

AUDIT COMMITTEE

26 JUNE 2008

ANNUAL AUDIT AND INSPECTION LETTER 2006/2007

Report from: Neil Davies, Chief Executive
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Performance and Partnerships

Summary

The report presents the 2006/2007 audit and inspection letter for the Council. The letter, prepared by the Audit Commission, is attached for the Committee's acceptance following Cabinet's consideration on 3 June 2008.

1. Budget and Policy Framework

1.1 The receipt of the Annual Audit and Inspection Letter is a matter for the Audit Committee.

2. Background

2.1 The Audit Commission are responsible for preparing an annual audit and inspection letter for all councils. This letter covers the financial year 2006/7.

2.2 The audit and inspection letter draws from the 2007 use of resources judgements and the Comprehensive Performance Assessment scorecard and direction of travel report published by the Audit Commission in February 2008. It also summarises the findings of the 2007 review of the council's accounts.

2.3 The information is therefore not new, but is presented publicly in one place by the Audit Commission.

2.4 The Cabinet considered this report on 3 June 2008 and recommended to the Audit Committee the annual audit and inspection letter for acceptance (decision number 123/2008 refers).

3. Summary of content

- 3.1 The letter analyses the Council's activities over the following areas:
- The council's direction of travel report
 - Evidence of the council improving outcomes
 - The council's plans to sustain future improvement
 - Service inspections particularly assessments by Ofsted, CSCI and Benefit Fraud Inspectorate
 - Financial management and value for money.
- 3.2 Key issues arising include:
- The Audit Commission judge the council to have retained its 3 star status and to be improving adequately
 - The council has good strategic plans for improvement with good capacity to improve services
 - The council has responded positively to the recommendations of the 2006 Joint Area Review of children's services, and in particular the outcomes for children staying safe have improved
 - Good outcomes are achieved for adults in social care
 - A maximum score has been achieved for the assessment of housing benefit
 - The appointed auditor has issued an unqualified opinion on the council's accounts
 - Value for money arrangements are viewed as adequate
 - The council scored 3 out of 4 for its use of resources
 - There were some instances where accounting practice did not comply with expected good standards
 - Whilst housing management performance was judged as good, there are weaknesses in community housing (an inspection report on the council's strategic housing service will be published in June and will be covered in next year's audit and inspection letter)
 - Whilst there have been improvements in performance management and risk management these need to be further embedded and consistently applied.
- 3.3 The letter identifies specific action for the council:
- Maintain focus on improving performance management and ensuring it is consistently applied, in particular so weaker performance is identified and rectified
 - Continue to embed the approach to risk management
 - Improve links between financial and performance information
 - Implement recommendations from external inspections by CSCI and Ofsted.

4. Advice and analysis

4.1 The council welcomes external comment as a driver for improvement. The following paragraphs comment on our progress to date and future plans in the areas for improvement identified in the audit and inspection letter.

4.2 Performance management

The Audit Commission has recognised that the council has good systems in place but these are not being consistently applied. The reorganisation of the council strengthened the corporate capacity to coordinate and lead the council's approach to performance management. It has formally been placed in the remit of the Assistant Director for Communications, Performance and Partnerships. With resources (currently vacant) moved from directorates, performance manager posts are being created to support and challenge performance management and improvement across all areas. These will be centrally managed but will work in and alongside directorates and teams to ensure managers retain accountability for their own performance. These posts will also manage relevant management information posts to ensure the council is making best use of data to drive improvement. The posts are covered in the recruitment freeze report elsewhere on this agenda.

A computer system is being purchased to allow all managers to have instant access to performance and risk data. This will also make comparative analysis easier to carry out and will support the development of a more sophisticated analysis of the impact changes in spending have on performance.

The council's financial and service planning and monitoring timescales are being revised to ensure they run together. This has been helped by the relaxation of the requirement to produce a best value performance plan by 30 June. We will in future develop a corporate plan in tandem with the financial strategy – those key documents then leading the planning and budgeting cycle.

