

AUDIT COMMITTEE

21 DECEMBER 2010

ANNUAL AUDIT LETTER 2009/2010

Report from: Mick Hayward, Chief Finance Officer

Author: Mick Hayward, Chief Finance Officer

Summary

This report and attachment presents the work carried out by PKF, our external auditors in respect of the 2009/2010 financial year. The report is presented to this committee to comply with governance requirements.

1. Budget and Policy Framework

- 1.1 In accordance with the terms of reference, receipt of the annual audit letter (the letter) is a matter for this committee.
- 1.2 Cabinet will have received the letter at their meeting earlier on in the day and any comments will be reported verbally.

2. Background

- 2.1 Independent external auditors are responsible for preparing an annual audit letter for all councils. This letter covers predominantly the financial year 2009/2010, but some references are made to progress in 2010 to give a more up to date picture given the time lag between end of the financial year and the publication of this letter.
- 2.2 The letter summarises the key issues arising from the work PKF have carried out during the year and relates to their responsibilities in both Finance and Governance matters. In previous years this letter would also have reflected the result of the Use of Resources component of the Performance Assessment but this has now ceased to exist albeit most of the work had been concluded and the report from PKF does use these conclusion.
- 2.3 The annual audit letter for 2009/2010, produced by PKF, is attached as Appendix 1 to this report.

3. Key Findings

- 3.1 PKF issued an unqualified opinion on the 2009/2010 Statement of Accounts on 7 October 2010. The accounts, which were considered by this committee on 28 September, had been adjusted to reflect a number of technical amendments relating to the treatment of fixed assets. This amendment to the accounts had no effect on the overall surplus or the General Fund balance.
- 3.2 PKF have also issued an unqualified value for money conclusion and are satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- 3.3 The letter also comments that the Council has made good progress in implementing the improvement plan following the use of resources review in 2009.
- 3.4 The key findings from PKF's work are explained in more detail in the attached appendix.

4. Financial and Legal Implications

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

5. Risk Management

- 5.1 As the majority of the letter relates to activities of the Council during 2009/2010 no risks are identified. However, value for money is one of the two core values for the Council and, in an ever more demanding financial environment, is of prime importance in ensuring that service delivery remains as effective as the letter portrays.

6. Recommendation

- 6.1 That the Audit Committee accepts the annual audit letter for 2009/2010.

Background papers:

The annual audit letter 2009/2010.

Lead Officer Contact:

Mick Hayward: Chief Finance Officer

Telephone: (01634) 332220

Email: mick.hayward@medway.gov.uk



Accountants &
business advisers

Medway Council

Annual Audit Letter 2009/10

Report to Members

December 2010

Contents

1	Executive summary	1
2	Introduction.....	3
3	Key findings.....	4

Appendices

Reports issued in relation to the 2009/10 audit

Progress towards priorities and action taken to improve performance

<http://www.pkf.co.uk>

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are 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.

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/codelocalgov.aspx>

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/statementresponsibilities.aspx>

1 Executive summary

- 1.1 This Annual Audit Letter summarises the key issues arising from the work we have carried out during the year.
- 1.2 We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in the Appendix to this report. The Council is currently implementing recommendations we made following our audit of the 2009/10 accounts to ensure the fixed asset register is fully maintained in accordance with its policies. While we have no additional recommendations at this time, the Council is dealing with a difficult financial outlook and is currently reviewing its priorities and assessing its financial resilience. We will continue to report on the Council's progress with this challenging agenda.
- 1.3 The Council achieved its financial plans in the year and reported an underspend of £2.2 million as at 31 March 2010, enabling the level of the general fund balance to be increased to the benchmark level of £10 million. However, the Chief Finance Officer has highlighted the total amount of general balances and reserves available (£17.1 million) will require careful management given the significant financial risks and uncertainties the Council is facing. The level of general reserves is expected to reduce further to achieve the Council's expenditure plans in 2010/11. The new Government's emergency budget in June 2010 and the Comprehensive Spending Review in October 2010 have reduced the Council's resource base. In anticipation of a significant reduction in resources, the Council modelled various scenarios for Members to consider. It is continuing to keep the overall financial position in 2010/11 and the medium term financial plan under close review.
- 1.4 The Council reported positive outcomes in the year towards its priorities for a clean and green environment and safer communities as stated in the Council Plan. No performance indicators were reported as 'well behind target' in these priority areas. Action is being taken to improve performance towards targets in the priority areas for 'children and young people having the best start in life' and for 'older and vulnerable people maintaining their independence'. The Council recognises the pace of improvement for certain targets supporting achievement of these priorities needs to increase and action has been taken accordingly. The abolition of the Government's 'Place survey'; Local Area Agreement targets; and national performance indicators provides an opportunity for the Council to review the scope and extent of performance targets necessary to underpin achievement of the Council Plan.
- 1.5 The Council continues to respond positively to the effects of the economic downturn. Ensuring everyone benefits from the regeneration of the area remains a priority and the Council has implemented a number of projects to provide direct assistance to local people over the past 12 months. The Council recognises the future funding for such projects remains uncertain and is continuing to explore options for maintaining its support for local people with the greatest employment and training needs.

