

Annual Audit and Inspection Letter

Medway Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Status of our reports

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

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

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

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Contents

Our overall summary	4
Action needed by the Council	4
How is Medway Council performing?	5
The improvement since last year - our Direction of Travel report	6
What evidence is there of the Council improving outcomes?	6
How much progress is being made to implement improvement plans to sustain future improvement?	10
Service inspections	12
Financial management and value for money	15
Conclusion	17
Availability of this letter	17

Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council, from the Corporate Assessment carried out in June 2006, inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are:
 - The Council has a challenging but realistic ambition for the area, however its achievements against national and local priorities are inconsistent. It has achieved much in regeneration including significant university provision and initiatives to improve health and employment, in deprived areas. The Council has sustained improvement in adults' social care, promoting independence of older people. These achievements are supported by good work developing cohesive communities, although there are shortcomings in affordable housing, older people's services and transport, and outcomes on crime are inconsistent. Services for children and young people are adequate overall; Medway has responded appropriately to significant weaknesses in children's social care but policies and practice are not yet embedded. The Council's record of delivering improved services is reasonable. It is developing, and beginning to deliver improvement plans, though not consistently across all services. Overall, the Council is achieving improved customer satisfaction. It is building capacity well to deliver its priorities through organisational restructuring and strong partnership working. The Council performs well in its financial management but performance management is not yet consistent.

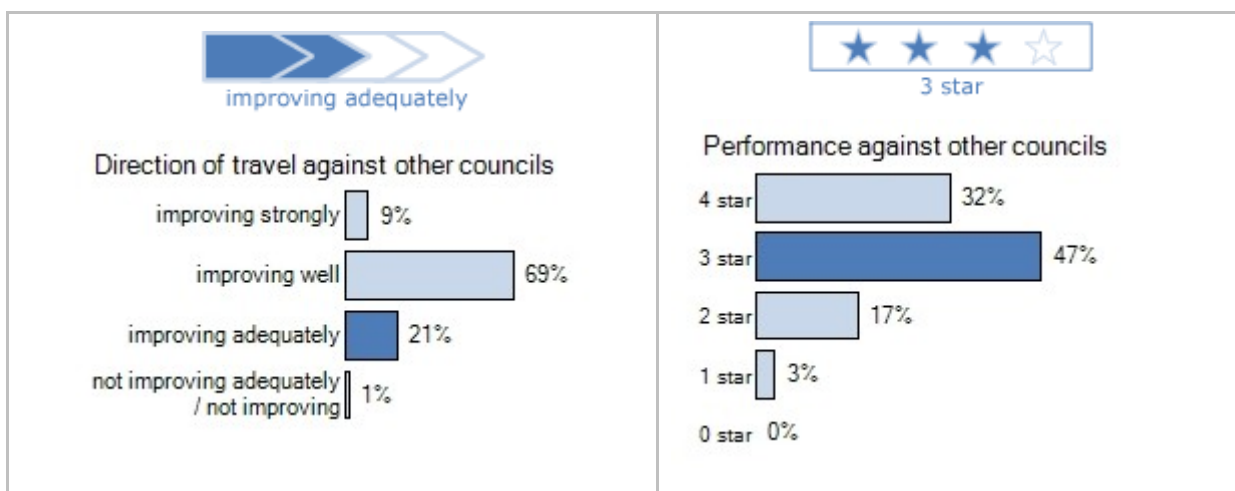
Action needed by the Council

- 4 The Council should maintain its focus on implementing the action plans in response to the JAR report on children's services and the Supporting People inspection.
- 5 The Council should make sure that its arrangements for managing performance across its services are strengthened and consistently and rigorously applied. In particular, this should enable the Council to identify and take action on those areas where performance is weak or falling below target.

How is Medway Council performing?

- 6 The Audit Commission's overall judgement is that Medway Council is improving adequately and we have classified the 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.

Table 1



Source: Audit Commission

- 7 The detailed assessment for Medway Council is as follows.

