

# Annual Audit and Inspection Letter

Gateshead Metropolitan Borough 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 The Council has had another impressive year. Key services for local people have further improved, and the Gateshead Housing Company became one of the few nationally to be awarded a 'three-star with excellent prospects for improvement marking. It has improved outcomes for local people. Services for children and young people are outstanding, including for vulnerable children. Educational attainment has further improved, particularly in secondary schools, and is well above the national average. Social care services for adults have improved and are now excellent; with services being reorganised to ensure they are more responsive to individual needs. However, some aspects of performance in some services have deteriorated.
- 2 The Council has made significant progress in developing its strategic planning framework and performance management. The development of Vision 2030, and the corporate plan and service plans are now more focused on corporate priorities and outcomes. The Council's financial position is such that it is reasonably well placed to manage the financial challenges in the short to medium term. Further improvement is being sought by seeking efficiencies and re-directing resources to key corporate priorities.
- 3 The Council has recognised the need to more clearly link financial planning to the Council's priorities, and work is being undertaken to address this, including referring to corporate priorities more clearly in financial plans and further developing the service planning framework. In addition, five area-based Cabinet portfolios and Area Forums have begun to address the need to strengthen the responsiveness of Council decision-making to local needs.
- 4 The Council and its partners are working towards an integrated performance framework for Gateshead Strategic Partnership, within which data quality, protocols and toolkits will be integral elements. Data sharing protocols are in place with some key partners.
- 5 During the current financial year, the banking crisis has impacted on the Council, with bank deposits of £4.5 million at risk. This exposure does not provide any immediate threat and is a small proportion of the Council's bank deposits. The recent banking crisis is unprecedented, and we have not identified any weaknesses in treasury management arrangements. We will be considering these arrangements further during the 2008/09 audit.
- 6 The District Auditor issued an unqualified opinion on the Council's accounts on 29 September 2008. He reported that the financial statements continued to be of a high standard and were well supported by working papers. There were no significant issues to draw to the attention of members. He concluded that the Council did have proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

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**Action needed by the Council**

**7 The Council needs to:**

- ensure its performance remains excellent across all services, and all measured indicators;
- continue to demonstrate value for money and make further improvements by identifying efficiencies and re-directing resources to key corporate priorities;
- strengthen the links between financial and service plans to enable more effective partnership working;
- further develop its arrangements for community engagement; and
- develop governance arrangements and performance management arrangements for the Gateshead Strategic Partnership and other partnerships.

# 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 (Steve Nicklin) 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 Gateshead Council performing?

14 The Audit Commission’s overall judgement is that Gateshead Council is improving well and we have classified Gateshead Council as three-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 district councils in CPA**



Source: Audit Commission (percentage figures may not add up to 100 per cent due to rounding)

## How is Gateshead Council performing?

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### Our overall assessment - the CPA scorecard

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**Table 1**      **CPA scorecard**

<b>Element</b>	<b>Assessment</b>
Direction of Travel judgement	Improving well
<b>Overall</b>	3 star
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	4 out of 4
Current performance:	
Children and young people*	4 out of 4
Social care (adults)*	4 out of 4
Use of resources*	3 out of 4
Housing	2 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)

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

#### Gateshead Council is improving well

- 15** The Council has improved outcomes for local people. Services for children and young people are excellent, including for vulnerable children. Educational attainment has further improved, particularly in secondary schools, and is well above the national average. Social care services for adults have improved and are now excellent; with services being reorganised to ensure they are more responsive to individual needs. However, aspects of performance in some services have deteriorated significantly, such as recovery of benefits overpayments, and the proportion of major planning applications determined within Government timescales. Problems with data collection have affected the housing assessment, although underlying performance is not a concern. Major regeneration projects continue to transform the Borough, with crime levels reducing and good progress in making Gateshead cleaner. The comprehensive network of main customer services centres has been completed, improving local access to services. The Council provides good value for money. It has well thought out plans for further improvement, including major investment programmes in housing, schools, leisure, and waste management. The Council has improved its corporate planning processes and is working well with partners, including neighbouring councils, to improve key services.