Key findings

- 1.6 A summary of key findings and conclusions is included in the table below.

Area	Conclusion
Financial statements	We issued an unqualified opinion on the financial statements. The Council is implementing the recommendations we made to improve further its arrangements for preparing and publishing the accounts and to enhance its systems of internal control.
Value for money conclusion	We issued an unqualified value for money conclusion. The Council has maintained generally effective financial and performance management arrangements and taken action to improve further the value for money it achieves.

Area	Conclusion
Value for money improvement	<p>The Council made good progress in implementing the improvement plan prepared following our use of resources review in 2009. In particular:</p> <ul style="list-style-type: none"> financial management arrangements have improved, enabling financial risks to be managed across demand-led services with underspends being reported by the Adult Social Care and the Regeneration, Community and Culture departments as at 31 March 2010 the value for money framework has developed further, with the successful implementation of a new Performance Management System which has enhanced the scope and quality of information available to decision-makers and to challenge Council performance the Council has found more innovative ways of working with its partners in a difficult economic climate. It is achieving better outcomes for local people through joint working and commissioning of services with the local Primary Care Trust; the establishment of personal care budgets in partnership with Medway Community Healthcare Services and through its work with the local strategic partnership the Council has sustained the improved performance of the Strategic Housing Service, as confirmed by the Audit Commission's re-inspection of the service in February 2010 which judged the service to be 'Good (two star)' with 'Promising' prospects for improvement, a significant improvement on the previous 'Poor (nil star)' judgement action has been taken to review the approach to strategic procurement.

Acknowledgement

- 1.7 We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

2 Introduction

About the Council

- 2.1 Medway is situated in the south east of England, about 35 miles from the centre of London and comprises the five towns of Rochester, Strood, Chatham, Gillingham and Rainham. Designated by the Government as a Thames Gateway growth area, the Council and its partners are involved in a major investment programme to regenerate the area by improving infrastructure; providing wider access to jobs, and improving education and training for local people.
- 2.2 Just over 250,000 people live in the Medway area. The local strategic partnership has set an ambitious vision for the area to be a city 'Rich in Heritage with a Bright Future'. In turn, the Council is working to ensure all people benefit from the significant investment being made in the area. The Council's core values put the customer at the centre of everything it does and it aims to give value for money.
- 2.3 The Council employs about 7,000 people and spends about £690 million annually on services such as education; children's and adult social care; community services; refuse collection and disposal; street cleaning; planning and economic development; environmental health and benefit payments. About £10.5 million of the total budget is spent on managing and maintaining the Council's stock of 3,000 dwellings. A further 7,500 homes are managed by a social housing organisation. Some £63 million was spent on capital projects in the year with further programmes amounting to £128 million planned between 2010/11 and 2013/14. Further information on the activities of the Council is detailed in its annual report, which is publicly available on the Council's website at www.medway.gov.uk.

The purpose of this Letter

- 2.4 The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website at www.medway.gov.uk.

