV 78a for 2007/08 compared to 58.4 days was as a result of real performance improvement.

Grant Claims

- 49** The Council had reasonable procedures in place for the management of key grant claims, submitting most of these by the required deadline. However, we did note that a number of European grants were provided to us for certification after the relevant deadline which should be avoided in future.
- 50** Consistent with previous years, problems were encountered with the claim for Housing and Council Tax benefits, due to incorrect coding of benefits, which resulted in a qualification to the claim and may result in additional certification work being requested by DWP.
- 51** Overall we consider that the opportunity exists for working paper and timetabling arrangements to be strengthened ahead of the 2008/09 grant certification visits and will be discussing this further with officers in preparation for this year's certification exercise.

Advice and Assistance work - Income from Fees and Charges

52 We agreed with the Council that we would:

- identify and agree a comparator group for analysis;
- analyse income from fees and charges by service area;
- compare income as a percentage of total service expenditure;
- identify service areas for further work;
- investigate reasons for significant income variances and identify potential for increases in fees and charges (including discussions with other authorities); and
- review the Audit Commission's Charging Directory for evidence of any relevant examples of charging in the service areas targeted for further work.

53 Following discussions with the Council we agreed to use the 'Amended Unitary Group' (AUG) as the comparator group for the review. The AUG includes unitary authorities and a number of local authorities including Leicester City Council, Nottingham City Council and Stoke-on-Trent City Council.

54 The analysis identified the potential for increases in income if the Council increased its fees and charges to generate income as a percentage of total service expenditure at both median and upper quartile levels when compared to the AUG. The Council is performing well for income generated by social services compared to the AUG which reflects the amount of legislation in place for fees and charges for this service area. The Council is also performing well for income generated by planning and development. In addition, limited scope for improvement was identified for housing services, home office services and other services. However, the following areas were identified for further work: education, highways, environmental and cultural and related services.

55 We recommended that the Council should:

- undertake annual reviews of its approach to charging, both within service areas and across the whole Council and engage service users and taxpayers more in decisions about whether and at what level to charge for services;
- collect and use information on service usage and the take-up of concessions, and examine the impact of charges on individual households, to assess whether its equality and diversity objectives have been achieved;
- continue to use tools provided by the Audit Commission to help it assess its use of charging and adopt emerging notable and innovative practice related to charging with the local government community; and
- consider an increase in car parking tariffs whilst balancing the impact of such an increase in tariffs with the effect on private sector car parking tariffs and the effect on visitor numbers to the city centre.

Advice and Assistance work - Health Inequalities

- 56** Tackling health inequalities is a formal requirement both for local authorities and primary care trusts. Accordingly, time was put in the PCT and the Council's 2007/08 audit plans to review what was being done to reduce health inequalities in Derby.
- 57** On most indicators of public health, the picture in Derby is broadly comparable with the rest of England. However the Derby averages hide areas (for example Normanton and Sinfen) where there are significantly higher rates of smoking and adult obesity. These help explain shortened life expectancy in particular parts of Derby; there is currently a seven-year gap in life expectancy between those living in the most deprived and least deprived areas of Derby.
- 58** We considered the Council and PCT's response to these inequalities in three tracers:
- smoking by young people;
 - adult obesity; and
 - early deaths from cardio-vascular disease (CVD) and stroke.
- 59** Our findings were reported earlier this year to both the Council and the PCT and set out our conclusions for the above tracers, as they impacted upon a number of key questions. In summary, we found that the following.

Do strategies to address health inequalities exist and are they effective?

- The PCT and the Council are recognised to be good organisations, with strong ambitions.
- The PCT is generally taking the lead in confronting health inequalities and has a clear Public Health strategy.
- It is too early to assess whether the strategies and associated plans are proving to be effective.

Do partnerships charged with addressing health inequalities function effectively?

- There are many strong examples of good joint working between the PCT and the Council.
- The formal Derby City Partnership (DCP) is well-established.
- The DCP's Healthy City Group, doesn't yet formally involve voluntary and community organisations as much as some other partnerships do.

Does the available data and intelligence support operational decision-making to address health inequalities?

- There is good general awareness of public health issues from existing data, but there is scope to make further improvements and improve access to information.
- There are particular shortcomings in how ethnicity is recorded, as well as in the recording of obesity data in primary care.
- More needs to be done to find out about the health needs and problems of Derby's new economic migrants.

Are the workforce arrangements adequate to address the skills and competencies needed to address health inequalities?

- There are good skill mixes in most teams, and particularly good use is made of pharmacy services.
- There have been strong achievements in helping people to stop smoking in the past, but as targets get tougher there is a risk that the services lack the promotional capacity to persuade people to come forward to ask for help.
- Generally, more urgency would be beneficial in making staffing adjustments in response to plan recommendations.

Are activities which address health inequalities monitored and evaluated as part of a performance management system?

- The Council operates a strong performance reporting and management system in support of the actions taken by itself, and on behalf of the DCP.
- The PCT does not, at present, routinely produce quarterly or six monthly reports on Public Health or Health Inequalities performance.
- The Council needs to ask the users of its information service whether all their needs are reasonably well met.

- 60** Our report made a number of recommendations, which we consider will need to be taken forward on a partnership basis. We will be monitoring the implementation of our recommendations as part of future audits.

Advice and Assistance work - Challenge

- 61** During our final accounts audit, a member of the public made a number of allegations regarding the accounting practices followed by the Council in its 'Connecting Derby' road building project. More specifically, the elector was concerned that:

- advance payments of approximately £400,000 had been made to various companies in 2002 where the services had still not been provided;
- inappropriate assurances had been given when applying for European funding; and
- whether certain expenditure was in excess of the Council's approved financial limits.

- 62** In conjunction with the officers and the Council's statutory Monitoring Officer we were satisfied that the Council's arrangements were generally sound and that no unlawful expenditure had been incurred in these areas. We did, however, identify a number of administrative improvements that should be made in future, including:

- keeping the paying department fully informed if grant funded expenditure is delayed; and
- communicating to members the detail of any significant changes to the funding arrangements for individual schemes.

Looking ahead

- 63** The public service inspectorates have developed 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.
- 64** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 65** 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 National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 66** This letter has been discussed and agreed with the Chief Executive and Corporate Director of Resources. A copy of the letter will be presented at the Audit Committee on 2 April 2009 and Council Cabinet on 21 April 2009. Copies need to be provided to all Council members.
- 67** 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 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Health Inequalities	February 2008
Annual Governance Report	September 2008
Opinion on financial statements	30 September 2008
Value for money conclusion	30 September 2008
Annual audit and inspection letter	March 2009

- 68** 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

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

Beverley Parker
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