#### Improving outcomes

- 16** There are significant achievements in all of the Council's priority areas set out in its corporate plan. Improvements have been recorded in 65 per cent of key performance indicators (PIs) selected by the Audit Commission, which is slightly above the average. The proportion of PIs in the top 25 per cent compares reasonably with other high performing councils, although this proportion is less than last year.
- 17** Services for children and young people continue to be rated as outstanding. OFSTED have awarded an excellent rating in all of the six elements they assess, one of only three Councils in the country to attain this level of performance. High and improving standards have been maintained at GCSE. Seventy-two per cent of 15 year olds achieved five or more good GCSEs, placing the Council in the top 25 per cent of Councils nationally. Against the harder measure of five or more GCSE's including English and Maths performance again improved, to 88.5 per cent, though comparatively this result is less strongly placed, placing the Council in the lower half of national performance tables. Results at Key Stage 3 continue to exceed those in similar councils and are improving at an impressive rate. Results in national tests at Key Stage 2 are improving more slowly than in similar councils, and an 'Aim Higher' programme has been launched for 12 year olds to raise aspirations. Services for vulnerable children have improved in a number of areas. The number of children looked after in residential care has reduced, placement stability has improved and repeat referrals have reduced as a result of earlier preventative support.

## How is Gateshead Council performing?

- 18** Adult social care services have improved and are now rated as excellent. The Commission for Social Care Inspection have awarded a maximum grade in their annual assessment. Key improvements for vulnerable people have included better support for securing and retaining employment, and for carers. Services have been reconfigured to provide a more responsive individualised response. Partnership working with the health service, and a voluntary sector provider of lower level sight assessments, has eradicated the waiting list of over 100 people.
- 19** The Council helped 534 residents move from benefits into sustainable employment. 1,377 people are now supported at home using assistive technology. The Headworks Adult Learning Centre opened at the Central Library providing access to a wider range of ICT learning opportunities, resulting in the number of learning hours being delivered doubling during 2007/08.
- 20** The network of main customer service centres across Gateshead has been completed, with five district one-stop shops now open. Surveys indicate that 95 per cent of local people are satisfied with customer services. Housing benefits indicators show a mixed picture, with a number being amongst the best comparatively. Improvements have been made in key indicators which are not so good, such as the speed of processing benefit claims, and more improvements are planned because the speed of processing new claims was in 2007/08 still at the level of the worst 25 per cent of councils. Recovery of housing benefit overpayments also deteriorated during 2007/08 and was also comparatively poor. The Council recognised this and have devoted four additional staff to improve recovery rates. The Council recognises it needs to improve its Benefits service, and is already working to achieve this. The Council is making good progress to meet the specific needs of particular groups including promoting social cohesion in relation to asylum seekers and refugees; reflecting the housing needs of the Jewish community better in its housing strategy; and social care needs of Chinese elders.
- 21** There is a mixed picture relating to elements of other services. A basket of indicators used by the Council to track progress over time continues to show improving trends, though sometimes from a low starting point. The proportion of homes built on previously developed land increased, and littering has reduced significantly and is now among the best 25 per cent of councils. An enforcement and educational campaign in Gateshead Town Centre, in which 'yellow cards' were issued to offenders was well received, even by most of those targeted. 'Neighbourhood pride' initiatives have tackled local eyesores, involving council staff but also involving the community more. Whilst services are generally good, as reflected in our overall assessment of them in the CPA scorecard, some individual elements of service performance have deteriorated. These include footways in need of repair; major planning applications determined within Government target times; and cost of waste disposal per tonne. While the rate of recycling and composting improved, it remains comparatively poor when viewed against levels achieved by other similar councils. In recognition of this, the Council's waste partnership with South Tyneside and Sunderland will see major resources devoted to securing ambitious targets for recycling by 2010, with a longer term aim of 50 per cent recycling by 2020. The Council needs to ensure its environmental services remain as highly performing as are the other services it provides.