4.3 Risk management

The council has held risk management training for managers and members. Both were well received. The corporate risk register has been reviewed with mitigation plans in place for all risks. The revised register has been reported to Business Support Overview and Scrutiny Committee who will monitor mitigation plans on an exception basis as part of future performance management reports. All managers maintain risk registers for their service as part of their service plan. The strategic risk group under the chairmanship of the Director of Regeneration, Community and Culture continues to oversee the ongoing development and implementation of the council's approach to risk management.

As part of the role out of the council's second local area agreement, risk management with partners will be a fundamental part of action planning to deliver the LAA targets.

4.4 Accounting practice

As in previous years, Medway Council has been given an unqualified audit opinion on the 2006/2007 Statement of Accounts by our external auditors, PricewaterhouseCoopers (PWC). However, in reviewing the accounts PWC did, again, indicate that Medway did not comply with expected accounting practice as certain items of expenditure e.g. payroll expenses and audit fees were not accrued into the correct accounting period.

In considering the audit report on the Statement of Accounts last September, Members agreed to the continuance of current policies. However we are now compliant in respect of audit fees following the engagement of PKF as our external auditors from 2007/2008 who have revised billing arrangements.

4.5 Value for money

We have continued to provide Value for money for the residents of Medway with the continuance of a score 3 in 2007 even with the performance measurement process being toughened up under “CPA – A harder test”. Medway continues to provide good quality services at a low price by setting the third lowest Council Tax of any unitary authority in England in 2008. When compared against our direct neighbours in Kent, Medway’s Council Tax is set on average £148.56 lower than other Kent authorities and £109.21 lower than the next lowest authority in Kent. This is further evidence of our continued provision of Value for Money.

4.6 Strategic Housing

The Council accepts that we need to improve our housing services to ensure that they reach a consistently high standard. We are working hard to deliver improvements and to ensure the needs of our customers are met. The Cabinet will be receiving the Audit Commission report on Strategic Housing on 15 July 2008, together with the improvement plan, which will be implementing to strengthen our service.

4.7 Children staying safe

Performance has continued to improve in this area. There have been significant improvements in the timeliness of assessments. The integrated area teams are fully functioning. Introduction of the common assessment framework and ContactPoint (the system holding information on all Medway children) is on track. The recommended improvements to the Medway Safeguarding Children’s Board have been put in place, with new procedures established. The Board has a business plan in place for the coming year, with key strategic priorities which include supporting all agencies to reduce domestic violence and its impact.

Services to looked after children are improving with a significant increase in the number of LAC reviews completed on time – now at 93%. The involvement of young people in their reviews has also increased. In the coming year we will target further improvement on the educational attainment

of looked after children.

The Corporate Parenting Group has been reformed. A new strategic group is to be formed to ensure implementation of the care matters agenda for looked after children.

Progress has been made on developing a more preventative approach – to reduce the number of children and young people who need to come into the care system. Family conferencing has been piloted and will be extended in the coming year to support early intervention for children on the edge of care.

4.8 Adult social care

Good progress has been made on making sure that *carers* have an assessment of need in their own right. Numbers of carers assessments completed during 07/08 are in excess of four times those completed in 06/07. A carers strategy has been developed, and has been finalised following significant consultation with carers representing all service user groups. There is also a strong trajectory of improvement in terms of the numbers of service users electing to take *direct payments* as an alternative to care managed packages of care. Increased numbers are particularly strong in physical disability services, including among people with sensory loss, but also in the learning disability service. We are confident that our outturn of the number of *adults with learning disabilities helped to live at home* will also have increased, as we feel that the disappointing outturn for 06/07 was more about data quality than poor practice. Issues around embedding the new electronic social care record have been addressed during 07/08.

5. **Financial and legal implications**

5.1 There are no legal and financial implications arising from this report.

6. **Recommendations**

6.1 The Cabinet recommends to the Audit Committee the annual audit and inspection letter for acceptance.

Lead officer contact

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Background papers

Annual Audit and Inspection Letter 2006/7 attached at appendix 1.