Responsibilities of the auditors and the Council

- 2.5 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 2.6 As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

The scope of our work

- 2.7 Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
- the Council's financial statements
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3 Key findings

Financial statements

- 3.1 We issued an unqualified opinion on the Council's accounts on 7 October 2010. Our opinion confirms the accounts gave a true and fair view of Council's financial affairs as at 31 March 2010 and of its income and expenditure for the year. We were satisfied the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the accounts.
- 3.2 The most significant issue arising from our review of financial systems was the delay in fully implementing the Care Director electronic records system. The system was not in place for the full financial year and we satisfactorily completed substantive audit procedures to verify such balances contained in the 2009/10 accounts.

Key issues arising from the audit

- 3.3 The Council made material amendments to the 2009/10 accounts following its decision to remove all 'voluntary aided' and 'voluntary controlled' schools from its fixed asset register and accounts. This meant the value of schools on the Council's balance sheet reduced by £27.3 million. Our audit plan identified the risk of misstatement as a result of the new requirements specified in the 2009 SORP to account for council tax and non-domestic rate transactions on an agency basis. The Council implemented these changes effectively.

Use of resources

- 3.4 The Code requires us to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. This is known as the "value for money conclusion" and draws on the results of specific risk based audit work.

Focus of our value for money work

- 3.5 The Council made good progress in implementing the improvement plan agreed following our use of resources review in 2009. We ensured the focus of our work in 2010 considered the effectiveness of the action taken; the outcomes achieved and the work the Council should undertake to improve further the value for money secured from the use of resources. In summary:
- financial management arrangements have improved, enabling financial risks to be managed across demand-led services with underspends being reported by the Adult Services and the Regeneration, Community and Cultural Services departments
 - the value for money framework has developed further, with the successful implementation of a new Performance Management System which has enhanced the scope and quality of information available to decision-makers and to challenge Council performance
 - the Council has found more innovative ways of working with its partners in a difficult economic climate, achieving better outcomes for local people. In particular, through joint working and commissioning of services with the local Primary Care Trust and through the local strategic partnership
 - the Council has sustained the improved performance in the Strategic Housing Service, as confirmed by the Audit Commission's re-inspection of the service in February 2010 which judged the service to be 'Good (two star)' with 'Promising' prospects for improvement, a significant improvement on the previous 'Poor (nil star)' judgement.
- 3.6 However, the Council is aware certain procurement and commissioning exercises were not completed efficiently in the year and have not yet secured value for money. Action has been therefore been taken to review the approach to strategic procurement.

Value for money conclusion

- 3.7 We are required to be satisfied proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
- 3.8 In June 2010 the Government announced the abolition of Comprehensive Area Assessment. As a result, the Audit Commission announced changes to its use of resources approach, effective immediately, which included removal of the scored judgements for use of resources assessments in local government bodies. It was still necessary, however, for auditors to complete sufficient use of resources assessment work to support their statutory duty to give a value for money conclusion. In practice, much of the use of resources assessment had already been completed at the time of the announcement, in order to meet the prior deadline of submitting indicative scores to the Audit Commission by 21 April 2010.
- 3.9 From 2010/11, we will give our statutory VFM conclusion based on two criteria specified by the Audit Commission:
- the organisation has proper arrangements in place for securing financial resilience; and
 - the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
- 3.10 Taking into account our work on use of resources, we concluded adequate arrangements are in place to secure value for money and have provided an unqualified value for money conclusion for the year ended 31 March 2010.
- 3.11 In addition to the improvements highlighted at paragraph 3.5, we found the Council has maintained effective arrangements for managing its finances, with clear accountability for delivering financial plans and effective leadership. Expenditure plans and planned efficiency savings were achieved in 2009/10 and a surplus of £2.2 million reported, enabling the Council to increase its general reserves and balances. Following the new Government's emergency budget in June 2010, the Chief Finance Officer highlighted the level of such balances required careful management in the light of the significant risks the Council is facing and work is now underway to address the situation in developing the 2010/11 budget and to update the medium term financial plan.
- 3.12 The annual budget setting process continues to underpin the effective integration of financial and service planning and the assessment of value for money, including benchmarking costs and service performance. The medium term financial strategy in place at the time of our work covered the period 2009 to 2012, and is based on a comprehensive analysis of local needs; Council priorities and expected growth in demand for services. The Council has modelled the effect on its resource base in the lead up to the Government's Comprehensive Spending Review (CSR). A new medium term financial plan was published in September and updated in November 2010 in the light of the CSR.
- 3.13 A key theme of the value for money assessment is the effectiveness of partnership working with other organisations. The Council is tackling the effect of economic downturn, implementing its 10 point plan and the 'REIGNITE' project which aims to assist people into work. With partners, such as local Faith organisations, the Council has led the investment of over £750,000 to benefit the most disadvantaged neighbourhoods in the area.
- 3.14 The Council has updated the Sustainable Community Strategy to harness available information about the area, the services provided by the Council and its partners and consultation with local people and other stakeholders. The Council continues to work effectively with NHS partners towards joint objectives. Positive outcomes in 2009/10 include the work of the learning disability partnership with Autistic Children (and their carers) to design housing accommodation in partnership with the registered social landlord. The Council also exceeded its Local Area Agreement (LAA) target for Social Care clients receiving self directed support (performance was 8.6 per cent compared to the target of seven per cent). At the end of September 2010 further progress has been made (at 14.6 per cent) towards the stretch target of 30 per cent set for the 2010/11 year.

