

Annual Letter

City of York Council

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KEY MESSAGES

Financial Health

General Fund expenditure remains under control despite upward pressure in some services and significant targets for cost reductions. The funding level of the Pension Fund is deteriorating and you will need to deal with the potential budget consequences which will add to existing pressures. Arrangements for collecting Council Tax and NNDR remain sound and already impressive collection rates continue to improve. The Housing Revenue Account is also under control. However, looking forward:

- current rent arrears are continuing to grow, albeit at a reduced rate while FTAs increased during 2001/2002 by £0.16m (45%)
- current forecasts suggest efficiency savings of £3 ½ m maybe needed to achieve a balanced 2003/2004 budget
- the total repairs backlog stands at £25.5m.

In addition there are significant issues which have delayed the implementation of the new housing benefits/revenues/rents system until summer 2003. Project progress is being carefully monitored by Officers to avoid any further delay and External Audit is represented on the Project Board.

Best Value/Performance Management

Quality assurance procedures improved and we gave an unqualified opinion on your 2002/2003 BVPP. The Council has procured an IT based performance management system to hold information and assist consistency and flexibility of reporting. It is important to note that the new system is only a tool. It is essential therefore to also engineer accompanying cultural and behavioural changes at all levels of the organisation if performance management disciplines and behaviours are to prove effective in the future.

Internal Audit

Internal Audit continues to be under-resourced and is failing to meet its planned input of days by around 20%. Of particular concern, has been the lack of any computer audit coverage of the Council's computerised payments and collection systems during 2001/2002. However, following a Best Value Review, management capacity of IA was enhanced during 2002/2003, and additional resources have been provided through more staff and £13,000 for IT audit, which has been a neglected area in the past. Other improvements will be achieved upon the Resources Directorate restructure and the implementation of the service improvement plan arising from the BV review.

Housing Services

As the Council's Housing Services were rated as a good service with uncertain prospects by the Housing Inspectorate, action is needed to improve the service. In addition, following the recent consultation exercise with tenants, Members need to address the issue of stock management and meet the £70m cost of achieving decency standards by 2010. In particular, decisions will need to be taken to address the funding gap of £13.2m. Members have already begun to address the funding issue in the 2003/2004 budget.

Procurement

We found some effective procurement arrangements in place across the Council. However, a clear Procurement Strategy needs to be developed as well as strict control criteria including roles and responsibilities, for procurement. The existing work plans for the Central Procurement Unit need to be clearer and matched with available resources. In addition, there needs to be in place more effective mechanisms to harmonise procurement activity. The Authority has engaged a consultant in recent months to review post CCT tendering arrangements and other procurement issues. This work will inform the development of a Procurement Strategy at the Council for Members' consideration in the new financial year.

Comprehensive Performance Assessment (CPA)

The Council achieved a 'good' marking in the CPA in December 2002. York received a measurement of 3 out of 4 for both the way it is run and how its main services are performing. The CPA identified that the Council has the ability to deliver further improvements, but also highlighted a skills deficit in procurement and performance management. Officers have been working on an action plan in response to CPA and the Council will want to ensure effort is focused on consolidating good services and improving others and the improvement plan is both realistic and achievable.

Introduction

This letter covers the period from November 2001 to October 2002 and also comments on current issues.

The City of York Council, along with the other councils in North Yorkshire, agreed to participate in the Audit Commission's 'Relationship Management' project (the Pathfinder). The objective of the Pathfinder was to pilot a unified approach to external audit and inspection. The project involved agreeing a single main contact for the Council, a combined plan and a single fee for the combined audit and inspection work. This Letter summarises the results of both the audit and inspection work and comments on current issues. We have produced a number of detailed reports during the year dealing with specific aspects of our work and these are listed at the end of the Letter. Comments here are restricted to the main messages for each area.

The Audit Commission has circulated to audited bodies a statement which summarises the key responsibilities of auditors and audited bodies. Our audit has been conducted in accordance with the principles set out in that statement. What we say about the results of our audit should be viewed in the context of that more formal background.

The Council should note that our work should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist.

This Letter is only intended for the sole use of the City of York Council. We accept no responsibility for any person incurring claims, or liabilities, or sustaining loss or damage, as a result of their having relied on anything contained in this Letter.