- 22 Excellent progress has been made with the continuing regeneration of Gateshead Quayside. A new Gateshead College campus and a new regional centre for the Open University have opened. Two landmark historic buildings, the Old Town Hall and the former St Mary's Church, have also been refurbished. The Council have been successful in securing a developer for a site which has been dormant for 20 years and housing development is now under way on this site, which is key to raising confidence in the regeneration of the local area. Recorded crime in the Borough reduced by 15 per cent, with reductions in all major crime categories.

### Progress in implementing improvement plans to sustain improvement

- 23 The Council has laid a strong foundation for future improvement. The new local area agreement (LAA), signed with Government, is fully aligned with the Sustainable Community Strategy (Vision 2030), agreed in May 2007, as is the Local Development Framework. The Council's corporate plan has been updated to align it with other plans and strategies, and the capital plan is now more explicitly related to the Council's priorities.
- 24 The service planning framework has been strengthened to be more focused on the delivery of Vision 2030, service improvements and value for money. Services are required to demonstrate how they are addressing a whole range of questions, including past performance issues, Vision 2030, corporate priorities, partnership, service standards, consultation outcomes, and a variety of other desirable outcomes. The analysis questions are supported by a network of officers who provide support and challenge for the various topics. This supports a 'One Council' approach to all corporate issues and requirements.
- 25 Strategic Improvements have been identified and form part of the Council's improvement plan. These include a major programme looking at future business models - 'Fit for Future', which has seven strategic reviews currently underway. This will identify and put in place new ways of working which will enable the Council and partners to deliver value for money services and priority outcomes in the future. In addition, the Council has developed a £200 million ten-point plan to help mitigate the impact of the current recession and build economic resilience for the future.
- 26 The Council has continued to strengthen its approach to meeting the varying needs of different localities, following the designation in 2007 of five of the Cabinet members with area portfolios. The Council is bringing together Council and partner services to focus on local needs, through a detailed, inclusive area planning process. A peer review in November 2008 has identified the scale of the Council's achievements, but suggested that the Council, with its track record and resources, could achieve even more, and even more quickly.

## How is Gateshead Council performing?

- 27** The Council continues to be enthusiastic in its pursuit of cost improvement opportunities, and continues to make good progress in bringing ambitious plans to reality. Blaydon is the most ambitious partnership project in the south of Tyne and Wear in which the Primary Care Trust is engaged. It will provide the largest primary care facility, with a range of primary care services integrated with a major leisure centre. Overall, the Council is investing £29 million in a leisure investment programme to provide two new, and three remodelled, centres; resulting from concerns about participation in sport, where Gateshead has the third lowest level of participation in sports and physical activity in the North East. It is also now critical to meeting one of the LAA targets.
- 28** The Council is devoting significant resources, in partnership with other Councils, to address key local issues. Jointly with South Tyneside, the Council has established a local education partnership (Inspired Spaces), to deliver up to £200 million investment in secondary schools over the next ten years. In partnership with South Tyneside and Sunderland, the Councils' outline business case for investment of some £150 million in state of the art waste management facilities has also been approved by the Government. The Council is also working with neighbouring councils to deliver the multi-area agreement (MAA). The success of partners in delivering their ambitions for Gateshead in part depends on the ability of Tyne and Wear organisations to work collectively to deliver their joint targets around skills and transport. Some of the MAA targets are still to be clarified, and there is more to do to specify who is responsible for delivering various elements of each target.
- 29** The Council is increasing its capacity to tackle climate change issues, with energy champions in each service. To promote sustainability Gateshead Warmzone has been established. With external finance, especially from Scottish Power, as part of the requirement placed upon them to invest in energy saving, a five-year programme has been established, providing advice and practical measures such as loft insulation in public and private sector housing.
- 30** The Council recognises it has more to do on how it uses its most important resource: Council staff. The Council received the Investors in People accreditation in December 2008. However, the level of sickness absence in Gateshead is very high. There was a slight reduction in 2007/08 but it is still comparatively poor and a further improvement has been achieved in the period April-December 2008. A review has found that Information systems needed to be improved and contribute more effectively to absence reduction; that policies and procedures needed to be consistently followed, and services held to account where they were not followed; and that senior management, HR and services needed to be more proactive in monitoring the application of procedures and in promoting the right culture for improvement. The number of staff with disabilities as a proportion of those in the working age population deteriorated and is now among the worst 25 per cent of councils.