- 3.15 The Children's Care and the Adult Social Care departments work with external partners to enable forward planning of services based on consultation and to develop different ways of providing support services to vulnerable people. For instance, the Council consulted with service users; existing suppliers and partners (such as the local PCT) to understand needs and evaluate service options. New contracts are now in place and the Council has specified the value for money it expects to secure from each service area for vulnerable people. In the special educational needs service, the Council revised transport routes and agreed different vehicle specifications to negotiate savings of £1 million per annum with its external contractor.
- 3.16 The Council has well developed arrangements for managing its people and has published a corporate workforce plan which is monitored for achievement. The Council keeps the overall establishment and workforce skills under review. Training needs are identified in discussion with individual members of staff. Work continues with the Council's partners (such as further education establishments) to extend staff accreditation and qualifications. Seventy social workers have entered into post qualification training and the Council has established a 'grow your own' scheme to develop social workers for hard to fill posts. The Investors in People assessment completed independently in the year concluded the Council has effective arrangements in place for diversity and people management.

Audit of grant claims and other Government returns

- 3.17 In February 2010, we reported the Council's arrangements for preparing grant claims and other returns to Government departments were variable. The Council has taken action to improve the scope and extent of working papers and closing files prepared to support claim balances and to ensure the terms and conditions specified by government departments for grant awarded are fully followed. As at the end of November 2010, one return (the 2011/12 Housing Subsidies Advance claim) was qualified because an inadequate audit trail was maintained to support changes in some tenancy agreements.

Emerging issues

Financial performance and outlook

- 3.18 In 2009/10 the Council planned to spend £693 million and determined a net revenue budget of £188.1 million. The overall financial position was managed well throughout the year and an underspend of £2.2 million was reported as at 31 March 2010. The more significant underspends were reported by the Business Support Department (£1.3 million) Children and Adults directorate (£2.6 million) and the Regeneration, Community and Cultural directorate (£1.1 million). The Council decided to increase the level of the general fund balance to a benchmark level of £10 million and had other general reserves of £7.1 million available as at 31 March 2010.
- 3.19 The Chief Finance Officer has however highlighted the total amount available (£17.1 million) is inadequate given the significant risks and uncertainties the Council must respond to in 2010/11 and over the medium term. A balanced budget has been set for the 2010/11 year and the Council expects to reduce its available general reserves by £3.5 million to achieve its expenditure plans. While the overall financial performance is being managed effectively, the level of the general fund balance and other reserves will need to be kept under close review.
- 3.20 The Housing Revenue Account (HRA) reported a surplus of £824,000 and this was in excess of the planned surplus of £206,000. The working balance has increased to £5.1 million as at 31 March 2010. At the end of September 2010, the Council expects a surplus of £973,000 to be achieved following the Council's decision to reduce the level of housing rent levels.
- 3.21 The Council has a substantial capital programme and this amounted to £71 million in 2009/10. Actual expenditure incurred was lower than planned (£63.4 million) because some delays were incurred in progressing projects mainly in the Regeneration, Community and Culture department. Progress was monitored throughout the year and the forward capital

programme of £128 million remains fully resourced. The Council expects expenditure of £90 million to be incurred in line with its plans for the 2010/11 financial year.

