

Annual Audit and Inspection Letter

March 2008



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Leeds City Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

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

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Key messages and actions

- 1 The Council has continued to improve over the last year. It has been rated as 'improving well' under the Audit Commission's Direction of Travel assessment system, and has received above-average scores for the majority of activities reviewed by inspectors and auditors over this period. It has made good progress in the areas that it has identified as priorities including important aspects of educational attainment, social care for both children and adults, the safety and cleanliness of communities and economic development.
- 2 Overall performance compares favourably against other larger cities but, compared to all single tier councils, Leeds has fewer services that are reaching the very highest levels of performance. The Council does however have a good awareness of its stronger and weaker areas, and good plans and processes for securing further improvement.
- 3 Consequently, this Letter contains no recommendations for new action by the Council, but rather highlights the need to drive forward existing plans to:
 - use the performance management processes to improve overall performance, and particularly in areas where the Council compares unfavourably with similar Councils;
 - tackle the problem of children who leave school without any qualifications;
 - narrow the gaps in healthiness and economic prosperity that exist between different parts of the city; and
 - deal with the problems of transport and congestion.

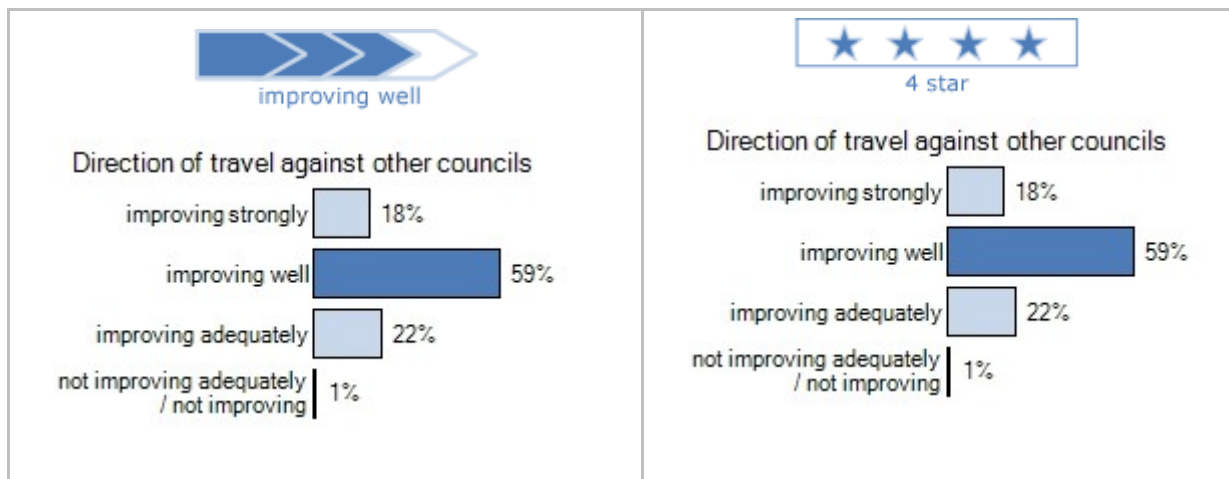
Purpose, responsibilities and scope

- 4 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter. It does not reflect the Corporate Assessment visit which took place in December 2007, as the results will not be published until May 2008.
- 5 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.
- 6 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].
- 7 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, the 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.
- 8 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.
- 9 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Leeds City Council performing?

- 10 The Audit Commission's overall judgement is that the Council is improving well and we have classified it 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



Source: Audit Commission

- 11 The detailed assessment for Leeds City Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	4 star
Corporate assessment/capacity to improve (based on the 2005 assessment)	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	3 out of 4
Environment	3 out of 4
Culture	3 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

- 12 The Council has made good progress in its priority areas of creating a thriving economy, regenerating the city, reducing crime, improving education, providing new and affordable housing and reducing inequalities. Overall it has improved at a better rate than directly comparable councils (ie the 'core cities') although at a slightly lower rate than the average for single tier councils nationally.
- 13 In 2006/07, performance improved on 69 per cent of priority indicators. Public satisfaction with community services and quality of life also improved. By the middle of 2007/08, 81 per cent of the Council's corporate performance indicators (PIs) were improving. The Council's overall position however still lagged that of other single tier authorities, with only 13 per cent of Best Value PIs in the top performance band, compared with the average of 29 per cent for single tier councils.