Our overall assessment - the CPA scorecard

Table 2 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	3 star
Current performance	3 out of 4
Children and young people	2 out of 4
Social care (adults)	3 out of 4
Use of resources	3 out of 4
Housing	2 out of 4
Environment	3 out of 4
Culture	2 out of 4

Element	Assessment
Benefits	3 out of 4
Corporate assessment/capacity to improve	3 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2006	3 out of 4

(Note: 1=lowest, 4= highest)

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 8 Medway's performance on improvement across a range of measures is variable. Based on a basket of performance indicators (PIs) the Council showed improvement in 43 per cent, compared with the average for similar councils of 67 per cent since 2004/05. The proportion of PIs where the Council is performing in the best quartile is 21 per cent; the average for similar councils is 28 per cent. In terms of the major services of adult social care and children's services, performance indicators show improvement over the year. For example, for educational attainment, 10 out of 11 indicators improved including the proportion of pupils attaining GCSE grades A*-C; up from 50.1 per cent to 52.2 per cent.
- 9 Overall the Council is achieving improved customer satisfaction. Satisfaction with the Council overall has improved marginally since 2003/04, placing the Council just below median level in comparison with other councils. At service level, satisfaction rates with key priorities such as recycling and waste collection have improved and are in the best 25 per cent of councils. In contrast, satisfaction with complaints handling has fallen from 33 to 26 per cent in 2006/07 and the percentage of respondents who felt the Council keeps them well informed about services it provides was also lower in 2006/07 and also in the lowest 25 per cent of councils. The Council's own opinion poll of residents, conducted in 2006, shows a more positive picture, with overall satisfaction up by eight per cent to 65 per cent.
- 10 The Council has a strong understanding of its local socio-economic and demographic context and is very clear about what is important to local people. The Council's ambitions are based on a good understanding of local needs which is informed by regular and effective consultation that includes an annual survey of residents conducted by an independent organisation and canvassing the views of the Citizen's Panel, comprising 1,500 residents and forums representing minority groups.

- 11 The Council is performing exceptionally well in regeneration and has achieved much in promoting economic and social regeneration. It has been successful in attracting a number of universities and more recently mid-Kent College have secured planning permission and funding to move to the locality. Contractors are working on the re-development of Rochester Riverside and on the national museums project at Chatham. Land assembly is complete at Strood waterfront; funding of £3.5m has been secured for the Medway Innovation Centre and infrastructure improvements to facilitate development of Chatham town centre. Strategic plans are being prepared to develop Medway Waterfront, Temple Marsh and Gillingham Town centre as well as eight cultural centres. The Council has secured a private sector partner to support the delivery of up to £1 billion investment.
- 12 The Council has in place many initiatives to tackle and reduce criminal behaviour but outcomes are inconsistent. Many of the Council's initiatives are carried out in partnership with other agencies through the new 'Safer Medway' partnership. These include an effective 24-hour CCTV operation operated by the Council with the involvement of other partners and the creation of a team of Community Safety Officers, who are accredited by Kent police, who respond to reports of anti-social behaviour (ASB) and other crimes. However, latest Home Office crime figures show that the level of crime in Medway is not reducing; robberies, motor vehicle crime, violent crime and sexual offences have all increased since 2004/05.
- 13 Performance on environmental matters is mixed. The Council exceeded government recycling targets in 2005/06 (30 per cent) by 2 per cent and there has been an improvement in the amount of waste collected with an associated reduction in unit costs. The Council is not consistently meeting government targets for processing planning applications. Performance has not improved on time taken to process major and minor applications but has improved for other applications. The Council has appointed park rangers to improve safety and maintenance standards in parks and has allocated £500,000 to supplement external funding of £650,000 to improve urban open space sites in Gillingham and at Ranscombe.
- 14 The recent Corporate Assessment (reported in August 2006) found that the Council is improving its performance in delivering housing but is unlikely to meet rising demand for social housing. A housing market needs assessment in 2005 identified a shortfall in affordable housing provision of 1,451 units per year to 2011, a total of 13,059 units. The Council has responded by creating a dedicated team to focus on affordable housing. Since January 2006, 125 units of affordable housing have been completed; an increase of 92 per cent over the same period last year. The Council is reviewing its planning policies to maximise future potential although it is unclear what impact this will have. Consequently affordable housing provision is increasing but there is no clear plan to tackle the backlog in affordable housing or meet future need.