- 3.22 The new Coalition Government's emergency budget in June 2010 resulted in a reduction in resources provided via direct Government Grant and the 2010/11 budget was revised by the Cabinet on 29 July 2010. The Government's announcement meant the net revenue budget requirement of £182.7 million was revised and additional savings of £3 million identified over and above the Council's planned efficiency savings of £16.5 million for the year. The emergency budget also reduced the capital resources available to the Council with a reduction of £1 million towards the Local Transport Plan and a further reduction of £900,000 in Public Service Agreement (PSA) reward grant provided in the year. The Council has reviewed the resourcing of the capital programme over the medium term to ensure it remains affordable.
- 3.23 Work is now underway to address a budget gap of £19.5 million identified for the general fund and a further £2 million identified for expenditure on schools resourced from the Dedicated Schools Grant for the 2011/12 year. All senior managers are reviewing their budgets for further efficiencies and have been set a target for a 25 per cent reduction in budgets by 2014/15. The Council is also working with external consultants to learn lessons from other local authorities to secure improvement in services and more efficient support services (the project is known as achieving 'Better for Less'). The financial outlook is challenging and will continue to require effective management as the medium term plan and the Council's priorities are developed throughout 2011 and beyond.

Progress towards priorities

- 3.24 The Council continues to report progress towards the targets published in the Council Plan and has reviewed and refined the approach to reporting performance against key indicators and planned actions. The Council's quarterly performance reports are comprehensive and enable the Cabinet and Scrutiny Committees to review and challenge reported outcomes. As at 31 March 2010, performance towards 116 key performance indicators was reported with 64 targets achieved (or better), 17 targets not achieved but within an acceptable variance limit and 35 targets not met with improvement action proposed.
- 3.25 The Council reported positive outcomes towards its priorities for a clean and green environment and safer communities in the year. No performance indicators were reported as 'well behind target' in these priority areas. Action is being taken to improve performance towards targets in the priority areas for 'children and young people having the best start in life' and for 'older and vulnerable people maintaining their independence'.
- 3.26 The Council recognises the pace of improvement for certain targets needs to increase. Action has therefore been taken to:
- improve the speed of completion of core assessments for children in social care and to reduce the number of children requiring Child Protection Plans for a second or subsequent time
 - improve the educational attainment of looked after children and other children with special needs
 - review those services provided to Carers and to increase the number of Adults with learning disabilities in employment.
- 3.27 The Council's priority for ensuring everyone in the area benefits from its regeneration requires effective partnership working which the Council can evidence through its progress towards Local Area Agreement objectives and other targets. The Council has nevertheless taken action to further improve:
- its performance towards Housing repairs and maintenance targets and to reduce the average time taken to re-let council dwellings
 - the speed of determining entitlement to benefit; homelessness applications and reducing the number of households in temporary accommodation.

- 3.28 Appendix 2 provides further details about the action taken by the Council to improve its performance in priority areas.

Current economic climate

- 3.29 The Council continues to respond to the effects of the economic downturn. Ensuring everyone benefits from the regeneration of the area remains a priority and the Council has implemented a number of projects designed to provide direct assistance to local people over the past 12 months. Positive outcomes include the award of 20 start-up grants to local people in the first quarter of 2010/11; the successful development of the Medway Innovation Centre with an occupancy rate of 81 per cent in June 2010; the establishment of 50 apprenticeship posts within the Council and work with private sector partners to increase the number of such apprenticeships available across Medway.
- 3.30 The Council has used specific government grant to develop the 'REIGNITE' project which is supporting 150 people from the most deprived wards in Medway back into work. The Council recognises the future funding for such projects remains uncertain and is continuing to explore options for maintaining its support for those local people with the greatest needs.
- 3.31 In the lead up to the Government's Comprehensive Spending Review on 20 October 2010, officers modelled various scenarios in the medium term financial plan for Members to review involving a reduction in available general fund grant and dedicated schools grant of between 15 per cent and 25 per cent. The Council is rising to the challenge of working within a reduced resource base and is undertaking a review of all its activities to ensure planned efficiency savings are secured. Work is also underway to identify the projects and further action necessary to develop and publish a streamlined Council Plan based on Medway's priorities and consultation with residents and strategic partners. The abolition of the Government's 'Place survey'; Local Area Agreement targets; and national performance indicators provides an opportunity for the Council to review the scope and extent of performance information necessary to support achievement of the Council Plan.

