

Annual Audit and Inspection Letter

London Borough of Hackney

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 Hackney Council has continued to 'improve strongly' and remains a 'three star' council. Hackney is delivering significant improvement in priority areas such as community safety, children and young people and adult social care. The pace of improvement is higher than the national average with three quarters of performance indicators improving in 2007/08. Overall resident satisfaction has improved with 60 per cent of residents feeling their views are taken into account. This is supported by the Service First programme. Challenges remain in the planning service and tackling childhood obesity.
- 2 The Council works well with partners to deliver wider community outcomes such as health inequalities, addressing worklessness and tackling crime. Infant mortality and teenage pregnancy rates have decreased. Apprenticeships are used to deliver more local job opportunities. Crime overall has decreased.
- 3 The annual performance assessment of the Council's children's services by the Office for Standards in Education found that the Council makes a good contribution to improving outcomes for children and young people.
- 4 The Adult Social Care performance judgements delivered by the Commission for Social Care Inspectorate showed that the service is delivering good outcomes with promising capacity to improve. Managerial and political leadership and the LAA were noted as strengths.
- 5 The services provided by Hackney Homes were recently rated as good with promising prospects for improvement.
- 6 The Council provides improved value for money and financial standing is good. Leadership, planning and prioritisation are strong. Consultation is used well to shape services to meet the needs of diverse communities. The Council continues to improve performance management and is making good use of joint appointments to increase capacity. The Council is well placed to sustain and deliver future improvements.
- 7 The appointed auditor has reported separately to the Audit Sub-Committee on the issues arising from our 2007/08 audit of the financial statements. He has issued his audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate. The Council has continued to improve its final accounts processes including the quality of working papers provided and responding to audit requests.
- 8 The Council's performance on Use of Resources demonstrates continued and significant improvement in a range of key lines of enquiry (KLOEs). Whilst the overall score for the Council has remained as a three (performing well), this is a much stronger performance than our previous assessment. In overall terms four individual scores have improved compared with last year and none have reduced.

Action needed by the Council

9 The Council should:

- ensure plans are in place to address the challenges in the planning service and tackling childhood obesity;
- address areas set out in the ALMO re-inspection as needing further improvement including satisfaction with leasehold services; quality of the telephone service and response to complaints;
- ensure effective action plans are in place to deal with the areas identified as improvement opportunities by other inspectorates:
 - Ofsted - improvement is inconsistent in different areas of key stages; and the proportion of young people engaged in education, training or employment has increased but remains below average; and
 - Commission for Social Care Inspectorate (adult social care) - in the adult social care services there is a relatively high staff turnover, sickness and vacancy levels and a high level of out of borough placements. There are also opportunities to increase user involvement to improve performance in self-directed care; and improve the balance of care for people with learning disabilities.

Purpose, responsibilities and scope

- 10 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.
- 11 I 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. I have made recommendations to assist the Council in meeting its responsibilities.
- 12 This letter also communicates the significant issues to key external stakeholders, including members of the public. This letter will be published on the Audit Commission website at www.audit-commission.gov.uk. In addition the Council is planning to publish the letter on its website.
- 13 The 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, he 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.
- 14 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.
- 15 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is the London Borough of Hackney performing?

16 The Audit Commission’s overall judgement is that the London Borough of Hackney is improving strongly and we have classified the London Borough of Hackney as three stars 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 do not add up to 100% due to rounding)

How is the London Borough of Hackney performing?

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

| Element | Assessment |
|--|--------------------|
| Direction of Travel judgement | Improving strongly |
| Overall | Three stars |
| Corporate assessment/capacity to improve | 2 out of 4 |
| Current performance | |
| Children and young people* | 3 out of 4 |
| Social care (adults)* | 3 out of 4 |
| Use of resources* | 3 out of 4 |
| Housing | 4 out of 4 |
| Environment | 3 out of 4 |
| Culture | 2 out of 4 |
| Benefits | 4 out of 4 |

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest and 4 = highest)