Background

In a particularly demanding year, which officers regard as unprecedented due to the pace of internal reorganisations and externally imposed change, the Council has made progress on a number of major issues and has:

- continued to deliver effective services within budget against a backdrop of ongoing financial constraint
- helped to establish a pan North Yorkshire approach to strategic IT procurement
- received additional government funding of £20m due to its excellent Local Transport Plan
- started to make progress in developing the Local Strategic Partnership, albeit after a slow start
- established a Museums Trust which took over the Council's cultural assets in August 2002
- obtained £13.4m of PFI credits against a total scheme value of £17.1m for four new schools
- carried out several significant reorganisations including a review of the centre by the Chief Executive
- made significant progress in establishing corporate objectives and is procuring an IT based performance management system
- received a clear opinion on its 2002/2003 BVPP which was a much improved document, partly as a result of significantly improving its QA procedures

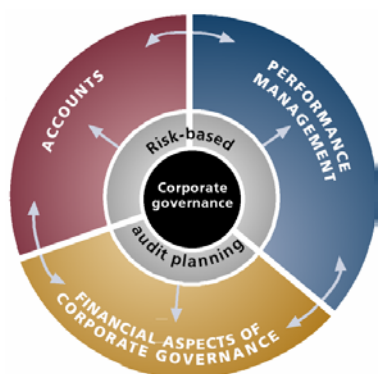
- signed an LPSA agreement with stretch targets in September
- achieved Beacon status for Raising Achievement in Education and was one of only ten E Government pathfinders
- received a good report from the Comprehensive Performance Assessment
- made significant improvements in its IT Service.

Objectives of audit and inspection

Audit

Audit work is based on the significant financial and operational risks that the Council faces and is structured around three main elements:

EXHIBIT 1 – THE THREE MAIN ELEMENTS OF AUDIT OBJECTIVES



Accounts

Financial Aspects of Corporate Governance

- Legality of financial transactions
- Financial standing
- Systems of internal financial control
- Standards of financial conduct, and the prevention and detection of fraud and corruption

Performance Management

- Best Value Performance Plan
- Use of resources

Inspection

The Government has decided that each council should be scrutinised by an independent inspectorate. Audit Commission inspectors perform this role and seek to enable:

- the public to see whether best value is being delivered
- the Council to see how well it is doing
- the Government to see how well its policies are working on the ground
- identification of failing services where remedial action may be necessary.

Accounts

We gave an unqualified audit opinion on 13 December.

Full Council approved the 2001/2002 financial statements on 17 September. No major problems were encountered during the audit of the statements. There has been compliance in all major areas with the Best Value Accounting Code of Practice (BVACOP) when preparing the accounts.

Financial aspects of corporate governance

- Financial standing
- Legality of financial transactions
- Systems of internal financial control
- Standards of financial conduct, and the prevention and detection of fraud and corruption

Financial standing

The Council has arrangements in place to ensure its financial standing is soundly based. General Fund balances continue to be adequate and effective budgetary control has been maintained. The three year revenue plan which needs to be developed into a full financial strategy will be essential in ensuring that resource allocation meets priorities and adequate revenue reserves are maintained.

The Council continues to operate in a restricted financial climate by maintaining a strong framework of budgetary control. The net cost of General Fund Services in 2001/2002 was under-spent by £2.6m or 1.8% below the approved net budget. All departments kept within their budgets except for Education (£0.4m), Environment (£0.4m) and Housing General (£0.2m). In addition, Commercial Services returned a loss of £0.176m across all its contracts. A total of £1.6m has been carried forward to ensure that project work started in 2001/2002 is completed.

The Council continued taking three detailed budget monitoring reports to Members during 2001/2002, in addition to a timely outturn report. The Director of Resources' review of the Council's key variances in the budget identified a number of underspends (£0.54m) and overspends (£0.6m) during the closedown process which highlighted weaknesses in the financial monitoring procedures. Officers reported these issues to Members in November.

The second budget monitor of 2002/2003 anticipates an in year overspend of £0.3m, or 0.2%. The Executive has directed officers in those departments predicting an overspend to examine ways to bring expenditure under control. However, financial pressures include:

- a need to ensure that capacity and resources match the Council's ambition if it is to achieve an 'excellent' rating in the CPA process and enjoy the accompanying freedoms and flexibilities this would bring

- almost certainly the Council will have to make significant additional contributions to the Pension Fund in the future due to Fund deficits, which have been adversely affected by the falling stock market and poor investment returns. The actuaries will provide a full evaluation in October 2003, which is likely to have a significant impact on contributions in 2004/2005 and thereafter
- the general contingency being almost spent
- a possible need to make efficiency savings in 2003/2004. Although these look difficult but achievable, there is a potential £4.1m funding gap in the following year
- reduced level of the General Fund reserve
- large number of changes which could bring future funding pressures as highlighted by the Forward Financial Forecast.