Treasury management

- 3.32 Following the collapse of the Icelandic banks in October 2008, the Audit Commission conducted a study to examine treasury management arrangements in local authorities. The resulting report *Risk and Return* was published in March 2009 and the Communities and Local Government Select Committee also made a series of recommendations in its report *Local Authority Investment* published in June 2009. In the light of both of these documents, CIPFA revised the *Treasury Management in Public Services: Code of Practice (Second edition 2009)* and specified the minimum level of arrangements local authorities should establish.
- 3.33 The Council adopted CIPFA's Code of Practice on Treasury Management on 25 February 2010. It also updated the annual Treasury Management strategy to fully comply with guidance published by the Department for Communities and Local Government. Performance against the Council's Prudential Indicators was reported throughout the year, with no breaches arising. The Cabinet and the Audit Committee reviewed the 2009/10 Treasury Management outturn report and noted the historically low interest rates being earned on investments and the Council's decision to repay existing debt and to defer any decision on entering into new borrowing throughout 2009/10. Consequently, the level of debt outstanding decreased by £50 million to £202 million and the level of investments also reduced from £134 million to £89 million. The achievement of the Council's Treasury Management strategy is monitored every six months by the Cabinet with the latest report published on 30 November 2010. The Council's treasury management arrangements remain effective and underpin achievement of annual and medium term financial plans.

Members' allowances

- 3.34 The Local Authorities (Members' Allowances) (England) Regulations 2003 include a requirement for Councils to publish amounts paid to each Member for different types of allowances each year. As in previous years, and in accordance with the SORP, the Council included the total amounts paid to Members in 2009/10 in a note to the financial statements, highlighting more detailed disclosures are available on Medway's website. It is not a requirement of the Members' allowances regulations to disclose amounts paid to each Member in the financial statements, however in light of the recent publicity surrounding MPs' expenses, the Council may wish to make such disclosures more transparent and consider including such information in the financial statements in future.

International Financial Reporting Standards (IFRS)

- 3.35 The Audit Commission updated its Local Government IFRS preparedness survey in a discussion paper published in October 2010. Our overall assessment rated the Council's preparedness as 'amber', with only minor issues requiring attention in the lead up to producing IFRS compliant accounts as at 31 March 2011. The Council needs to fully complete its review of non-current assets for inclusion in the balance sheet; ensure all leases are reviewed in accordance with IFRIC 4 ('Determining Whether an Arrangement Contains a Lease'); and identify all employee benefits including teachers holiday pay to ensure it is fully prepared for IFRS implementation. The Council is looking to produce restated 2009/10 accounts by 31 December 2010 for audit review.

Appendix 1: Reports issued in relation to the 2009/10 audit

Report	Date Issued
Audit plan	December 2009
Annual governance report	September 2010