The improvement since last year - our Direction of Travel report

- 17** Hackney Council is improving strongly. Hackney is delivering significant improvement in priority areas such as community safety, children and young people and adult social care. The pace of improvement is higher than the national average with three quarters of performance indicators improving in 2007/08. Overall resident satisfaction has improved with 60 percent of residents feeling their views are taken into account. This is supported by the Service First programme. Challenges remain in the planning service and tackling childhood obesity.
- 18** The Council works well with partners to deliver wider community outcomes such as health inequalities, addressing worklessness and tackling crime. Infant mortality and teenage pregnancy rates have decreased. Apprenticeships are used to deliver more local job opportunities. Crime overall has decreased.
- 19** The Council provides improved value for money and financial standing is good. Leadership, planning and prioritisation are strong. Consultation is used well to shape services to meet the needs of diverse communities. The Council continues to improve performance management and is making good use of joint appointments to increase capacity. The Council is well placed to sustain and deliver future improvements.

- 20 The Council has three stated key priorities: a safer, cleaner, greener Hackney; children and young people; and affordable decent homes. Examples of achievements against these priorities include:
- infant mortality and teenage pregnancy rates have decreased; and
 - educational attainment has improved at key stage 2.
- 21 In terms of partnership working, the Hackney Local Strategic Partnership (Team Hackney) effectively sets a strategic direction for the Borough. The six themes within the community strategy provide a framework that enables community outcomes to be achieved as planned. The proactive approach to partnership working enables the Council and its partners to effectively address local issues and ensure improved outcomes.
- 22 The Council demonstrated level 3 performance (out of 5) for the equality standard during May 2008. Consultation is used well to shape services to ensure that they meet local needs with overall resident satisfaction improving; sixty per cent of residents feel that their interests are promoted by the Council.

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

- 23 The Council has improved its ability to achieve value for money. Efficiency savings have been made. The Council continues to demonstrate strong financial management and has a good understanding of where and how it needs to improve.
- 24 Leadership and prioritisation is strong. The Mayor, Councillors and senior officers are actively engaged in the continued improvement of performance management using clear and reliable information on costs and activity. There is clear corporate commitment to ensuring data quality. Some challenges remain in the systems for data recording for example in adult social services. The Council has plans in place to address this. The Council has a clear commitment to the principle of getting things 'right first time'.

Service inspections

Hackney Homes (re-inspection of Arms-Length Management Organisation - ALMO)

- 25 The Audit Commission's Housing Inspectorate has recently completed its re-inspection as part of the Government's arms length housing management initiative, which encourages councils to set up ALMOs to manage, maintain and improve their housing stock. The Government decided that councils pursuing this option can secure additional capital funding if the new arms length body has received at least a 'good' rating from the Audit Commission's Housing Inspectorate.
- 26 An ALMO is a company set up by a local authority to manage and improve all or part of its housing stock. The local authority remains the landlord and tenants remain secure tenants of the authority. An ALMO does not trade for profit, and is managed by a board of directors comprising Council nominees, elected tenants/leaseholders and independents.

How is the London Borough of Hackney performing?

- 27 The re-inspection carried out in November 2008 has concluded that Hackney Homes provides a good service, which has promising prospects for improvement. This means that the Council/ALMO can now access the additional capital funding made available by the Government (over £200 million in total).
- 28 The inspection found that positive steps have been taken to engage with a wide range of residents. Systems to reduce rent arrears and carry out tenancy audits and gas servicing have produced good results. There is a positive focus on dealing with high level anti-social behaviour. Substantial progress has been made to drive down costs, and there has been improvement in most performance indicators. The ALMO works well with key partners and actively learns from best practice. The management board and senior managers provide positive leadership, and residents are involved in service development.
- 29 However, some areas require further improvement. Satisfaction is low in some areas, such as leasehold services. The telephone service and the approach to responding to and learning from complaints remains a challenge. Anti-social behaviour policies, procedures and practices need further development. The report recommends that a long term vision for the ALMO is established.
- 30 An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. By sharing information and seeking to provide 'joined up' regulation to the Council we aim to reduce the burden of regulation. During the last year the Council has received the following assessments from other inspectorates.