Officers predict that at 31 March 2003, available reserves will be around £4 ½ m, or 3.1% of net expenditure. This has been achieved after using £1.5m to support the following year's budget. The Council has a prudent approach to financial management and its underlying financial health is sound. We believe that the level of reserves is adequate to meet unforeseen shortfalls in income and increases in expenditure. However, the Council should aim to maintain reserves at 5% of non-schools' expenditure in line with CPA recommendations.

Arrangements for collecting council tax, NNDR and sundry debts are sound and collection rates remain good and are improving. The Council continues to make adequate provisions for cumulative arrears on these debts.

The Council is aware of the Housing Benefit Overpayments made and recovered and is investigating these in more detail. An action plan will be developed to address this issue and to minimise the potential £200,000 impact on the Council's accounts.

Housing Revenue Account (HRA)

During 2001/2002, the HRA was in balance and the cumulative surplus rose to £1.857m, an increase of £0.8m (0.76%). This represents a relatively healthy 4.4% of estimated 2002/2003 HRA expenditure. Latest projections are that the HRA balance will increase to £2.16m, some £0.24m above the budgeted balance.

For the longer term, officers have been exploring options to improve stock quality and the service to tenants. A condition survey concluded that 19% of the stock would fail the Government's decency standard. Officers predict that around £253m would have to be spent over the next 30 years to meet the decency standard and address maintenance needs.

A financial appraisal of the strategic options available has been undertaken using the condition survey and latest government guidance. Tenants and leaseholders have been consulted on options for the future management of the housing stock and have voted for continuation of in-house management. This would involve bridging a funding gap of £13.2m over the next ten years. Members need to decide if they support this view and agree the required funding.

During 2002, the Housing Inspectorate rated York's Housing Management as a good service but with uncertain prospects for improvement. The inspectors found a number of key strengths, including:

- efficient, welcoming and well managed reception services
- quick re-letting of empty properties
- well maintained estates and effective tackling of anti social behaviour
- tenants' choice has been successful in involving tenants in extensive home improvements.

However, the Inspectors recommended:

- working with customers to ensure access to services meets their needs and greater engagement with tenants in all aspects of managing and developing the service

- ensuring that all gas service regulations are complied with and putting in place monitoring and control procedures
- making repairs procedures more efficient and ensuring that empty homes have necessary health and safety work on them before being let
- extending the range of rent payment methods and promoting the most cost effective options.

Capital programme

The Council spent £22.2m on its capital programme in 2001/2002 which is £3.4m lower than the approved programme. Almost all of this variance results from re phasing or slippage which has been carried forward into 2002/2003. However, half of this slippage results from two significant schemes that were not developed.

The revised capital budget for the current year is £29.9m and 35% above actual capital spend in 2001/2002. The ability of the Council to deliver this size of capital programme is being reviewed by CAPMOG and a report has been taken to Management Team.

About a quarter of the revised 2002/2003 capital programme is to be funded from capital receipts arising from the disposal of General Fund and housing properties. The capital receipt target of £7.39m compares with £3.96m usable capital receipts applied in 2001/2002, representing an increase of 87% or £3.43m. The achievement of this level of disposals will be a challenging one, against which Members will want to monitor progress.

Increasingly, the Council is exploring new methods for financing its capital requirements, eg a four school PFI scheme and a Museum Trust which began operations in August 2002. We will continue to review the Council's arrangements for delivering these innovative schemes, at key milestones.

Legality of financial transactions

The Council has arrangements in place for ensuring the legality of its transactions. Our work has not identified any significant weaknesses.

We reviewed your overall arrangements and there are no issues which we wish to report to Members.

Systems of internal financial control

The Council has arrangements in place to satisfy itself that its systems of internal control are effective but we are concerned about the adequacy of Internal Audit.

We rely as far as possible on Internal Audit (IA) for opinion assurance and are satisfied with the quality of that work.

However, we have been concerned about their wider coverage and failure to deliver agreed plans, in particular:

- almost 100% of staff turnover in the last two years
- serious problems in recruiting suitable staff
- ongoing problems with management of the service
- IT audit skills and capacity.

Our review of IA files showed an adequate standard although we asked for additional testing in some areas. There were continuing weaknesses in risk planning, management and control of work, monitoring of the audit plan and timeliness in reporting. Only 88% of the planned audit work in 2001/2002 was achieved and coverage in the current year is around 80% of that planned. No IT audit work was undertaken during 2001/2002, although resources have recently been secured to do some IT auditing in the last quarter of 2002/2003.

There is a continuing risk that the Council will fail to provide an adequate IA coverage, which would have implications for our own responsibilities in relation to the Code of Audit Practice. This would have cost implications for the Council.