Appendix 2

Progress towards priorities and action taken to improve performance

Indicator	Performance 2009/10	Council comment
Performance and action taken to improve the speed of completion of core assessments for children in social care and to reduce the number of children requiring Child Protection Plans for a second or subsequent time		
NI 67 Percentage of child protection cases which were reviewed within required timescales	Target: 100% Actual: 93.9%	Actual number of late cases is low (11 cases). There has been significant increase in caseload in the year. Additional post created to assist in improving performance.
NI 60 Percentage of core assessments for children's social care carried out within 35 working days of their commencement (LAA)	Target: 79% Actual: 70.6%	Reorganisation of the assessment team boundaries is improving performance. There has been a sustained increase in workload and some difficulty in recruiting to new posts. Indicator is being monitored closely.
NI 65 Percentage of children becoming the subject of Child Protection Plan for a second or subsequent time (LAA)	Target: 14% Actual: 18%	Performance of 18% involves re-registrations of 45 children. Comparison with other authorities shows this is a particularly volatile indicator. No children were removed from plans prematurely.
Performance and action taken to improve the educational attainment of looked after children and other children with special needs		
NI 100 Looked after children reaching level 4 in mathematics at Key Stage 2 (LAA).	Target: 56% Actual: 25%	Target was set for a cohort of 18 children, the actual cohort taking the tests was only 8 children, with a significant proportion having complex SEN needs. 88% of the group made at least 2 levels of progress between KS1 and KS2.
NI 101 Looked after children achieving 5 A*-C GCSEs (or equivalent) at Key Stage 4 (including English and mathematics) (LAA).	Target: 25.9% Actual: 12.9%	The cohort has changed since the targets were set. One third of the cohort had high absence.
NI 104 The Special Educational Needs (SEN)/non-SEN gap – achieving Key Stage 2 English and Maths threshold	Target: 48% Actual: 50.8%	Gap between the SEN group and the rest at KS2 closed by one percentage point during the year and was better than both national and the South East regional figure and ranked fourth against statistical neighbours.
NI 105 The Special Educational Needs (SEN)/non-SEN gap – achieving 5 A*- C GCSE including English and Maths.	Target: 46.2% Actual: 48.8%	The KS4 SEN gap increased by 1.4 percentage points but remains one percentage point better than the SE average. The increase was due to under attainment by SEN pupils in one consortium.
NI 99 Looked after children reaching level 4 in English at Key Stage 2 (LAA)	Target: 56% Actual: 37.5%	Target was set for a cohort of 18 children, actual cohort taking tests was only 8, with a significant proportion of the 8 having complex SEN needs. All the children made at least 2 levels of progress between KS1 and KS2.

Indicator	Performance 2009/10	Council comment
Performance and action taken to improve those services provided to Carers and to increase the number of Adults with learning disabilities in employment.		
NI 135 Carers receiving needs assessment or review and a specific carer's service, or advice and information	Target: 15% Actual: 8.1%	Lead officer identified to champion increase of carers assessments.
NI 146 Adults with learning disabilities in employment	Target: 3% Actual: 2.6%	Departmental structure being reviewed.
Performance and action taken to improve performance towards Housing repairs and maintenance targets and to reduce the average time taken to re-let council dwellings		
H5 Average time for non-urgent repairs (days)	Target: 12 days Actual: 17.7 days	Over 91% of non-urgent repairs completed within the time period. The high number of urgent and emergency repairs (half of all repairs completed) has adversely affected the average time taken to complete non-urgent repairs. Action plan implemented to ensure that any inspections required prior to works commencing do not compromise the overall time to complete the repair.
H8 Average time taken to re-let council dwellings (days)	Target: 21 days Actual: 31.3 days	60 additional properties re-let in the year. Action underway to improve void turnaround time further.
Performance and action the Council is taking to improve the speed of determining entitlement to benefit; homelessness applications and reducing the number of households in temporary accommodation.		
HC1 Homelessness decision cases decided within 33 working days	Target: 90% Actual: 71.85%	New processes and procedures implemented including weekly monitoring, 100% audit checks and case reviews.
NI 156 Number of households living in temporary accommodation	Target: 100 Actual: 120	The Council has already met and exceeded the Government target of reducing the number of households in TA by 2010 by 50% based on those in TA as at 31 December 2004 in Medway.
NI 181 Time taken to process Housing Benefit/Council Tax Benefit new claims and change events	Target: 17 days Actual: 23.2 days	A 13% increase in caseload due to the impact of the recession placed great pressures on the performance outturn. Performance improved final six months of year.
Social Care Clients		
NI 130 Social Care clients receiving self directed support in the year (LAA target)	Target: 7% Actual: 8.6%	Progress continues to be made and at the end of September 2010 is 6% higher than 2009/10 (at 14.6% against a target of 30% for the full year). Performance is expected to improve further as new and existing mental health clients are offered a personal budget and rollout across other teams commences October 2010.