Ofsted

- 31 An annual performance assessment is undertaken of the Council's children's services by the Office for Standards in Education (Ofsted). The 2008 assessment found that the Council makes a good contribution to improving outcomes for children and young people. Senior leadership is focused and ambitious. Health outcomes continue to improve and progress has been made to ensure child safety. Whilst education has improved at all key stages, overall improvement is inconsistent in this area. Additionally, the proportion of young people engaged in education, training or employment has increased but remains below average. The full report can be accessed at www.ofsted.gov.uk.

Commission for Social Care Inspectorate (CSCI)

- 32 The Adult Social Care performance judgements delivered by the Commission for Social Care Inspectorate (CSCI) showed that the service is delivering good outcomes with promising capacity to improve.
- 33 Managerial and political leadership and the Local Area Agreement were noted as key strengths. Management capacity increased during 2007/08 and a well-resourced, comprehensive Transforming Adult Social Care programme was in place. More people were provided with intensive home care with the cost of this being relatively low.

How is the London Borough of Hackney performing?

- 34 Within adult social care, delayed transfers of care have reduced significantly. A new palliative care service provides end of life care at home and reduced hospital admissions. Fewer people received intermediate care in a residential setting, whilst non-residential use increased. The overall balance of care (apart from for people with learning disabilities) shifted further towards community support.
- 35 Within adult social care, staff turnover and vacancy levels were highlighted as areas for improvement and there are relatively high sickness levels. There is a high level of out of borough placements and increased user involvement is required to develop and improve performance in self directed care. The report notes that the Council should improve the balance of care for people with learning disabilities. The full report can be accessed at www.csci.gov.uk

The audit of the accounts and value for money

- 36** The appointed auditor has reported separately to the Audit Sub-Committee on the issues arising from our 2007/08 audit and has issued:
- his audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008: and
 - his report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 37** 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).
- 38** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

| Element | Assessment |
|---|-------------------|
| Financial reporting | 2 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 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 and 4 = highest

The key issues arising from the audit

- 39 In terms of the audit of the accounts, the Council demonstrated an improvement in the quality of working papers provided and in responding to audit requests. A third consecutive unqualified opinion, represents continued improvement by the Council. We also recognise the progress made by the Council in:
- further improvement in the quality and usefulness of electronic working papers;
 - continuity with certain key staff, and having in place a senior officer to make a positive contribution to the day-to-day liaison with us;
 - a significant improvement in some areas identified as weak in 2006/07, such as capital accounting; and
 - improved understanding of what we do and therefore need, resulting in greater co-operation with staff in general.
- 40 The key issues arising from the audit of the accounts were:
- lack of robust balance sheet monitoring in some areas; and
 - the need to further improve the quality and timeliness of responses in certain areas.
- 41 The Council's performance on Use of Resources demonstrates continued and significant improvement in a range of key lines of enquiry (KLOEs). This is commendable on the back of an 'improving strongly' assessment in the previous Direction of Travel Assessment (published in March 2008). Also the key lines of enquiry being employed to make the judgement on the Council's arrangements change, and in many cases have been made more challenging.

The audit of the accounts and value for money

42 Whilst the overall score for the Council has remained as a three (performing well), this is a much stronger performance than our previous assessment. In overall terms four individual scores have improved compared with last year and none have reduced. The areas where the score has improved are the following.

- Financial Reporting (1.1) - The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.
- Financial Management (2.3) - The Council manages its asset base.
- Internal Control (4.1) - The Council manages its significant business risks.
- Value for Money (5.1) - The Council currently achieves good value for money.

43 Key improvements include:

- managers include details of overall costs for services and a range of performance and benchmarking information as part of the service and financial planning process. This helps to provide a better understanding of costs for key services and how they compare to other councils; and
- the 'Better Faster programme' has also developed further, underpinning the Council's performance framework by instigating remedial interventions sooner.

44 We have also undertaken three other specific pieces of work which are summarised below.

Health Inequalities

45 A considerable amount of work is being undertaken within Hackney to tackle health inequalities and partners can identify successful outcomes as a consequence of joint working. There is however, no overarching strategy for tackling the health inequalities agenda although the community strategy seeks to identify the wider determinants of health and address health inequalities.