- 14 The council is generally achieving good outcomes for children and young people. Schools are improving, especially the ones with historically weak performance. Standards of attainment have increased at all key stages, and are now more in line with national averages. The proportion of school leavers achieving at least five GCSEs at grades A* to C, including Mathematics and English, has improved rapidly, whilst the proportion of 16 - 18 year olds not in education, employment or training has been reduced to below the average for comparable authorities. The number of young people who are achieving level 2 and level 3 qualifications by the age of 19 is increasing at a faster pace than elsewhere. The council and its partners have effectively engaged with young people who are traditionally hard to reach, including those with learning difficulties and/or disabilities, young carers and young travellers. Work to tackle exclusions and unauthorised absence is beginning to yield results. Effective actions have been taken with children at risk of anti-social behaviour, and the number of anti-social behaviour orders has fallen by more than half over the last three years.
- 15 Some young people are, however, not so well served. The proportion of young people leaving school with no GCSEs is higher than in comparable council areas, despite the Council's focus on 'narrowing the gap'. The number of Looked After Children is significantly higher than the average for England or benchmark authorities and has shown marked rises over the past two years. There has also been slow progress in reducing the rate of teenage conceptions.
- 16 The Council is achieving good outcomes in adult social care. It is performing well in improving health and emotional wellbeing, in enabling people to engage with services, and promoting fair access. It is successfully promoting independence and good quality of life although the number of people helped to live at home has reduced. The council has also done some innovative work to reduce financial exclusion. Timeliness in assessing needs has improved but other aspects of care management and care planning eg in delivering care packages have deteriorated. Most people in care are safe and able to retain their dignity although further work is needed to improve safeguarding arrangements for some vulnerable adults.
- 17 The Council has made some good progress in promoting communities as safe, clean and green places to live. The proportion of residents satisfied with their neighbourhood as a place to live has risen to 81 per cent. Overall crime levels between 2003/04 and the second quarter of 2007/08 reduced by 28 per cent, the second highest reduction out of the 44 priority Crime and Disorder Reduction Partnership areas. Some targeted approaches have been effective in reducing anti-social behaviour and the harm to families as a result of domestic violence. The Council and partners continue to help a significant number of adult drug misusing offenders get out of crime and into treatment.

- 18 Environment services and street cleansing are improving. Levels of litter and detritus have been halved including in the most deprived areas of the city. There are improving trends in the volume of waste generated and collected, and in the amounts recycled. Communities are benefiting from improved housing conditions and neighbourhood improvement. The Council is making some progress on its local transport plan. Long-term trends in road safety, peak traffic flow and cycle trips are positive although congestion remains an issue for quality of life and ambitions for the economy. A recent 'sustainable cities' league table puts Leeds fifth among Britain's twenty largest cities.
- 19 The Council is actively promoting the city and the regional economy by providing good support and strategic leadership which have helped attract high levels of inward investment and achieve consistently high levels of employment. Efforts to narrow the gap between the prospects of poorer neighbourhoods and the rest of the City are having less impact, and some communities are not sharing the wider benefits. For example, the economic prospects of, and child income deprivation in, the most deprived communities are getting worse, and the gap between the lowest and highest life expectancy is widening.
- 20 The Council has an integrated approach to equality and diversity which is evident across policy, employment practices and service delivery. It takes explicit account of the needs of all sections of the community in the design, delivery and evaluation of services and ensures they are accessible to all groups. It has policies and procedures in place for addressing disadvantage and undertakes regular community consultation including with those representing various minority sectors. The council has invested in improving access to public services; for example the contact centre has improved telephone access and satisfaction with local public services has increased. Further work is being done in local areas to identify and remove barriers experienced by disadvantaged groups in accessing public services.
- 21 The Council is providing good value for money (VFM). Its overall costs and unit costs for key services compare favourably with other local authorities providing similar levels and standards of services. The Council is aware of its costs and performance, and challenges areas that need to improve. It is exceeding its targets for improving VFM and for achieved improvements in efficiency.

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

- 22 The Council has a robust planning framework to deliver its community outcomes. Plans are aligned under the community strategy, the LAA and the Council Plan, and are supported by detailed actions and measures extending over a three year timescale (to 2009/10). This enables the Council to maintain focus on what is important to local people and to align resources and effort.