We have fed our concerns into the Best Value Review of Risk Management which includes Internal Audit. The Executive has recently considered this review, which recommends a way forward for IA to overcome its weaknesses, including recruiting additional staff and revised management arrangements. Action has already been taken to improve IA. However, two further issues need to be implemented during 2003/2004, if the service is to continue to improve:

- the service improvement plan, arising from the Best Value review
- the revised senior management structure in the Resources Directorate.

We will continue to assess IA's effectiveness closely during 2003, especially the testing of IT applications.

Fraud and corruption

The Council has sound arrangements in place to maintain proper standards of financial conduct and to prevent and detect fraud and corruption.

The Council's overall arrangements to prevent and detect fraud and corruption appear satisfactory based on the audit work undertaken this year. There are no issues which we wish to report to Members.

Performance management

- Performance Management
- Best Value Performance Plan
- Best Value Performance information
- Use of resources (formerly value for money)
- Audit Commission Inspections

Performance management

The York Management System (YMS) is key to moving the Authority from a 'good' to an 'excellent' one in the CPA process. YMS is a planning framework which links top level priorities for the Council with Directorate Business and service plans, team and individual objectives. This will allow services and staff to know how they will contribute to the corporate objectives and how their performance will be monitored. YMS is also the agreed Performance Management Framework for the Council. The essential elements of YMS are shown below:



The table over shows the significant progress that has been made during 2002 and has still to be made on the different elements of YMS:

YMS Element	Progress at 2001/2003	Further work required?
Community Strategy	LSP will produce a Community Plan and long term City Vision later in 2003.	Yes – the City Vision is crucial in setting the strategic vision for the Council and how it will work with its partners.
Council Plan	Seven corporate priorities developed, supported by 50 priorities and carefully defined by reference to PIs and action plans. Intention is to combine Council Plan with BVPP.	Yes – Council Plan needs to be developed and published by 30 June 2003, and show the Council's contribution to the Community Strategy.
Financial Plans	Three year revenue plan, asset management plan, CRAM, Capital Strategy.	Yes- revenue plan needs to be developed into a full financial strategy.
BVPP	In place	No
HR Strategy	In place, but not widely respected throughout the organisation.	Yes – needs rewriting to be more user friendly and up to date.
Corporate Implementation Plans	IEG2, Blue Book in place.	Yes – Constitution needs to be reviewed in 2003.
Directorate Business and Service Plans	Some in place eg LTP, Quality Protects. New format for service plans in the 2003/2004 budget.	Yes – work on service plans needs to be completed by March 2003.

YMS Element	Progress at 2001/2003	Further work required?
IT Strategy	In place	No
Team workplans and project plans	Some are in place.	Yes – more work needed across the board eg CPU.
Appraisals and individual workplans	Some in place but only 54% of employees were appraised in 2001/2002.	Yes – target for 2002/2003 is 70% and 90% the year after.

The above table shows that further work is needed in some key areas if YMS is to be fully implemented during 2003. It is essential that no single stage is allowed to derail the momentum that has been made to date and delay the timetable for implementing YMS.

Best Value

We issued a clear opinion on the Council's 2002/2003 Best Value Performance Plan, which was a significant improvement on the previous two years. We have made one formal recommendation to which the Council has to respond within the statutory deadline.

The Best Value Performance Plan (BVPP) was produced before 30 June, the Government's deadline. We found the BVPP to be a well presented and useful document compared with previous years and which demonstrated improved performance overall. Our audit showed that the BVPP complied with statutory requirements in all major respects.

Performance information

Significant improvements have been made in the last year in collecting, producing and monitoring performance indicators. The arrangements for producing PIs are now generally effective. We gave an unqualified audit opinion on the 2002/2003 BVPP.

The BVPI audit approach changed this year due to the introduction of CPA. The Audit Commission required all auditors to review in detail the Council's systems for producing 15 of the 60 specified BVPIs, which are to be included in the CPA model. Other audit work was based on a risk assessment of the remaining PIs in the plan. The scope of our audit considered the outturns for 2001/2002 and the 2002/2003 targets.

Data collection and verification arrangements have improved significantly across the board. This represents a much changed position relative to the first two BVPPs, and reflects the strenuous efforts of officers to avoid another qualification. There is also a good range of local PIs and targets. As a result, we were able to give a clear opinion on the 2002/2003 BVPP.