- 15 The current transport infrastructure is adequate. The Council's transport Annual Performance Report was considered 'fair' by the government office for the south east (GOSE). The Council has worked with the local bus company to secure improvements including 61 new buses and some real time information systems. The Council has had its plans to construct a new park and ride facility approved, though, the only existing 'park and ride' system is restricted to one day a week and there are few initiatives to promote walking and cycling. The Council has implemented a staff travel plan for its own staff and 34 schools have transport plans. Bus usage has increased by three per cent since 2004/05. Bus passenger journeys per year number 8.5 million. To tackle congestion, implementation of an Urban Traffic Management Control system has begun.
- 16 Good progress has been made in improving road safety. The Council achieved its PSA1 target to reduce fatal and serious accidents. As a result there has been a 53 per cent reduction (compared with a national average of 42 per cent) in crashes and injuries since 2002.
- 17 The Council supports older people to live independent lives in their own homes. The inspection of Adult Social Care 2006 found the Council is performing well. It has sustained continued improvement on the overall profile of performance indicators, and the average band score of common indicators has increased from 3.8 in 2004-05 to 4.2 in 2005-06, with 54 per cent of all performance indicators now achieving the maximum band. Substantial numbers of people are being supported to live at home by appropriate services such as home care support and intermediate care. The rate of admissions of older people to residential and nursing home care continues to be low. The inspectorate recommended the Council improve waiting times for packages of care, the rate of people receiving a statement of their needs, and the percentage of clients receiving a review.
- 18 The Council's overall performance in services for Children and Young People (CYP) is adequate, with both strong features and significant weaknesses. The Annual Performance Assessment of CYP found provision for early years education and day care, and for education and training for 14-19 year olds were examples of significant strengths. Both were good and continuing to improve and benefit from effective strategic planning and service delivery. The youth offending team (YOT) has shown significant improvement with ratings rising from one to four in the last 15 months, as assessed by the Youth Justice Board. Most weaknesses were in children's social care particularly around measures to protect children and young people from abuse and neglect. Arrangements within the social care service to respond to referrals were confused, overly complex and poorly planned. A key issue to be properly addressed was the threshold for the involvement of the local authority's social care service.

- 19 The Council and its partners work well together to understand local health needs and promote public health. Since 2004 the Council and the PCT have jointly funded the post of Director of Public Health (DPH) and nine out of 16 staff employed in the Health Promotion Team. The Council and its partners have clear health improvement priorities reflecting national and local issues and are successfully targeting services in these areas. Health initiatives have contributed to an improvement in the number of conceptions to females aged 15 to 17 since 2004/05. Following consultation with residents and partners in 2005 the Council developed an obesity strategy. Specific activities include a 'just for kids' fitness programme at Council leisure centres attended by over 200 youngsters.
- 20 The Council has improved access to its services for residents through its Customer First programme. The Council has met the e-government target of 100 per cent of transactions being available in electronic form. Users made 4,400 electronic payments in the past year. It has created a network of 27 web enabled public kiosks, notably in rural communities, through which the public can contact the Council, police and health services. Its purpose-built contact centre handles around 65,000 calls and resolves over 80 per cent of enquiries at first point of contact. The Council has four 4 Contact Points (high street one-stop shops) and two jointly run with Kent Police, the only ones of its kind in the county. A recent survey showed that 90 per cent of customers felt the information they received was helpful.
- 21 Improvement against corporate health indicators is variable. In terms of the duty to promote race equality, the Council remains in the best 25 per cent of authorities; percentage of invoices paid within 30 days have fallen to below median level; percentage council tax collected has improved but from a low base; and the percentage of national non-domestic rate (NNDR) collected has not improved and remains low.
- 22 The Council demonstrates a strong commitment to diversity. It has achieved level 3 of the equality standard for local government. It consults well with minority and disadvantaged communities and supports a number of organisations to promote racial and social harmony, notably the Inter Faith Forum. Council services are sensitive to the needs of minority and disadvantaged groups -examples include working with a housing association which specialises in meeting housing needs of black and minority ethnic (BME) communities. A weakness in the otherwise good analytical work done by the Council is that it does not know enough about the particular health needs of BME groups.
- 23 The Council is delivering value for money on most services. The most recent Use of Resources assessment carried out by the Appointed Auditor, confirmed that the Council is performing well in this area but noted that a consistent focus on value for money was not yet embedded throughout the Council.