Annual Audit and Inspection Letter

May 2008



Annual Audit and Inspection Letter

Medway Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

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- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- 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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Key messages

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions of the audit of the Council, from assessments carried out by other regulators, 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 This report is addressed to the Council. In particular it has been written for councillors, but is also available as a public document for stakeholders, including the public served by the Council.
- 3 Overall, the Commission has judged the Council to be improving adequately. The Council is making progress in achieving its priorities. It has improved customer access and performs well on regeneration, and combating deprivation. It has sustained improvement in adults' social care, and has improved outcomes for children's safety. The Council is delivering more affordable housing, but there are some weaknesses in community housing services. Environmental performance including recycling has improved but levels of waste collected are above average. The Council is making travel easier around Medway. Performance in reducing crime is mixed, with good improvement in reducing violence in the night-time economy. It delivers good value for money on most services. Based on a national basket of indicators the overall rate of improvement is average.
- 4 The Council is developing good strategic plans for improvement. It now has clearer priorities. Improvement plans are being well implemented and objectives achieved. The Council has improved performance management and is successful in securing external funding, but its approach to risk management is not yet fully effective. Its capacity to improve key services is good.
- 5 Your appointed auditor has issued an unqualified opinion on your accounts for 2006/07 and a conclusion on your value for money (vfm) arrangements to say that these were adequate at October 2007.
- 6 The Council has maintained a sound financial regime and achieved an overall score of 3 out of 4 for its use of resources. The Council has made some progress on managing and improving value for money since the last assessment but needs to continue to improve the links between financial and performance information.

Action needed by the Council

- 7 The Council should maintain focus on improving its performance management system, making sure that this is applied rigorously and consistently across services, in particular so that areas of weaker performance are identified and rectified, with improved outcomes for local people.
- 8 Implement the recommendations for service improvement arising from external assessments, including CSCI and Ofsted.

- 9 Ensure that its approach to risk management is implemented and applied consistently across the Council.
- 10 Improve the links between financial and performance information as part of its overall approach to improving value for money and to ensure that that outcomes expected and delivered by additional investment can be demonstrated more clearly.

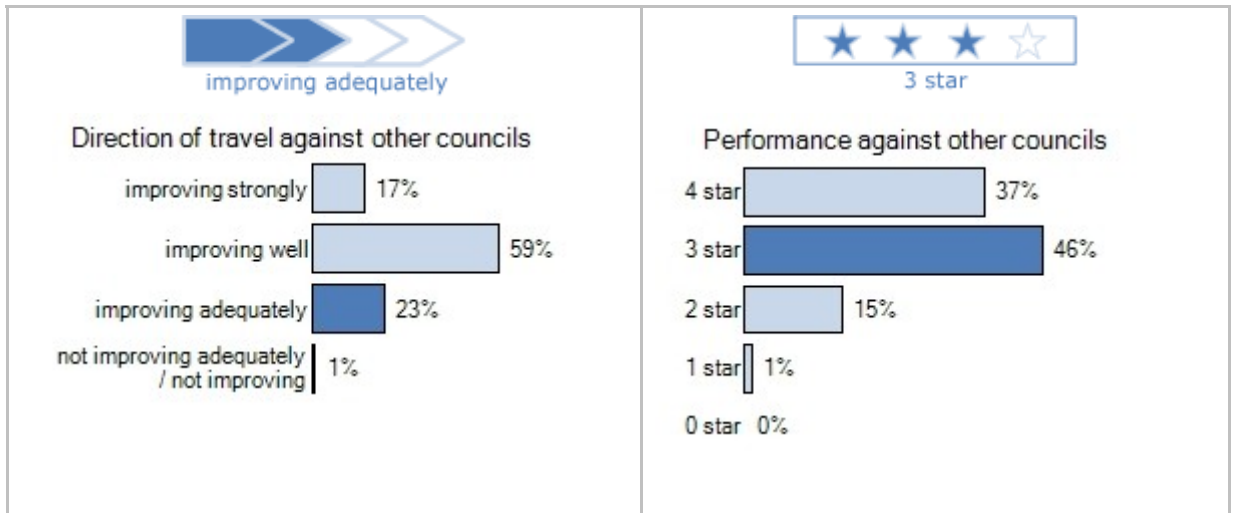
Purpose, responsibilities and scope

- 11 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 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 12 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 13 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk.
- 14 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 15 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.
- 16 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

How is Medway Council performing?