- 23 The Council takes a strategic view of its finances by linking financial plans to what the Council is trying to achieve. The medium term financial plan takes account of national and local priorities and reflects the strategic direction of the Corporate Plan. It sets out a clear financial strategy for the Council and its departments to follow. These processes will be further strengthened by the introduction of the Business Plan (2008/11) which will integrate resource and service planning.
- 24 The LAA builds on well established partnership arrangements which include five district partnerships with their own priorities and action plans. These bring together public service agencies and representatives of voluntary and community organisations, to provide a more local focus to the city-wide priorities.

Service inspections

Supporting people programme

- 25 We have assessed Leeds City Council as providing a ‘fair’ one- star programme that has promising prospects for improvement. Our judgements are based on the evidence obtained during the inspection and are outlined below.

	Prospects for improvement?					‘a fair programme that has promising prospects for improvement’
Excellent					A good programme?	
Promising		⚙				
Uncertain						
Poor						
	Poor	Fair ★	Good ★★	Excellent ★★★		

Source: Audit Commission

- 26 Services have been changed to better meet local needs in accordance with agreed priorities. Some new services have been added, some remodelled and some low demand or poor quality schemes decommissioned. Across the programme, the quality of services has increased and there are now only four services that are not meeting required standards. Governance arrangements are well established and partners are well engaged. There are good clear arrangements for commissioning services, from both in-house and external providers, and for monitoring performance and improving value for money.

- 27 However, there are some areas which require improvement. Information for service users, and their involvement in deciding how well services are performing or could be changed, are limited. Little progress has been made in some areas where need has been identified, for example in provision to refugees; progress is hampered by the slow pace at which resources are being released from some services that are being wound down. Staff training could be better linked to other schemes provided by the Council and its partners. Some contracts need to be finalised before performance monitoring can be finalised.
- 28 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.

Table 2 Scores from other Inspectorates

Leeds has received the following scores from other inspectorates

Inspectorate	Description	Score
Benefits Fraud Inspectorate	Housing benefits service	3
Ofsted and Commission for Social Care Inspection	Education and social care for children	3
Commission for Social Care Inspection	Social care for adults	3

BFI, CSCI, Ofsted

- 29 The results of these inspections are reflected in the Direction of Travel assessment.

The audit of the accounts and value for money

- 30 Your appointed auditor, KPMG, has reported separately to the Audit Committee on the issues arising from the 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 27 September 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 31 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).
- 32 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 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)

The key issues arising from the audit

- 33** In the Annual External Audit Report KPMG drew attention to:
- improvements in a number of areas covered by the Use of Resources score, even though these did not lead to changes in the actual scores; and
 - opportunities to further improve the quality of data used eg in the published performance information, although overall Leeds is performing well.
- 34** KPMG also reviewed and reported on Children and Young People Services and the Waste Management Strategy. The work identified areas of good practice and key learning points. Action plans have been agreed with officers to address the key issues going forward. Beyond this, KPMG have not identified any deficiencies or scope for improvement that are significant enough to be referred to in this Letter.

Looking ahead

- 35 The public service inspectorates are currently developing 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.
- 36 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 37 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 Local Area Agreements.

Closing remarks

- 38 This letter has been discussed and agreed with the Chief Executive and Senior Officers. It will be available for presentation at the Corporate Governance and Audit Committee meeting on 23 April 2008. Copies need to be provided to all Council members.
- 39 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 4 Reports issued

Report	Date of issue
Audit and inspection plan	June 2006
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Whole of Government Accounts conclusion	October 2007
Data Quality for Effective Performance Management	October 2007
Children and Young People's Agenda - Partnership Working	November 2007
Waste Management Review	November 2007
Use of Resources Auditor Judgement	December 2007
Supporting People Inspection Report	
Annual audit and inspection letter	March 2008
Corporate Assessment Report	Due April 2008

- 40 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. The Relationship Manager role ends in March 2008, so this Letter represents the end of my relatively short -but enjoyable - involvement with the Council. The Commission's 'Comprehensive Area Assessment Lead' (CAAL) for West Yorkshire will be Stephen Gregg; I'm sure Stephen will value the same constructive relationship that I've experienced as he develops his own contacts with the Council and its partners.

Availability of this letter

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

Paul Lundy
Relationship Manager

March 2008