

# Annual Audit and Inspection Letter

Carlisle City Council

Audit 2007/08

March 2009



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## 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.
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# Key messages

- 1 Overall the Council has good arrangements in place to manage its use of resources. In the 2008 assessment the Council scored a level 3 which is a significant improvement from the 2007 assessment which scored level 2. Changes to the use of resources assessment for 2009 onwards place greater emphasis on improving outcomes for the people of Carlisle City.
- 2 We gave an unqualified opinion on the Council's accounts and an unqualified VFM Conclusion. There was an improvement in the quality of the accounts, and a reduction in the number of errors found compared with previous years. The implementation of International Financial Reporting Standards (IFRS) for the 2010/11 financial year is a key challenge for all local government bodies.
- 3 The Council has achieved a good range of improvement across its services over the last three years. A comparison of selected performance measures show that the Council's rate of improvement over the last three years was above the average for district councils, but for the last year the rate of improvement has slowed.
- 4 One of the Council's key priorities is Carlisle, the Learning City. The Council has recently clarified what being a Learning City means to both the Council and the wider community by preparing a Learning City policy statement.
- 5 The Council has experienced a lack of capacity during the year in some services which has adversely affected performance in some areas, such as housing and planning. The Council also faces significant financial challenges and consequent pressure on services in the future, particularly in view of the economic downturn. The Council has explored the opportunity for joint working and the potential for efficiency and quality improvements with some shared services working arrangements. Effective workforce planning to link capacity and corporate priorities is required at a strategic level.
- 6 Progress has been slow in strengthening risk management and governance arrangements for Carlisle Renaissance regeneration schemes. The Council has recently made improvements through the Corporate Resources Scrutiny Committee to strengthen governance arrangements.

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## Action needed by the Council

- 7 The continuing actions for the Council which relate to members' responsibilities include the need to:
  - proactively manage its finances and other resources to deal with the national economic downturn, particularly where costs and demands for services are increasing;
  - strengthen the risk management arrangements for Carlisle Renaissance schemes;
  - note the change in emphasis in the Use of Resources assessment to being more output and outcomes based, and that evidence supplied needs to reflect this;

- continue with the work already started on IFRS, and that accounts prepared on an IFRS basis do not include material errors; and
- develop workforce planning and ensure that the requisite staffing capacity exists to deliver the Council's strategic plans.

# Purpose, responsibilities and scope

- 8 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.
- 9 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.
- 10 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](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 11 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.
- 12 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.
- 13 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 Carlisle City Council performing?

14 Carlisle City Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

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

### What evidence is there of the council improving outcomes?

15 The Council has achieved a good range of improvement across its services over the last three years, although the rate of improvement is decreasing. When using a comparison of selected performance measures that relate to corporate health and shared priority areas, the Council's rate of improvement compared to all other councils over the last three years was above average; but for the last year its rate of improvement was within the average. The Council has slightly more performance indicators (PI) in the top quartile for 2007/08 than is the average for all districts (35 per cent compared to 33 per cent for all districts).

## How is Carlisle City Council performing?

### Improvement in priority areas

- 16 The Council has maintained its three priorities of: Carlisle Renaissance; Cleaner, greener and safer community; and Learning City. Following consultation the Council has recently reviewed its priorities in the Corporate Improvement Plan to include a greater focus on places where people live, on health, housing and climate change.

### Carlisle Renaissance

- 17 The Council has made further progress on putting in place the plans and structures necessary to deliver on Carlisle Renaissance. The Carlisle Partnership produced a new economic strategy for Carlisle in March 2008. This draws together the physical development objectives of Carlisle Renaissance (including the city centre Masterplan) with its wider economic development objectives under the themes of People, Connections and Place. The Carlisle Renaissance Board has been set up to implement the strategy. Its first meeting was in September 2008, and an action plan has been drawn up. A working group has been set up to identify a suitable delivery vehicle and a draft formal collaboration agreement has been signed.
- 18 A new protocol for the scrutiny of Carlisle Renaissance has been developed led by the Council's Corporate Resources Scrutiny Committee to monitor progress under the Renaissance Action Plan. The Council has appointed external property and legal advisers to provide specialist input in respect of the development of the Caldew Riverside project. Any decisions required on the Council's part in this regard will be reported through the Executive and will be subject to scrutiny in the usual way.