- 17 The Audit Commission’s overall judgement is that Medway Council is improving adequately and we have classified Medway Council as three-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1



Source: Audit Commission

18 The detailed assessment for Medway Council is as follows.

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	3 star
Corporate assessment/capacity to improve	3 out of 4
Current performance	
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
Benefits	4 out of 4

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

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 19 Medway is making progress on its key priorities. Performance on improvement across a range of measures is average when compared to similar councils. Based on a basket of performance indicators (PIs) the Council showed improvement in 58 per cent, compared with the average for single tier councils of between 61 to 63 per cent since 2005/06. The proportion of PIs where the Council is performing in the best quartile is 24 per cent; the average for similar councils is 29 per cent.
- 20 Overall the Council is achieving improved customer satisfaction. Satisfaction with the Council overall has improved marginally since 2003/04, placing the Council just below average in comparison with other councils. At service level, satisfaction rates with key priorities such as waste collection and recycling 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 putting this in the lowest 25 per cent of councils. The Council's own opinion poll of residents carried out by independent researchers shows a more positive picture, with overall satisfaction up by eight per cent to 65 per cent and an increase of eight percent on how well informed people feel taking that to 63 per cent.
- 21 Services provided for children and young people are adequate overall and are having a positive impact on improving outcomes. The 2007 Annual Performance Assessment of Services for Children and Young People assessed the Council at grade 2 out of 4. It found that the Council has responded positively to the recommendations raised in the 2006 joint area review report. In particular, the outcomes for staying safe have improved. The Council's contribution to this aspect is now adequate and improving. There is clear evidence that the Council has introduced radical changes to the management of social care services for children and young people and these are beginning to have a beneficial effect on outcomes. The contribution the Council makes towards improving outcomes for enjoying and achieving and economic well-being remains good. The judgement relating to making a positive contribution remains adequate as is the contribution towards being healthy. The Council, together with its partners, has laid secure foundations to increase integrated working and has appropriate plans to ensure further service improvements.

- 22 The Council is performing well in regeneration and has achieved much in promoting economic and social regeneration. The Council has appointed the developer for the first phase of development on Rochester Riverside; consulted on three master plans for the next phase of development in Chatham; and has adopted development briefs for Temple Waterfront and Strood Riverside sites, and a development framework for Gillingham town centre. The Council has taken forward its Olympic ambitions to be a regional centre of sporting excellence by securing £8m external funding for the redevelopment of the Black Lion Leisure complex and has established an elite athlete support programme with the University of Kent at Medway to support Medway's potential Olympians for 2012. It will also host the Modern Pentathlon Games in 2010. It has expanded its package of grants and free advice for growing local businesses and has attracted over £4million external funding to help its most disadvantaged neighbourhoods, with 17 new community training projects underway. The Council has opened the first phase of the Medway Innovation Centre, with 40 per cent occupancy. Notwithstanding this investment, adult skills levels remain below national and regional averages and average earnings are below the regional level. Average male earnings are lower than both the south east and national figures. The Council is in the process of consulting on a social regeneration strategy and is negotiating a response to the planning inspector's findings to complete the preparation of its local development framework.
- 23 Housing management performance is good, the Council is delivering more affordable and student housing, but there are some weaknesses in community housing services. Audited figures show the percentage of local authority homes which were non-decent to be worse than average, at 36 per cent. However recent information shows a marked improvement, with 9 per cent of the authority's housing stock being non-decent in January 2008. The Council is investing £4 million capital funding to ensure that 100 per cent of the stock meets the Decent Homes Standard by 2009/10. The Council delivers comparatively high numbers of affordable homes, but the number delivered dropped by 30 per cent since 2005/06. While homelessness acceptances have fallen at a faster rate than average, homeless households still spend longer than average in temporary accommodation. Progress on raising standards of private sector housing is below average.