46 There is a clear commitment for addressing health inequalities; appropriate partnerships have been identified and are engaged. Further, the strategic focus on addressing health inequalities has led to improved outcomes locally. However, arrangements for addressing health inequalities are not routinely integrated across all partner organisations and accountability for the delivery of action plans needs to be clearer.

47 Partners within Hackney are developing their understanding of the causes of poor health outcomes but there are some gaps. The LAA should also contribute to partners' abilities to effect change and address health inequalities. Similarly, overview and scrutiny committees also provide challenge of the progress being made on tackling health inequalities. Systems for sharing data are comprehensive but need to be further embedded and health inequality impact assessments are not routinely undertaken across all major stakeholders.

48 There is top level commitment to the effective performance management of health inequalities, but responsibility for monitoring and managing the performance of illness specific strategies is unclear.

Procurement

- 49 The procurement function at the Council is performing well and has the ability to improve further. The Council has made good progress to address the issues raised in our earlier report (2004) and can demonstrate improvements in delivering good levels of procurement-related efficiency savings.
- 50 The Council has a more rigorous procurement framework in place. Supporting processes and procedures have also been updated and improved.
- 51 Members provide leadership on procurement, supported effectively by senior officers, a dedicated and knowledgeable central procurement team, and experienced directorate departmental procurement managers. Procurement management arrangements have been strengthened and the culture change needed to support ownership and management of procurement related activity has happened.
- 52 There is strong corporate commitment to supporting investment in the local business community. The Council has done a lot of work to increase economic, training and employment opportunities for local business, working in partnership with local agencies. This is a long-term process and the number of local businesses benefiting is increasing but remains small. The Council recognises that current and future large-scale developments borough-wide offer opportunities for local small-medium and black and minority ethnic businesses, and is working with them to realise the opportunities for the local community to benefit from economic developments.

Information Communication and Technology (ICT) arrangements

- 53 We completed a broad overview of ICT and the impact these arrangements have on the Council's operations, including: effectiveness; contribution to wider service outcomes and how the Council works; and performance and value for money.
- 54 Good progress has been made in a range of areas including:
- an updated ICT Strategy that is consistent with the Council's objectives for improving services and setting a formidable agenda for supporting the Council's customer-facing processes;
 - the Mayor's three priorities for service improvement are well embedded and understood. The ICT elements are being delivered through a range of projects;

The audit of the accounts and value for money

- the corporate ICT function is now in the Customer Services Directorate. The aim to deliver a more outward facing service and improve ICT's alignment with the needs of residents. Although, it is too early for the full impact to be assessed, there are examples of positive outcomes from extending service availability and customer access for people, for example, incidents resolved within eight hours are the best in London; and
- the scope for ICT to deliver greater efficiencies and improved service access is recognised and being acted upon.

55 Key issues for improvement or further action include the following.

- Reviewing ICT's contribution to overall performance, including 'reducing avoidable contact with the Council' and its impact on services important to the community.
- Raise the profile of ICT services within the council with more dynamic internal communication to raise staff awareness of the potential of web-based services.
- Some elements of the contracted-out support function continue to under perform, resulting in poor service and problem management.

Looking ahead

- 56** 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.
- 57** 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.
- 58** 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

- 59 This letter has been discussed and agreed with the Chief Executive and Corporate Director of Finance and Resources. A copy of the letter will be presented at the Audit Sub-Committee on 22 April 2009. Copies need to be provided to all Council members.
- 60 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

| Report | Date of issue |
|--|----------------------|
| Audit and inspection plan | May 2007 |
| Procurement overview stage 2 | July 2008 |
| Annual governance report | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Final accounts memorandum | January 2009 |
| Data quality review | January 2009 |
| ICT arrangements | January 2009 |
| Hackney Homes (re-inspection of Arms-Length Management Organisation) | February 2009 |
| Health inequalities | February 2009 |
| Annual audit and inspection letter | March 2009 |

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

Availability of this letter

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

Jacqueline Barry-Purssell
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

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

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

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

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