### Cleaner, Greener and Safer Community

- 19 During 2007/08 the Council implemented an alternate weekly waste collection service and extended plastic and cardboard recycling collections. These initiatives have produced a number of clear benefits; recycling rates have significantly exceeded its target levels by increasing from 34.5 per cent in 2006/07 to 48.7 per cent in 2007/08, which is best 25 per cent performance. As a result the amount of waste going to landfill has reduced. The amount of household waste collected has fallen but remains comparatively high. The levels of street cleanliness fell in 2007/08, coinciding with the introduction of the new waste collection service and recycling schemes, and although both littering and graffiti have improved slightly in the first half of 2008/09, fly tipping is still a problem.
- 20 Following its commitment to tackling climate change and environmental improvement through the Nottingham Declaration, the Council has developed a Carlisle Climate Change Strategy which links closely to the Cumbria Climate Change Strategy. An action plan is proposed based on the county-wide one. The Council reduced carbon emissions from its own buildings in 2007/08 by 19 per cent. However, this has not been maintained, with an increase recorded for the first eight months of 2008/09 of some 5 per cent.

- 21** Carlisle continues to be a relatively low crime area, with significant reductions in the past year in many types of crime including criminal damage, domestic burglaries, robberies, vehicle crime, and in anti-social behaviour. Services to victims of domestic violence have also improved. However, not all trends are improving; violent offences are a particular issue, as is the increasing perceived anti-social behaviour. The Council and its partners, have a number of initiatives aimed at tackling these issues; for example, one based in Botchergate has delivered reductions in violent crimes, whilst Operation Roman Candle reduced the number of anti-social fires by 46 per cent compared to the previous year.

### Learning City

- 22** The Council has maintained a strong focus on developing its own staff and contributing towards the aims of the Learning City by improving the skills and qualifications of its staff. The Council has recently clarified its Learning City policy by preparing a Learning City policy statement which draws together the policies, strategies and plans for this priority. The Council has recognised that there is scope to further refine the relevant targets and monitoring arrangements for this theme.

### Progress in other areas

- 23** The housing benefit service continues to perform well overall. However, in 2007/08 the time taken to process new claims and changes of circumstance have both increased during the year, and the percentage of claims processed correctly has fallen. Anti-fraud approaches are increasing in line with national performance and remain reasonably strong.
- 24** The Council is continuing to reduce the amount of local housing that is not appropriate for the needs of local people, and has been successful in assisting vacant dwellings being returned to occupation. This includes investing an additional £400,000 in renovation grants for privately owned homes. Dealing with homelessness has been more variable, and waiting times in temporary accommodation can become extended, although this has reduced in bed and breakfast accommodation. A new Homelessness Strategy for 2008-2013 is being implemented, and the Council is part of a pilot for choice-based lettings in collaboration with four other district councils in Cumbria.
- 25** The Council is leading on developing community empowerment in close collaboration with partners including Cumbria County Council, Carlisle Housing Association, Cumbria Teaching Primary Care Trust, and the local policing team, with a pilot in progress in Harraby. Various initiatives are focused on more vulnerable groups, such as encouraging the take-up of benefits, but progress is still slow in promoting equality and diversity. There is, in general, insufficient intelligence about the customer profile in most service areas and the Council is unable to say who is and who is not accessing services, and whether actions that have been taken are improving access to services or not.

## How is Carlisle City Council performing?

### Value for money

- 26 The Council continues to develop value for money (VfM) and there are clear policies and effective processes for reviewing and improving VfM. The Council has a three year improvement and efficiency plan for reviewing services, which is regularly monitored. The Council identifies and pursues opportunities to manage and reduce costs or improve quality within existing costs. Improvements have been made to performance management and more use is being made of comparative information on costs and performance. The Government's efficiency targets have been met and the Council has put in place the structures and processes necessary to take procurement forward and apply good practice, such as the use of shared services. The Council's use of procurement has resulted in a range of savings. The Council now needs to ensure that significant community benefits are also delivered through areas such as joint procurement.

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

- 27 The aims for the local area are expressed through a range of plans and strategies, including the Council's Corporate Improvement Plan 2007-2010, Medium Term Financial Plan, Capital Strategy and Asset Management Plan. The ten-year Community Plan for Carlisle was reviewed in 2008, and links into both the Local Area Agreement (LAA) – the Cumbria Agreement - and the sustainable community strategy for Cumbria. The Council is working with Cumbria County Council and the other Cumbrian districts to support the development of joint scrutiny of the LAA. Good progress is also being made on updating other strategies, such as the Carlisle and Eden Crime and Disorder Reduction partnership plan and the Health Improvement Plan.
- 28 The Council has been successful in achieving Growth Point Status which will support the economic strategy, Growing Carlisle. A Programme of Development (POD) has been prepared to show how the Council will implement the development that is required to meet the challenge to provide more housing and employment land in a sustainable manner.
- 29 The Council faces significant financial challenges and consequent pressure on services in the future. The Council with Allerdale Borough Council commissioned a feasibility study into jointly sharing a management structure and services. The initial report was recommended to both councils as the preferred way forward. This has been accepted by Carlisle City Council but deferred by Allerdale Borough Council to consider what other options, including joint working with Carlisle City Council, may be possible.
- 30 Lack of capacity has adversely affected the quality of some services, such as planning and housing. The 2008 Investors in People assessment found that the morale of Council staff had dropped significantly over the last year. There is not yet a strategic approach to workforce planning.