- 24 Performance in reducing crime is mixed, with good improvement in reducing violence in the night-time economy. Recorded crime shows that between April – September 2007 there has been a 21 per cent reduction in violent crime in the night time economy compared to the same period for the previous year. However audited data for 2005/06 shows the level of crime is not reducing in relation to; robberies, motor vehicle crime, violent crime and sexual offences. Although fear of crime in Medway remains high in comparison with other areas in Kent in 2006/7, the Council has made progress increasing the number of people who feel safe at night to 70 per cent in 2005/06 and 95 per cent in 2007. The Safer Medway Partnership links over 160 businesses in the day and night time economy to a CCTV centre, this control centre has provided evidence leading to over 970 arrests. The Council has established 25 Partners and Communities Together (PACT) groups integrating Community Safety and Street Team wardens with police staff to combat antisocial behaviour on a neighbourhood basis. The Council is also introducing alcohol control zones in hot spot areas, such as in the centre of Chatham. Partnership working with the police is constructive, for example, joint working to control the sex trade has led to over 100 prosecutions for various criminal offences. The Council has reformed the multi agency community cohesion group to promote positive relations - including supporting the first Islamic festival in Medway. The Council has a number of community safety initiatives in place some of which have yet to make an impact.
- 25 The Council provides good outcomes for adult social care. It demonstrates good joint working with Health partners and other relevant agencies. There has been a significant increase in the number of intermediate care services and an increase in the take up of assistive technology. The level of intensive home care is better than the average for other similar councils. The Council actively seeks ongoing feedback from most people who use services and carers and action is being taken to increase take up of services from under represented groups. The Council has a range of access points and mechanisms for initial assessments. Preventive services result in almost all people who receive support from them having to pay less for care over time. The Council makes sure that most internal front line staff are aware of how to identify vulnerable adults and respond appropriately to concerns. However, while Direct Payments, self directed payment for services, have increased they are below the average for other similar councils. The number of adults with learning disabilities helped to live at home is below average and while services for Carers has improved it remains lower than the average and the overall rate of delayed transfers of care has deteriorated in 2006/07, although this was in the main attributable to the NHS rather than social care. Figures for 2007/08 show delayed discharges attributable to social care to be low. The Council's overall impact on adult social care is positive.

- 26 The Council is making it easier and safer to travel in Medway. The Council achieved a 'satisfactory' rating for delivery of its first Local Transport Plan as assessed by the Department for Transport. Its current plan is rated as 'fair'. The number of passengers on local bus service has increased to almost 9 million in 2006/07, above the Council's own target of 8.6 million. A programme to install CCTV cameras on all 114 Arriva buses based at Gillingham depot is underway. The condition of principal roads is above average though has deteriorated since last year. Although improving slightly in the past year, public satisfaction with the condition of roads and pavements remains low. The number of people killed or seriously injured in the road is better than average and improving since last year. In 2007 the Council invested £250,000 in a half price bus fare scheme for young people up to the age of 16 in Medway travelling to and from school. Park and ride is developing, a second scheme was given planning permission in 2007. The Council is putting in place key building blocks to make travel safer and easier across Medway.
- 27 Environmental performance including recycling has improved but levels of waste collected are above average. Recycling and composting rates are high, currently at 37.5 per cent, and exceed national targets. Satisfaction with waste collection and disposal and recycling is also high. But, levels of household waste collected per head are worse than average and there has been no change from last year. While cost of waste collection is better than average and improving, cost of waste disposal is worse than average but is improving. Time taken to process planning applications has improved from last year but from a low base. All government targets for dealing with planning applications are being met. The Council agreed a sustainability strategy in January 2007 and introduced a number of physical carbon reduction measures, for example, installation of automatic pool covers at two of its leisure centres. These steps are assisting the Council to deliver a clean and green environment.
- 28 The Council has made significant progress in improving customer access. The Council's Customer First service won the 2007 Public Private Partnerships Programme award for excellence, has achieved Charter Mark status and it has opened an additional local face-to-face Contact Point in Strood, a joint initiative with Kent Police, completing the network of 5 high street Contact Points across the area. The Council has consistently achieved the 80 per cent 'one and done' target for calls handled by the Contact Centre and its Benefits Service achieved an excellent rating in 2007. The Council is presently at Level 2 of the Local Government Equality Standard. It is currently working towards Level 3 performance. It has taken action through training to address poor performance on handling of Ombudsman complaints and low satisfaction with complaints handling.
- 29 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?