### Service inspections

- 31** 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.
- 32** In February 2009 the Council's Arms Length Management Organisation, The Gateshead Housing Company, were assessed as providing an 'excellent' housing service with 'excellent prospects for improvement'. A three-star rating is the best possible rating. It has a strong commitment to customer care, estates are well managed and major improvements are being made to thousands of homes to bring them up to modern standards.
- 33** The services provided by The Gateshead Housing Company excel in a number of areas. Homes are being improved to a high standard, extra help is provided for vulnerable people, tenants are involved in developing services and offices provide excellent facilities for local people. The board provides strong leadership with a commitment to customer involvement and customer care.
- 34** The ALMO inspection did identify some areas for improvement such as until very recently customers have had difficulty in reporting repairs by telephone; not all sheltered housing schemes and communal areas are fully accessible to people with a disability; and the collection of arrears owed by former tenants remains low.
- 35** The annual assessment of adult services by the Commission for Social Care Inspection (CSCI) assessed the Council adult services to be excellent, with excellent prospects for improvement. Of the seven outcomes areas that CSCI assess (including improved health and emotional wellbeing; improved quality of life; choice and control), five were awarded an excellent rating, the other two being assessed as Good. Both the capacity to improve criteria (leadership; and commissioning and use of resources) were rated excellent.
- 36** The annual assessment of children's services by the Office for Standards in Education (OFSTED) assessed the Council children's services as excellent, with excellent capacity to improve. Of the five outcomes areas that OFSTED assess (including for example being healthy, staying safe, enjoying and achieving) all were assessed as excellent.

# The audit of the accounts and value for money

- 37** The District Auditor has reported separately to the Accounts Committee on the issues arising from his 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 were adequate on 29 September 2008; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Use of Resources

- 38** 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).

- 39 For the purposes of the CPA he has assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 2**

<b>Element</b>	<b>Assessment</b>
Financial reporting	4 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
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 = lowest, 4 = highest

### The key issues arising from the audit

- 40 The 2007/08 financial statements were comprehensive and of a high standard and were well supported by working papers. There was considerable improvement in the quality of working papers and the responsiveness to audit queries
- 41 Officers were helpful and responsive to the queries raised. In particular, we felt that the Sharepoint Site which was developed by officers to help manage queries arising from the audit operated very well and contributed to improved arrangements.
- 42 The outcome from these improvements was that fewer queries were raised, and the audit did not identify any significant errors in the draft financial statements. This also explained, in part, the significant improvement in the use of resources score for financial reporting, which increased from a score of 2 last year to the highest possible score of 4 this year.
- 43 The annual budget and medium term financial strategy are comprehensive. The 2007/08 revenue budget planned to draw on £2.5 million of general reserves, but a revenue budget underspend and other factors led to a modest increase in the general reserve of £0.6 million to £11.4 million. The Council also has significant levels of other reserves and balances, including £70.5 million earmarked reserves, £12.7 million schools balances and £11.3 million of capital receipts. Together this contributes to a prudent overall financial position for the Council, and gives scope for the Council to manage the financial challenges that it faces in the short to medium term. Further improvement is sought by seeking efficiencies and re-directing resources to key corporate priorities.
- 44 The Council consistently achieves above the minimum requirements across all areas of the use of resources assessment and has performed well above those requirements in relation to the annual accounts.