However, we qualified 15 BVPIs, including seven of the CPA model PIs, compared with 12 in the previous year. These were qualified due to errors being found either within the systems that compile the PI, or because of the way that the systems were being used eg Delphi. In addition, we made amendments to a further 18 PIs as they were found to be incorrect and were recalculated where possible and commented on 14 targets, most of which need to be more carefully thought through to demonstrate continuous service improvement. As a result, we have recommended to the Council that it should have adequate systems in place to produce accurate PIs and maintain audit trails. We recommend also that the Council produces an action plan to set out how it intends to address the issues that we have raised in our BVPI Report, in time for the 2003/2004 BVPP.

The Council has also taken action to improve its system for managing performance. Under the direction of the Performance Strategy Group, the Council is now purchasing an IT based performance management system, which is planned to go live in April 2003, after being populated with performance data and corporate objectives. Over the next few months, YMS will be rolled out in three phases: raising awareness and preparing the way; YMS business cycle; final implementation and training. However, cultural and behavioural changes will be needed at all levels of the organisation, if YMS is to be used effectively.

Officers have continued to review the systems for corporately monitoring performance information during 2002. In particular each of the corporate objectives will have relevant PIs allocated to them and balanced scorecards will be developed to report achievement and summarise performance. This is seen as the key report to Management Team and the Executive. It will probably be on a quarterly basis and will enable exceptions to be highlighted for action.

As an interim measure, quarterly exception reports are being produced for each department, which track PIs where estimated performance is significantly different from targets. Departments are only allowed five weeks from the end of each quarter to review their performance, identify exceptions and report action to Management Team and the Executive. This process will help to embed performance management within the Council, and will become more efficient once the IT system is implemented.

Use of resources

We have reported issues in a number of areas and in particular we draw Members' attention to those reviews set out below.

Comprehensive Performance Assessment

The Council received its report from the Corporate Assessment Team earlier this year. The results of this assessment were fed into the Comprehensive Performance Assessment (CPA) model by the Audit Commission, and on 12 December 2002, the Authority received a good rating for its overall performance. The Council is now responding to the two reports and will engage with us and other regulators in January 2003 to discuss its future priorities as well as those for audit and inspection. The good rating will mean that the extent of future regulatory activity will be reduced. The CPA report is attached at Appendix 1.

New political arrangements

The Council formally adopted a revised version of its 'Blue Book' constitution in June 2002. This later date was agreed with the ODPM (DTLR). Significant changes have taken place, including:

- changing the allocation of portfolios for the Executive, although these are still largely service based and developing a Forward Plan
- establishing a cross party Strategic Policy Panel
- instituting delegated decision making by an Executive Member, with the Advisory Panel
- reconfiguring scrutiny arrangements, with nine Boards reporting to a Scrutiny Management Committee. The Scrutiny Boards are now more aligned with the Executive and departments
- amending the work programmes of the Scrutiny Boards to ensure they are manageable and cover policy issues. In addition, the Constitution recognises the new Health role and joint arrangements have now been implemented.

We have some initial issues with the current arrangements although we recognise that it is too early to judge outcomes. Nevertheless, we believe improvements could be made by:

- considering whether a Leader of the Council should operate without a portfolio

- ensuring that the Constitution makes proper reference to Call In, which is extensively used. Call In needs to be properly set out including which body should deal with it and its associated implications
- ensuring that Scrutiny Boards cover the full range of scrutiny roles, including Best Value and audit reports
- ensuring that Members undertake a fundamental review of the Constitution by December 2003
- developing a joint protocol for how Ward Committees will relate to parish councils
- reviewing the scheme of delegation to ensure it is working properly.

Community Planning

During 2002, the local strategic partnership (LSP) began to make some significant progress in developing a Vision for the City, albeit after a protracted start. We have noted that a greater commitment is now being given to the community planning process, including:

- the new Council Leader is fully committed to the process and is actively involved
- additional resources from the Council and other partners have been put into community planning
- a small team of Council officers, headed by the Project Director (Community Planning), has been assembled to work on the LSP and the Community Strategy
- awaydays have been held to develop LSP team building and develop early thinking on a shared long term vision
- the LSP has been christened 'Without Walls' to signify inclusion and removal of artificial barriers. A conference was held in late November with York based organisations to begin the visioning process with the wider community.

Protecting Cultural Assets

The Council holds cultural assets at a large number of sites across the city. A range of inventories, insurance, security, conservation and access arrangements exist. Responsibility for these is fragmented between managers, locations and Council departments, though the majority of artefacts are held by the Museums and Archives Services.

Some strategic and structural issues have been progressed recently, the most significant being a transfer of the Museums Services to an autonomous Trust in August 2002. The new arrangements offer opportunities to increase integration and co-ordination of service – wider arrangements for security, conservation, collections management and access.