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

- 24 The Council is developing good strategic plans to guide improvement. It has developed a new community plan for Medway with the LSP. This has been subject to extensive consultation and engagement with partners. The plan was approved in November 2006. It has been written in the context of the large-scale physical regeneration taking place in Medway. The Local Area Agreement shows how the Council will deliver the community plan over the next three years. The draft is on schedule for receiving ministerial sign off by the end of March 2007. Ambitions for the area flow logically into the Council's priorities, notably regeneration. This is focussed on developing 14 key sites covering 920 hectares. To respond positively to local needs, the Council has successfully made social regeneration a fundamental part of its regeneration plans and has worked with residents to produce neighbourhood action plans for each of the three most deprived parts of the area.
- 25 Performance management is inconsistent. Although the Council has developed a comprehensive performance management framework it is not applied in all areas, notably children's care services. Links between resource management and performance management are weak. Long term strategies such as the Youth Justice Plan and the Community Safety plan do not include information about the resources necessary to deliver them. There are also many plans which contain targets that are vague, lack defined timescales or milestones and are difficult to monitor. Annual service plans are aligned to budgets and the Council's medium term financial plan helps it focus resources on priority areas. However there is no systematic way to link the cost of actions with outcomes to secure a focus on value for money. The Council does not systematically review performance with LSP partners in areas of joint interest. The Council is addressing these shortcomings by improving strategic planning and performance monitoring systems.
- 26 The Council is making adequate progress in implementing its improvement plans. Following the publication of the joint area review report, Medway has taken appropriate steps to respond to the recommendations of the report and is on track to have responded to all the recommendations listed for attention within six months of publication. There have been improvements in services for safeguarding children with a sound foundation laid which should result in further improvement. A target that was set to meet the JAR criteria for adequate for the "Staying safe" outcome by April 2007 has been achieved.

- 27 A detailed action plan has been drafted which clearly identifies appropriate action which needs to be taken to respond to the recommendation of the report. Progress on this action plan is being tightly monitored. A senior member of staff has been seconded from the Chief Executive's Department to ensure that the recommendations on strengthening capacity of the directorate and performance management arrangements are responded to in a timely way. A consultancy with KPMG has started a major project to devise a workforce remodelling which will help to improve recruitment. Significant work has taken place to improve and streamline referral processes and also to ensure that children and families receive support in a timely way. The referral process is now secure and robust but there are still some variations in practice of initial assessment. Services have been restructured and now work in integrated teams and this provides the potential for more effective early intervention. A review to improve services for looked after children is being undertaken.
- 28 The Council uses its existing capacity effectively and is building future capacity. The Council was judged to be 'performing well' in the recent Use of Resources assessment. The Council has a strong track record of attracting external funding - in 2006 it secured £150K of grant funding, match funded by the Council to create energy efficiency improvements across the Council's property portfolio. Managerial leadership is strong and political leadership is effective although there has been a clear weakness in children's social care. Strategic capacity has recently been strengthened by a corporate restructuring. It supplements its internal capacity by working well with statutory partners. However the LSP agenda can be Council dominated and the Council does not have an agreement or understanding with the voluntary sector on the role it has to play in delivering the ambitions for the area. The Council has recently recruited an LSP manager to support the LSP and its further development. A review of the LSP roles and structures will take place later in 2007 in readiness for the changes likely to emerge from the Local Government Bill.
- 29 There are no significant weaknesses in the Council's arrangements for securing continuous improvement or any failures in corporate governance. There are no significant barriers to ensuring current levels of improvement cannot be sustained. The Council's Standards Board is working well and has an appropriate profile. It has an independent chairman and a majority of independent members. It has developed and published protocols and codes of conduct in areas such as Licensing and Planning. The code of conduct is clearly linked to key legislation underpinning ethical practice.

Service inspections

- 30** The Commission reported, in October 2006, on an inspection of the Council's Supporting People programme. We judged the Council to be providing a fair, one star programme, with promising prospects for improvement. The programme was judged to be fair because;
- there is a clear corporate commitment to the programme which is supported by a strong Commissioning Body which provides a strategic drive;
 - there is a strong approach to partnerships with health and probation being well engaged and demonstrating a full understanding of the programme;
 - the five-year strategy is comprehensive and was delivered on time;
 - service reviews have involved validation visits to all providers and have resulted in services being decommissioned and re-modelled to meet local need;
 - newly commissioned services reflect the needs of wider and more diverse groups;
 - services have improved as a result of service reviews including in the areas of support planning, health and safety and risk assessment; and
 - tendering has been used effectively to commission new services.
- 31** But there were some weaknesses in the programme, including:
- shared targets have not been developed with partners;
 - there are some gaps in representation on the Core Strategy Development Group;
 - there are some gaps in needs analysis and mapping of vulnerable and diverse groups;
 - improvement planning following service reviews is not sufficiently developed;
 - there is no planned or strategic approach to service user involvement and existing consultation forums are not being fully used;
 - there is insufficient information publicly available about Supporting People and access to services and referral is not easy, clear or transparent;
 - data about the diversity of service users is not collected to enable a full understanding of the basis of current service provision; and
 - there is no systematic approach to measuring outcomes from improvements.
- 32** The programme was judged to have positive prospects for improvement because:
- there is a track record of delivering in accordance with Government deadlines and requirements and relevant performance indicators demonstrate continuous improvement in most areas;