## The audit of the accounts and value for money

- 45 The use of resources assessment is being revised and will be more challenging in future. In this year's assessment we identified a number of areas where the Council could make further improvements that will help it in meeting the challenge of the new assessment, including the following.
- The Council's website should provide a summary of the work the Council has undertaken on accessibility, the methods that can be used where there are accessibility issues and the commitment to make information as accessible as possible.
  - The Council needs to fully evaluate and report on its environmental footprint, including how it will integrate the principles of responsible environmental management and sustainable development into strategic planning and day to day activities.
  - The Council can improve its Medium Term Financial Strategy (MTFS) and other plans by expanding them to refer to joint plans with partners and other stakeholders and to show more clearly how financial plans contribute to the achievement of its corporate objectives; we note that a MTFS for the Gateshead Strategic Partnership is being considered.
  - The Council should deliver its plans to rationalise and improve the asset management information it holds and thereby facilitate the process of making decisions that lead to a better overall use of those assets.
  - The Council should extend the quarterly financial monitoring to include a much wider range of key financial information, for example, balance sheet items, income collection, arrears levels, write offs, benefits performance, so that Members are provided with a complete overview of the financial position.
  - The Council should formally agree the updated strategic risk register and implement quarterly monitoring by the Audit Committee. In addition, the risk assessments which have been undertaken for key partnerships need to be completed for all partnerships.
  - Value for money initiatives need to be monitored within an overall framework so that the Council can tell more clearly whether it is on track and achieving improvements at the rates intended. The Council is developing a three-year VFM/efficiency strategy, and it is important that this sets clear milestones against which progress can be monitored.

### Data quality

- 46 Improvements in the Council's arrangements have taken place in the past year, including in those for governance and leadership, policies, systems and processes, people and skills, and data use and reporting.
- 47 The Council has 're-branded' its IT-based performance management system as Apex (Aspiring to Performance Excellence). The system provides a tool to ensure a high-level of data quality for each performance indicator. This is currently being rolled out within the Council.

- 48 Some further development is required where the Council is engaged with partners. The Council and its partners are working towards an integrated performance framework for Gateshead Strategic Partnership, within which data quality, protocols and toolkits will be integral elements. Data sharing protocols are in place with some key partners. It is hoped that eventually partners will be able to input performance information directly into Apex.
- 49 Audit spot checks on five performance indicators found that they were fairly stated.

### Local risk work

- 50 We have worked with the Council to review areas of concern and where improvements have been identified as necessary; action has already been taken by officers or is in hand to deliver the desired outcomes.

### Strategic planning and performance management

- 51 We concluded that the Council has made improvements in its strategic planning framework and performance management following the improvements identified in the last corporate assessment in 2006.
- 52 The most significant improvements included:
- the development of Vision 2030 with partners, an ambitious new sustainable community strategy;
  - a more streamlined planning framework, with a corporate plan and service plans, now more focused on corporate priorities and outcomes;
  - five area-based Cabinet portfolios and Area Forums to strengthen the responsiveness of Council decision-making to local needs; and
  - improved performance management arrangements, better focused on fewer, more strategic, improvement targets.
- 53 However, there was scope to demonstrate more clearly how financial planning was linked to the Council's priorities, and work was being undertaken to address this, including referring to corporate priorities more clearly in financial plans and further developing the service planning framework. In addition, the Council continued to find community engagement a challenging area and was seeking to further improve its arrangements.

## The audit of the accounts and value for money

### Review of sickness absence

- 54** When we undertook our review in the summer of 2008, we found that the Council was not performing well in relation to the management of sickness absence. Our view, shared by officers, was that there was scope for the Council to make significant improvements in its arrangements, with the aim of improving performance, achieving significant financial benefits and contributing to the improved well being of its workforce. Several areas for improvement were identified in the Council's arrangements.
- Information systems needed to be improved and contribute more effectively to absence reduction.
  - Policies and procedures needed to be consistently followed, and services held to account where they were not followed.
  - Senior management, HR and services needed to be more proactive in monitoring the application of procedures and in promoting the right culture for improvement.
- 55** Officers have responded positively to our recommendations, and that further measures have been taken to improve performance. We understand that the level of sickness absence has further reduced; average days lost to sickness absence over the year to 31 December 2008 was 11.20 days, compared to 12.41 days for the year to 31 March 2008.