We identified various examples of good practice, including a comprehensive collections and management policy within the Museums and Archives Services.

However, several areas of weakness need to be addressed either by the Council itself or through the new contracts:

- a large backlog of items remain to be catalogued at the Museums Service and there were significant gaps in inventories within Archives
- there is no systematic or updated identification of higher risk cultural property at any location within the Council
- regular audit has never been undertaken at any location holding cultural property
- there is a current shortage of resources to address deterioration of artefacts in stores
- there is a lack of contingency or disaster recovery plans for incidents such as fire, theft or flooding and water damage of cultural property held by the Council.

Procurement

Responsibility for procuring goods and services at CYC is highly devolved to individual departments and services. Although a central procurement unit (CPU) facilitates the development of effective procurement practices across the Council, the lead post was vacant for most of the first half of 2002/2003 and its role is advisory only.

In 2000/2001, CYC spent about £95m in procuring goods and services. The Council has drafted a Procurement Policy and Code of Practice which are consistent with best value principles. However, although these documents have been approved by the Executive a strategy has not yet been written and they only set out general guidelines rather than strict control criteria for procurement. Significant management action and progress has been made to improve CPU services since its transfer to Resources, last year including:

- development of an agreed action plan, which now needs to be reviewed in the light of the shortfall in resources to deliver the plan
- staff appointments
- an independent consultancy review of the Council's arrangements in post CCT environment to help inform the development of a Procurement Strategy, which is now in hand.

We found some effective procedures in place across the Council, although these were mainly around major capital projects. In addition, the CPU achieved £107,000 of savings during 2001/2002 and fulfilled a valuable role by spreading good practice and giving advice on the ATS procurement. In addition, a second annual report was presented to Members on breaches of Financial Regulations, most of which concerned procurement issues. Elsewhere through the organisation we found a general lack of appropriate mechanisms to co-ordinate procurement activity, which increases the risks of:

- a failure to meet all legislative requirements
- payment of significantly higher costs than necessary for goods and services

- excessive administration and transaction costs.

We also found the following:

- achievement of best process is severely compromised by the fragmented nature of procurement and lack of co-ordination and control
- a large number of small invoices, with some 18,000 or 28% during 2001/2002 being under £50. It is estimated that it may cost up to £40 each to process each of these small invoices
- a lack of a Council wide Register of Contracts
- difficulty in obtaining a real measure of the cost of procurement which is likely to be high
- few strategic partnerships in place, apart from some corporate contracts. We found no examples of supply chain cost reductions, incentives provided to suppliers to improve performance and few agreed performance targets with suppliers.

We have discussed and agreed our report with officers and Members. The CPU's workplan will help to implement many of the recommendations arising from our agreed action plan, including as a priority, establishing a central contracts register and list of approved suppliers and work on these matters is now in hand. In addition, the Authority has recently engaged a consultant to review post CCT tendering arrangements and other procurement issues which will contribute to the development of a procurement strategy for Members consideration in April 2003.

Partnership arrangements

The Council is committed to working in partnership and this is shown by the large number of bodies that officers and Members sit on. Many partnerships receive significant levels of Council funding often on an ongoing basis while smaller ones usually benefit from officer time and/or other non financial support.

Officers, however, offer different opinions when asked what constitutes a partnership. The Council ought to be clear about why the partnerships and other joint bodies exist and if they contribute toward the achievement of corporate priorities.

There is no accurate or up to date register of such arrangements. Such a database would have many advantages including avoiding duplication of effort, better risk planning and allowing scope for rationalisation.

Limited use is made of partnership guidelines to ensure that lead officers consider most of the important risks. In addition, there appears to be no uniform system for maintaining records, an absence of a corporate system for the physical monitoring of projects and a wide range of reporting arrangements, many of which appear to be inadequate.

Our staff and Member survey also identified a mixed set of views over the current joint working arrangements. We are discussing with officers the issues arising from our draft report. The Council also needs to implement fully BVACOP in regard to the revised accounting treatment of partnerships and trading accounts. In addition, it needs to reconsider whether it should prepare group accounts in the 2002/2003 Statement of Accounts.

Review of Homelessness

The Council's spending on homelessness has risen over the years to just over £0.4m in 2001/2002, which is adding to the Council's wider financial pressures. Furthermore, the implementation of the Homelessness Act 2002 is likely to add to existing pressures in delivering services to the homeless.

The Council has made efforts to improve its services to the homeless while reducing its spend on bed and breakfast. These initiatives include:

- amending the allocations policy to give a greater proportion of vacant family type accommodation to homeless people in temporary accommodation
- investigating alternative forms of temporary accommodation including increasing the number of Council owned properties
- developing a homelessness prevention strategy
- successfully bidding to the B&B Unit for funding for rent deposit and preventative work.