- 31 The Council has made good progress in the past in managing absence due to sickness; the days lost to sickness has shown steady improvement and the Council moved from worst to best 25 per cent in the three years 2005/06 to 2007/08. However, this trend has been reversed during the present financial year.
- 32 The Council is negotiating with the Unions over a new pay and workforce strategy which encompasses equal pay, job evaluation and all other single status issues. When agreed, the proposed scheme will be considered by the Council's employment panel, who will make recommendations to the Council.
- 33 Progress has been slow in strengthening risk management and governance in order to effectively manage and monitor the progress of the Carlisle Renaissance schemes. Governance arrangements have improved in 2008/09 with the Overview and Scrutiny Committee formalising a monitoring process. There is currently a lack of in-house capacity to ensure that there is good management of the Council's accountable body functions in relation to such externally funded programmes. The North West Development Agency is proposing to fund the needed capacity to undertake an assessment to help to address this matter.
- 34 The Council has produced a risk-based report looking at potential impacts of the recession on the Council and communities in Carlisle and has proposed a range of actions to both protect its own financial and reputational position and ensure delivery of services, particularly those likely to have increased demand such as benefits and homelessness. It has also identified various measures to support local businesses, and is identifying a range of local performance indicators to help assess the effects of the recession.

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### Health Inequalities

- 35 A cross cutting review of health inequalities was completed during 2007/08 involving local government and health organisations. This is a key issue for Cumbria as overall approximately 16 per cent of the Cumbrian population lives in areas which are officially rated as among the most deprived in the country. Deprivation results in, amongst other things, significantly greater levels of ill health. Life expectancy between affluent areas of Cumbria and deprived communities varies by as much 19.5 years. The burden of ill health also falls unevenly across communities with increased prevalence of heart disease, respiratory disease and other health problems in the most deprived parts of the county.
- 36 We found the following.
  - Organisations in Cumbria have a strong commitment to tackling health inequalities and an increasing focus on collaborative action.
  - The Director for Public Health (DPH) provides high profile leadership and his team is now having an explicit influence on strategic priorities and commissioning decisions across both councils and NHS partners.
  - Councils and the PCT have access to robust public health data, and progress is being made on developing health needs analysis that is shared and helps address health inequalities.

## How is Carlisle City Council performing?

- There has been systematic engagement with the voluntary sector, the public and local community groups and this approach needs to be extended as part of the work within other partnerships. Councils, the PCT and others also need to increase the involvement of their existing workforces in promoting and tackling the health inequalities agenda.
  - There is scope for organisations to deliver more impact on local health through their own policies and processes in areas such as employment and skills, transport, recruitment, procurement, community engagement, facilities management and construction.
  - There remains a need for clarity as to what and how current and future initiatives across partners will contribute to a reduction of health inequalities across Cumbria. Senior public health managers are promoting a 'mainstreaming' approach to health inequalities, as distinct from a specific strategy, but this will require careful management if planned outcomes are to be achieved.
- 37** The next stage is for partners to agree specific actions and objectives, and to systematically embed these into key thematic strategies. Recent changes to the Cumbria Strategic Partnership (CSP) should improve the governance and effectiveness of health inequalities arrangements at this level. This will build on the good work of the county wide scrutiny committee for health and wellbeing.
- 38** Carlisle is a Spearhead local authority area. The Council has developed close partnership working with the PCT, community and voluntary sectors to deliver improved health outcomes. The Council has made a cross party commitment to the World Health Organisation Healthy Cities Programme which aims to place health and health equality at the heart of all local policy. In December 2008, the Council hosted a major conference to raise awareness of the issues and to promote consideration of the broader determinants of health in the strategy and operations of the Council and its partners.