- 30** The Council has good strategic plans to guide improvement in most areas. Following the election in 2007, the administration reviewed the Council's priorities. It now has six strategic priorities, supported by two core values. These have been informed by customer feedback, including the citizens' panel, and external judgements. In March 2007 the Council, on behalf of the LSP, signed off its first local area agreement. Working with the government office, the Council has agreed ambitious targets to achieve better outcomes for children and young people. There have been considerable efforts to ascertain the views of children and young people and to ensure that their views and concerns are taken seriously in the decision-making process. The Council is rightly moving its priorities for action from remedial work in the direction of prevention and is aligning its resources to match those priorities. In adult social care, the Council, with health partners, has an analysis of need of most groups in the population and a strategic commissioning plan that links investment to activity supported by robust financial management. It has a track record of competently managing its social care budgets. The Council is presently working on plans to complete the preparation of its local development framework after some delays.
- 31** CPA improvement planning is being well implemented and key objectives are being achieved. The Council has taken effective action to address the areas for development identified in the 2006 Corporate Assessment. The review of the 2006 children and young people's plan shows that progress is being made across all five outcome areas. The Council has tackled with vigour and determination the shortcomings, especially in social care, and ensured that they now meet the minimum standards. This has involved a focused and rigorous scrutiny of performance. A full review of the Medway LSP including its structure and fitness for purpose took place in 2007. The new structure will be implemented in January 2008. The creation of the LAA Data Room, a performance reporting tool, in summer 2006 has enabled performance information on LAA implementation to be collected from a range of stakeholder organisations who are contributing collectively to Medway's LAA. The Council is on target to achieve in full 22 out of 28 LPSA targets, with a further three projected to achieve at least 60 per cent of the stretch target. Negotiation of the new style LAA is on track and Medway and Kent are exploring the possibility of a North Kent MAA.
- 32** The Council's approach to risk management has yet to be fully embedded across the Council but positive progress is being made. The Council has been using a new methodology to identify strategic risks which is being cascaded through the organisation. It is undertaking a programme of training and review to ensure that corporate standards are fully understood and implemented consistently across the organisation.

- 33 The Council uses its existing capacity effectively and is building future capacity. The Council has revised its approach to performance management and monitoring, devising a new format for quarterly reporting and a new basket of critical success factors to bring together all dimensions of service quality and financial performance. The Council faces significant pressure on its finances and its human resources, but is successful in securing external funding to support delivery of its plans. In 2006/07 the Council supported the development of 122 Medway community based proposals helping to secure in excess of £4.8 million. The Council's capacity to improve its services for children and young people is good. Its management of services is becoming stronger. There is effective senior leadership and good corporate support for improving children's services provision. Partnership working is strengthening. The 2007 Annual Performance Assessment of Adult Social Care Services also found the Council's capacity to improve as promising.
- 34 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 effective and has an appropriate profile. It has an independent chairman and a majority of independent members. The code of conduct is clearly linked to key legislation underpinning ethical practice.