The Council's management arrangements to deliver specific service improvements need to be improved in certain areas.

There is limited performance management of the homelessness service and little information is available to analyse performance. It is difficult for managers to know where the organisation needs to take action to deliver service improvements, as procedures for dealing with case work are not clearly documented and adherence monitored. In addition, the lack of comprehensive ethnicity data about customers makes it impossible to ensure that an equitable service is delivered to all communities. The Council's performance monitoring of the service could also be considerably improved by incorporating more comprehensive information in its reports to managers and Members.

The number of homelessness applications has increased significantly over the last five years and York is accepting more than the national average. However, in 2001/2002 while numbers of households in B&B increased, their cost was less than in the previous year due to reduced lengths of stay and the other initiatives taken during the year. The Council needs to align its acceptance policy with regard to the minimum requirements of the Housing Acts 1996 and 2002. The Council should also:

- review its investigation procedures and introduce quality assurance reviews of homeless applications and decisions

- review the resources required to deliver an efficient and effective homelessness service
- review its arrangements for managing sickness absence in the homeless service.

Despite efforts to reduce reliance on B&B, higher numbers of people requiring support has meant that B&B usage has increased in recent years. The Council should be aware that its policy of excluding households with existing housing debt from being re-housed from B&B into Council accommodation may not represent the best use of resources. However, it does play an important part in helping to manage arrears. Other improvements could be achieved by:

- reducing the length of time to make a decision by reviewing the workloads of caseworkers and considering the possibility of reassigning other duties
- asking Members to consider delegating the appeal function to officers to make the process more efficient and cost effective
- conducting further investigations into the scope for replacing B&B accommodation through using council properties and/or leasing properties.

Access to Services - Inspection

A fair 'one-star' service that will probably improve due to the analysis and efforts of the Council, through its best value review, and ambitious plans for the future.

Although strengths in the current service are apparent, particular attention needs to be given to a number of key issues facing customers currently including access difficulties of people with disabilities.

The capacity to deliver real service improvements for local people will depend, in part, on the success of the ICT partnership to deliver the appropriate infrastructure.

We have made a number of recommendations including the need to be clear about why and how customers need to contact the Council and to develop current plans to include measurable targets that match the performance of top-performing authorities in this field.

The Government has set local authorities a target of 100% electronic delivery by 2005. The Council will need to have a comprehensive plan to achieve this target, of which Access to Services is a key element.

North Yorkshire ICT Partnership (NYICTP)

Activity has concentrated on determining the content of the NYICTP 'Invitation to Negotiate' document for the short list of three potential private sector suppliers. Following evaluation of the three bids, a ranking will be produced for a decision of NYICTP at a future meeting.

Following the final choice it is hoped to have the 10th Partner providing services during 2003.

NYICTP has identified implications for the assets, staff and IT functions of each member council. Each Council has assessed options in order to determine whether they should engage with the '10th Partner' on a 'shallow or deep' basis.

Alongside this major work on the procurement of a '10th Partner' has been the sharing of information and discussions of the structure of the partnership. IEG2 advocates the need for greater involvement by other public sector organisations and NYICTP has received requests for membership from the National Park Authorities. A joint IEG2 statement was submitted by 31 October and ODPM provided an assessment December.

Further encouragement to widen the partnership comes firstly from the recent creation of the 'e-Yorkshire Group' by the Regional Assembly and Yorkshire Forward, and from the resurrection of 'CoMPRIS,' a North Yorkshire e-forum to which NYICTP have agreed to be represented upon.

We will continue our review of arrangements next year.

Highway Maintenance - Inspection

Highway maintenance services are fair but with uncertain prospects for improvement. Although the number of roads and footpaths in a poor condition is reducing, the condition of roads is below average for unitary authorities.

This key area of public concern has a number of strong features, including the 'hotline' and street lighting partnership. The core issue of road condition is a weaker part of current services.

The Best Value Review had uncertain prospects for improvement because it did not robustly consider what users really needed from the service and failed to produce an improvement plan that showed how the eleven objectives identified would be delivered.

To build on the commitment to improve this service we have made a raft of recommendations to support the improvement of communications, efficiency and effectiveness of the service, and to address the backlog of highway maintenance work.

IT audit issues

IT Security

The Authority has taken steps during 2002 to improve its IT Security arrangements. In particular, it has established a code of conduct for all staff and Members. Staff have been disciplined and dismissed, for breaches of the code.