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### Changing organisational culture: fraud awareness survey

- 39** A strong counter fraud and corruption culture amongst officers and members is of benefit to all councils. It is an integral part of strong corporate governance. In order to update our assessment of the level of awareness of the Council's counter fraud and corruption arrangements staff were asked to complete a confidential survey.
- 40** The initial results of the survey indicate that staff have a slightly higher awareness of the Council's counter fraud and corruption arrangements than the average for other councils. There were a number of areas to build upon and strengthen officers' awareness of the arrangements themselves. These included the clarity and understanding of the role in reporting fraud and awareness of the Public Interest Disclosure Act.

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### Ethical Governance Diagnostic survey

- 41 High ethical standards are the cornerstone of good governance. They are an integral part of good corporate governance arrangements and can lead to increased confidence in local democracy and better public services. Setting high ethical standards is an important building block for councils in developing their community leadership role and improving services to the community.
- 42 The initial results of our survey of senior officers and members, indicates the Council needs to raise the awareness and understanding of officers, and particularly members, of ethical governance issues. Of the four areas surveyed, the responses from members gave a lower than average result when compared with all other councils in all four areas. For senior officers this was improved, with better than average in two of the areas.

# The audit of the accounts and value for money

- 43 Your appointed auditor has reported separately to the Audit Committee on the issues arising from our 2007/08 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; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Audit of Accounts

- 44 The authority improved the quality of the accounts and review processes which resulted in a reduced amount of errors in the accounts than noted in the previous year. There were also improvements to the working papers as well as a reduction in the time taken to answer audit queries.
- 45 The introduction of IFRS (International Financial Reporting Standards) from 2010/11 is a significant challenge which local government bodies face. Work has begun on this at the authority and it requires significant involvement and commitment from the finance department and other services in order to achieve this. Having an asset register in place which is fit for purpose is a major issue already reported, and work is currently ongoing on this by the Council.

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## Use of Resources

- 46 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).
- 47 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 1**

| <b>Element</b>                                    | <b>Assessment</b> |
|---------------------------------------------------|-------------------|
| Financial reporting                               | 2 out of 4        |
| Financial management                              | 2 out of 4        |
| Financial standing                                | 3 out of 4        |
| Internal control                                  | 3 out of 4        |
| Value for money                                   | 3 out of 4        |
| <b>Overall assessment of the Audit Commission</b> | <b>3 out of 4</b> |

Note: 1 = lowest, 4 = highest

- 48 Table 1 shows that our overall score for the Council's arrangements is 3 (consistently above minimum requirements). This is a significant improvement from the last assessment which was scored at level 2 (at minimum standards).
- 49 At a more detailed level, the Council has achieved improved scores on 6 of the 11 key lines of enquiry that support the five theme scores. The most significant improvement was in Financial Reporting which moved from a 1 (below minimum standards) to a 2 due to the improvements to the quality of the 2007/08 accounts.
- 50 From 2008/09, the auditor's assessment of the use of resources will be based on new key lines of enquiry. The themes reduce in number from 5 to 3 and evidence will concentrate more on outputs and outcomes for the local people. This forms part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

### Data Quality

- 51 The Council's overall arrangements for ensuring data quality are consistently above minimum arrangements. There is strategic responsibility for data quality and members and senior officers are involved in scrutinising the quality of performance information. Our work on a sample of two mandatory and one discretionary Best Value Performance Indicators (BVPI) found that they were correctly stated.

# Looking ahead

- 52** 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.
- 53** 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.
- 54** 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

- 55 This letter has been discussed and agreed with the Senior Management Team. A copy of the letter will be presented at the Audit Committee on 8 April 2009. Copies need to be provided to all Council members.
- 56 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 2 Reports issued**

| Report                                                  | Date of issue  |
|---------------------------------------------------------|----------------|
| Audit and inspection plan                               | May 2007       |
| Report on the Best Value Performance Plan               | December 2007  |
| Tackling Health Inequalities in Cumbria                 | August 2008    |
| Annual Governance Report                                | September 2008 |
| Opinion on financial statements                         | September 2008 |
| Value for money conclusion                              | September 2008 |
| Use of Resources Auditor Judgements 2008                | December 2008  |
| Final accounts memorandum                               | January 2009   |
| Data Quality                                            | January 2009   |
| Changing Organisational Culture: Fraud Awareness Survey | February 2009  |
| Ethical Governance Diagnostic                           | March 2009     |
| Annual audit and inspection letter                      | March 2009     |

- 57 The Council has taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation during the audit.

## Availability of this letter

- 58 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.

**David Hoole - Comprehensive Area Assessment Lead, and**

**Robin Baker - District Auditor**

March 2009

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# 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.

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## Copies of this report

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