- service reviews have led to tangible improvements for service users and in terms of the value for money delivered through the programme;
 - clear and challenging aims for the programme are supported by a sound performance management framework;
 - there is effective leadership of the programme which is illustrated by some difficult decisions taken by the Council and the Commissioning Body;
 - there is corporate commitment to the programme with the General Fund supplementing the administration grant; and
 - recent organisational changes have the potential to enhance capacity through providing greater flexibility.
- 33** The Council has responded positively to the inspection by developing and implementing a comprehensive action plan.
- 34** 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.
- 35** The Benefits Fraud Inspectorate judged the Council as Good. This marks a reduction from the previous year when it was rated as Excellent. This was largely as a result of a reduction in the User focus theme score due to weaknesses in performance for the handling of reconsideration and revision applications and appeals.
- 36** The annual performance assessment (APA) for Adult Social Care, prepared by the Commission for Social care Inspection (CSCI) found that the Council has corporate arrangements and capacity to achieve consistent, sustainable and effective improvement in Adult Social Services. A number of features of the assessment are particularly noteworthy, as detailed in the following paragraphs.
- 37** The Council has sustained continued improvement on the overall profile of PAF performance indicators, and the average band score of common indicators has increased from 3.8 in 2004/05 to 4.2 in 2005/06, with 54 per cent of all performance indicators now achieving the maximum band. This is excellent performance.
- 38** The Council promotes the independence of older people. High performance in this area is demonstrated in substantial numbers of people being supported to live at home by appropriate services such as home care support and intermediate care. These initiatives have helped reduce inappropriate use of residential care. The rate of admissions of older people to residential and nursing home care continues to be low.
- 39** The budget for adult social care has increased significantly within community services. Finances are managed well and performance management and monitoring is an integral part of operational and strategic management. The Council made the investment despite a very tight corporate financial position. This reflects the importance placed on adult services.

- 40 The CSCI assessment also included areas for improvement, including the need for the Council to complete its commissioning strategy for older people's services; make sure that performance management is integral to the way it works with partners in commissioning services; and ensure its workforce strategy addresses high levels of staff turnover and focuses on future employment needs.

Financial management and value for money

- 41 Your Appointed Auditor, PricewaterhouseCoopers, has reported separately to the Audit Committee on 27th September 2006 on the issues arising from the 2005/06 audit and has provided:
- an unqualified opinion on your accounts;
 - a conclusion on your arrangements for use of resources to say that these arrangements are adequate except for arrangements to manage its significant business risks not being in place throughout 2005/06.
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 42 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).
- 43 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 3

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1=lowest, 4=highest)

- 44 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- The scrutiny that Members applied to the financial accounting and reporting arrangements has been strengthened by the creation of an Audit Committee as a new committee of the Council. This has given the Council a robust platform to scrutinise the range of financial and audit matters. Overall, the quality of the financial statements fell from the standards set in the previous year, particularly in relation to capital accounting, which had suffered due to staff turnover.
 - The Council has maintained a sound financial management regime. Budget management has been centralised to strengthen the reporting lines and accountability of the directorates.
 - Medway has reduced its reliance on reserves in recent years and has a planned strategy to further strengthen reserves in the medium term. However, the achievability of this strategy needs to be assessed against a thorough risk assessment on the Council's financial needs in the coming years.
 - The Council has strengthened its risk management processes over the past year. However, the processes are predominantly based on the directorate business plans and further development could improve strategic risk management by prioritising and focusing on the key risks and the management action to address those risks.
 - The Council continues to review costs and performance primarily through the annual budget setting and service planning process. Although we have noted developments over the last year in the process, we have yet to see evidence of a step-change in the extent to which a consistent focus on value for money has been embedded within the organisation. The recent corporate assessment recently graded performance management as a weaker area, primarily due to concerns on children's services, which the Council is now taking steps to address.

Conclusion

- 45 This letter has been discussed and agreed with the Chief Executive and Leader. A copy of the letter will be presented at the audit committee on 28 June 2007.
- 46 The Council has taken a positive and constructive approach to our audit and inspection work and I would like to take this opportunity to express my appreciation for the Council's assistance and co-operation.

Availability of this letter

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

Paul Chambers
Relationship Manager