Overview of Windows NT/2000 security

The Council has recently completed a major network infrastructure upgrade and has replaced the previous Netware servers with Windows NT/2000. Thin client computing has also been introduced based upon Citrix and SANS technology. We carried out a security review of the nine key application servers using the NT/2000 operating system.

The review covered technical IT issues which have been shared with IT officers. While our review found no major weaknesses there is scope to improve security of the systems. Policies and procedures are being developed and implemented to ensure good working practices are used. The main issue identified is the variation we found amongst the servers compared with good practice. We are pleased to note, however, that officers are already addressing several of the areas highlighted.

Implementation of new Revenues/Benefits/Rents system

The project plan for implementing this system has slipped and several key dates have passed.

We have concerns about the project management arrangements for this system. In addition, we are concerned about the ability of the supplier to successfully deliver this system. Other authorities have had problems with the reliability of the PI information generated. The Council will want to make its own arrangements to ensure the accuracy of PIs.

Members have recently considered a report which sets out the action to be taken, with full implementation of the new integrated system expected by July 2003.

Future audit work

We have considered the significant operational and financial risks that face the Council and that will need to be assessed in next year's work. The actual level of performance work will be determined by the CPA category.

As a first stage, we agreed with officers a audit and inspection plan in January 2003.

Closing remarks

Finally, we would like to take this opportunity to express our appreciation for the assistance received from Members and officers during the course of our work. Our aim is to provide a high standard of audit and inspection service, which makes a practical and positive contribution to the work of the Council. We recognise the value of your co-operation and support to this goal.

Mark Kirkham
District Auditor
January 2003

Status of our Annual Letter to the Council

Our Annual Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Annual Letters are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.


Audit and Inspection Reports issued during 2002

- Management of Rent Collection (January 2002) (F)
- Access to Services Inspection (February 2002) (F)
- Provision for Pupils with SEN (February 2002) (F)
- Outstanding Audit Correspondence (February 2002) (N/A)
- Audit 2000/2001 - Final Accounts Memorandum (April 2002) (F)
- Housing Benefit and Council Tax Benefit Audit Report (May 2002) (F)
- Update – Management Arrangements for Tax (June 2002) (F)
- Protocol for the Certification of PIs (June 2002) (F)
- Arrangements for the Certification of Grant Claims (July 2002) (F)
- Compliance with Data Protection Act 1998 (July 2002) (F)
- Planning of School Places (July 2002) (F)
- Protecting Cultural Property (August 2002) (D)
- Review of School Budgets (August 2002) (F)
- Progress Report – Audit & Inspection (August 2002) (N/A)
- Partnership Review (October 2002) (D)
- Review of HR/Building Capacity (December 2002) (D)
- Review of Asset Management Plan (October 2002) (F)
- BVPP – Performance Indicators and Compliance Report (October 2002) (F)
- Overview of Windows NT/2000 Security (October 2002) (F)
- Highways Inspection (October 2002) (F)
- Housing Inspection (October 2002) (F)
- Review of Homelessness (December 2002) (D)

- Review of Procurement (November 2002) (D)
- Statutory Report on the BVPP (November 2002) (D)

Notes: 1) F = Final and D = Draft

CPA scorecard



Comprehensive performance assessment

How is York City Council performing?

Overall performance

good

York City Council has been measured as **good** in the way that it serves its local people. The chart opposite shows what share of councils also received this rating.

We reached this overall rating by looking at:

1. how York City Council is run; and
2. how York City Council's main services perform.

Performance against other councils

Rating	Percentage
Poor	10%
Weak	15%
Fair	25%
Good	35%
Excellent	15%

1. How is York City Council run?

York City Council received a measurement of **3 out of 4** for the way it is run.

Services provided by the Council are of a mixed quality. Strong education, social care and housing services are contrasted with poor environmental services. Economic development is a strength which is seen through initiatives like the York Inward Investment Board, the Science City Initiative and York Training Centre. Improvements have also been made in transport, street lighting and libraries. The Council has the ability to deliver further improvements but needs to develop its skills in areas such as procurement and performance management.

2. How do York City Council's main services perform?

We have assessed core service performance in the service areas shown alongside. Each service is scored on a scale from 1 to 4, with 1 being the lowest and 4 being the highest. Education and social care are given more importance in reaching the overall service score than other areas.

Service performance	1 (lowest) 4 (highest)
Education	4 out of 4
Social care – children	3 out of 4
Social care – adults	2 out of 4
Environment	1 out of 4
Housing	3 out of 4
Libraries and leisure	2 out of 4
Benefits	2 out of 4
Use of resources	3 out of 4
Overall service performance	3 out of 4