Service inspections

- 35 An Audit Commission inspection of the Council's strategic housing work, carried out in February/March 2008 will be published separately in May 2008. The report will be available on the Commission's website, as well as the Council's. A summary of the inspection findings will be included in next year's letter, and the Council's response reported as part of our Direction of Travel assessment.
- 36 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.
- 37 The Annual Performance Assessment of services for children and young people was issued by Ofsted in November 2007. It concluded that the services provided for children and young people by Medway Council are adequate overall and are having a positive impact on improving outcomes for children and young people. This resulted in the award of a Grade 2 for the overall effectiveness of children's services. This translates to a CPA score of 2, as shown in Table 1 above. More details of the assessment are contained in paragraph 22 above.

- 38** The Commission for Social Care Inspection issued its Annual Performance Assessment of social care services for adults in November 2007. Details of the assessment are included at paragraph 26. Overall, it assessed the Council as providing good outcomes, with its capacity for improvement judged to be promising. This resulted in an overall performance rating of two stars. In CPA terms, this translates to the score of 3 shown in Table 1 above - the CPA scorecard.
- 39** The Benefit Fraud Inspectorate assessment, provided for CPA reporting, assessed the Council as excellent in terms of performance standards, translating into a CPA score of 4. This is shown in Table 1 above. The Council's most recent self-assessment showed that it achieved a rating of excellent against 9 of the 13 performance measures scored by the Department.
- 40** The Council had improved performance against 5 of the 6 Claims Administration performance measures. Several initiatives to improve benefits processes and procedures had been implemented during the year, including an upgrade of its document imaging process system, interventions targeting and the updating of procedure notes for staff. It remained committed to improving the skills and knowledge of its workforce and had carried out a significant programme of training for benefits staff.
- 41** The Council had exceeded both its interventions and visits targets in 2006/07 and applied 72 sanctions during the year, slightly lower than the 81 sanctions applied in 2005/06. It had increased the level of resources allocated to appeals and re-considerations and performance had significantly improved in this area of work.

The audit of the accounts and value for money

- 42 Your appointed auditor has reported separately to the Audit Committee on the issues arising from the 2006/07 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 27 October 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 43 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).
- 44 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 2

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)

The key issues arising from the audit

- 45 The Council again achieved its timetable for the accounts and coped reasonably well with the extensive changes to the format of the accounts introduced for 2006/07. As in the previous year, there were adjustments to the draft accounts, particularly in relation to capital accounting. There are continuing accounting practices which, although the amounts involved are not material, do not comply with the expected accounting standards.
- 46 The Council has maintained a sound financial management regime. The Council has comprehensive budget setting and monitoring procedures in place and the medium term planning process is designed to match finances to spending priorities.
- 47 The Authority has historically managed to meet its budget for the year. However, despite a continuing drive on efficiency and re-prioritisation, pressure on demand led budgets and the need to invest in new commitments, have led to revenue reserves falling over time, with just the £7m general fund balance and £3m general reserve being available at year end as unrestricted reserves.
- 48 Looking forward, the Council is facing significant financial pressures and challenges and will need to more radically challenge existing spending and planned priorities to ensure that the medium term financial plan continues to be soundly based.
- 49 The Council has strengthened its risk management processes in the past year with a programme to embed risk management across the authority. Internal control continues to be sound.
- 50 The Council continues to be a low spending authority overall and has comparatively low levels of council tax. The Council has made some progress on managing and improving value for money since the last assessment but needs to continue to improve the links between financial and performance information to ensure that the outcomes expected and delivered by additional investment can be demonstrated more clearly.

Additional services

- 51 No additional services work was carried out during 2006/07.

Looking ahead

- 52 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.
- 53 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate 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.
- 54 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

Closing remarks

- 55 This letter has been discussed and agreed with the Leader and Chief Executive. A copy of the letter will be presented at the audit committee on 26 June 2008. Copies need to be provided to all Council members.
- 56 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Annual Governance Report	[month] 2007
Opinion on financial statements	October 2007
Value for money conclusion	October 2007
[Final accounts memorandum	[month] 2007
Inspection Report(s) issued since last AAIL, including any Corporate Assessment Report	None
Annual audit and inspection letter	April 2008

- 57 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

- 58 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

May 2008