### Review of asset management

- 56** There is a good understanding across the Council of its strategic aims and objectives and how assets fit into this. Asset management planning is well integrated into wider service planning and there are many significant asset initiatives which contribute to service transformation and achievement of wider community benefits. Major investment secured for the Quayside has totally transformed it over the past five years. Partnership arrangements to maximise on the development and utility of assets are widespread. However, there is no strategic plan as such for the Council's assets as a whole and no up to date corporate asset management plan.
- 57** The following issues need to be addressed.
- Developing a strategic plan for asset management, including links with partners.
  - An improved performance management framework, including better property information to support decisions and a role for scrutiny in asset management.
  - Improved pace of change and more rapid delivery of outcomes.
- 58** Officers have responded positively to our recommendations.

### Other work

- 59 We are about to undertake a review of health inequalities, which will focus on the outcomes being achieved in significant areas of concern, including under 18 conception, drug and alcohol issues, smoking, obesity and participation in sport. We will also consider the measures being taken to communicate with vulnerable and hard to reach groups.
- 60 In the near future, we will also be undertaking a corporate governance survey to assess officers and members perceptions of the Council's corporate governance arrangements. We would urge as many officers and members as possible to complete the survey, as it will provide an important snapshot of the perceived effectiveness of the Council's corporate governance framework.
- 61 Increasingly, we will move away from undertaking detailed projects in specific areas, and more of our work will be undertaken through the use of resources assessment and an ongoing dialogue with key officers. This enables us to keep up-to-date with current developments and respond to new and emerging issues.
- 62 One such issue is the banking crisis, which has impacted on the Council with a deposit in Heritable, a UK subsidiary of Landsbanki, amounting to £4.5 million. This exposure does not provide any immediate threat and is a small proportion of the Council's bank deposits. The Council has considered the impact of this event in relation to the arrangements for future bank deposits, and will need to consider the impact on the level of reserves and balances in future financial plans. The Government has made regulations so that authorities do not have to provide for any potential losses from 2009/10 budgets, to lessen any immediate impact on council tax levels.
- 63 The recent banking crisis is unprecedented, and we have not identified any weaknesses in treasury management arrangements. We will be reviewing developments further during the 2008/09 audit.

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### Health inequalities in the North East

- 64 Partnership working is helping to improve the North East's health outcomes but more needs to be done to close the gap between the North East and the rest of England.
- 65 Most of the North East areas have health outcomes which place them among the worst in England. Life expectancy is lower, rates for sickness and disability are significantly above the national average, and smoking mortality rates are among the highest in England. There is also a high prevalence of obesity, increasing sexual health infection rates and serious alcohol and substance misuse issues.
- 66 Tackling health inequalities is a high priority for the Government, which has been increasingly encouraging health trusts to work in partnership with local public bodies and the voluntary sector to improve health and reduce inequalities through a number of initiatives, targets and legislation. The factors causing health inequalities are complex and can best be addressed through agencies working together.

## The audit of the accounts and value for money

- 67 The Audit Commission has reviewed how organisations across the North East are working together to address health inequalities, culminating in a workshop in October 2007 for 200 representatives from the NHS, local government and the many voluntary sector agencies involved in tackling health inequalities.
- 68 The workshop explored the results of the work so far, including a survey of how partners feel they are tackling health inequalities, looking at:
- the big issues for the North East;
  - local barriers to improvement in reducing inequalities; and
  - focussed discussion in area groups on challenges and future action.
- 69 The main messages from the survey of partners include the following.
- Most partners think that progress is being made and arrangements are improving. They have identified where the health inequalities exist and key agencies are working together to decide on priorities and action for those communities or groups of people.
  - Despite this, many people don't believe they will meet all their targets for health inequalities. Their plans will not tackle all the blockages or fill gaps in services to achieve the results needed to reduce the gaps between health outcomes in the North East and the rest of the country.
  - The barriers that prevent them from improving outcomes are funding and resources; lifestyle and attitudes; poverty; deprivation and income; geography and transport.
- 70 Discussions on the issues identified in the workshop area groups were very productive and a report summarising the work to date was distributed to all delegates and key partners to inform future development and improvement. This identified seven key challenges for reducing health inequalities in the North East.

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### Table 3 Seven key challenges

Phases one and two identified seven key challenges for organisations responsible for addressing health inequalities in the North East.

#### **Funding based on effectiveness**

Funding arrangements can be complex. Many initiatives that target health inequalities are based on short term funding and valuable experience and expertise are lost when initiatives cease.

**Challenge 1** - To ensure effective evaluation of projects and the continued funding of those that deliver tangible improvements. To use this learning in financial and project planning and performance management systems.

### Targeting services

Services are not always targeted at those who need them most. This is caused by a combination of factors, including the availability of ringfenced funds for some initiatives but not others. The people that ask for help and access services are not always those who need them most.

**Challenge 2** - To gather intelligence on where gaps in services exist and a profile of those accessing services. To use this to target services at those areas and individuals where there is unmet need and bring about improvements in health.

### Accountability for performance

Partnerships are not always successful in holding to account those responsible for delivery.

**Challenge 3** - To ensure health and wellbeing strategies are translated into local plans (eg Local Area Agreement) that contain sufficient detail and relevant targets to monitor progress on improved health and reduced inequalities.

### Joint working, networking and awareness

Sometimes silo working reduces effectiveness - the same people have a range of problems which can only be addressed by the joined-up delivery of a variety of services.

**Challenge 4** - To spread awareness of priorities and services on offer and provide networking opportunities and information sharing systems to improve the links between service planners and service providers. Cascade messages and targets down to front line workers like teachers, health professionals, and social workers.

### Leadership from regional agencies

Our survey reflected a perception amongst respondents that leadership from the Strategic Health Authority and Government Office North East has not been particularly visible in the past and that local agencies would welcome more support to develop strategies.

**Challenge 5** - To transform the North East into the healthiest region in the country within a generation.

To use the Regional Health and Wellbeing Strategy to provide direction for the North East and link national, regional and local policies. Develop networking opportunities and support to share good practice to achieve this aim.

### Getting the best from the third sector

Agencies need to look for ways to better support and use the resources available in the community and voluntary sector.

**Challenge 6** - To give community and voluntary sector organisations increased certainty over funding with agreed targets and simplify commissioning arrangements to make it easier for them to bid for the provision of services.

### Using community views

Community views are important in developing strategies and services.

**Challenge 7** - To ensure community views influence how and where services are provided

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- 71** Building on this work in 2008/09, Phase 3 will focus how different areas are addressing the challenges in tackling two key issues, alcohol and teenage pregnancy, which have a significant impact on regional health inequalities. Arrangements and outcomes in four geographical areas, to compare and contrast approaches will be examined and messages that can be shared more widely across the North East will be identified.

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### National Fraud Initiative

- 72** The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.
- 73** Following the latest data matching exercise, all potential data matches have been followed up and the resulted in the following frauds and irregularities which have been pursued by officers:
- three housing benefit frauds totalling £22,702;
  - an overpayment to a care home for a deceased resident of £6,403; and
  - the cancellation of 278 parking permits for the disabled (blue badges), where matching with DWP records indicated that the holders were deceased persons.

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# Looking ahead

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## Comprehensive area assessment

- 74** 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.
- 75** 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.
- 76** 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.

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# Closing remarks

- 77 This letter has been discussed and agreed with officers. Copies need to be provided to all Council members.
- 78 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.

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**Table 4**      **Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	April 2007
Supplementary opinion plan	July 2008
Interim opinion audit	August 2008
Information systems risk assessment	August 2008
Annual governance report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts report	October 2008
Strategic planning and performance management	October 2008
Review of data quality	December 2008
Whole of government accounts return report	January 2009
Use of resources report	February 2009
Annual audit and inspection letter	February 2009
ALMO Inspection Report	February 2009

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- 79 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.

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**Availability of this letter**

**80** 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 Jennings**  
**Comprehensive Area Assessment Lead**

**Steve Nicklin**  
**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.

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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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