

Annual Audit and Inspection Letter

Rutland County Council

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Reference:	RU004 Annual Audit and Inspection Letter (Final)
Date:	January 2005

Executive summary

The purpose of this letter

This is our audit and inspection 'Annual Letter' for Members which incorporates the Annual Audit Letter for 2003/04. It is presented by the Council's Relationship Manager and District Auditor. The letter summarises the conclusions and significant issues arising from our recent audit and inspections of the council.

We have issued separate reports during the year. These reports are listed at Appendix 1 for information.

Appendix 2 sets out the scope of audit and inspection.

Appendix 3 provides information about the fees charged.

Key messages

Council performance

CPA and improvement

The council has made a number of service improvements this year, particularly in social services (children). The council however needs to continue to develop its corporate capacity and strengthen the strategic thrust of the corporate plan and build more robust delivery arrangements around key elements of the plan in order to deliver sustained improvement.

Performance management and performance information

The council's corporate plan is ambitious and delivery of many key milestones will be dependent on reappraising the functions and structures of the council, to produce a better alignment between priorities and resources.

Many departments concentrate on operational matters and therefore focus on reporting statutory performance information rather than using the information to manage and improve performance. In some cases, the arrangements for collecting performance information are not satisfactory: the systems used for the collection and production of 15 best value performance indicators were insufficiently reliable to produce accurate information.

The council does not have an overall learning culture to network best practice across departments, thereby helping to drive improvement.

Procurement

The Council does not yet have a Procurement Strategy in place.

The Council has real and hard won procurement experience. It is now in a position to consolidate that practical expertise for its future benefit, particularly in respect of shared services, in striving to meet its strategic objectives and service commitments within a difficult budgetary climate. However, this existing expertise and knowledge has not been brought together in one place accessible to all.

The majority of the council's budget is targeted on education and social services so it may not be able to take full advantage of any Welland grouped arrangements to improve its bargaining position in the key County services markets.

The acquisition and implementation process for the revenues software was poorly managed.

The accounts

We gave an unqualified opinion on the council's accounts on 30 November 2004. However key information required to support the council's accounts was not available until very late in the day, following problems with financial systems implementation. The council narrowly avoided having its accounts qualified.

Control accounts (particularly council tax, NNDR and rents) have not been reconciled to the general ledger beyond the end of 2002/03. These are key financial controls.

The deadlines for preparing and approving the Council's annual accounts will become increasingly more difficult to achieve. In 2004 the accounts had to be approved by 31 August; this deadline will be brought forward to 31 July in 2005 and to 30 June in 2006.

Urgent attention needs to be directed to strengthening basic financial controls and strengthening the financial accounts close-down process next year.

Financial standing

The council faces a difficult financial outlook. Although the recent Government grant settlement was more favourable than had been anticipated, it is likely that ongoing service pressures will continue to present a significant challenge to delivering a balanced budget in the financial years 2006/07 and beyond.

We anticipate that Members will be in a position to approve a balanced budget for 2005/06 but they may need to take fundamental decisions to align resources and priorities in the longer term.

Financial plans must also make adequate allowance for the impact of likely future rises in pension costs.

Other accounts and governance issues

Reconciliations between feeder systems and the general ledger have not been brought up to date. This is of serious concern, raising uncertainty as to the accuracy and integrity of the main accounting system.

Internal audit arrangements have been strengthened.

The Council's arrangements for managing and quality assuring grant claims submitted for audit need to be significantly strengthened. There are considerable weaknesses in the processes for producing the housing subsidy and benefits claims.

- Housing subsidy: inadequate liaison between the finance and housing departments resulted in the incomplete analysis of the housing stock (by age and by type of dwelling).

- Housing benefits: many of the entries in the claim (which totals £2.2 million) are unreliable - a decision was taken not to obtain all necessary software upgrades at the end of 2003/04 as a new system was being introduced with effect from 1 April 2004.

Action needed by the Council

The key issues and actions that the Council needs to address are referred to in the following paragraphs.

Council performance

CPA and improvement

The council has made a number of service improvements this year, particularly in social services (children). The council however needs to continue to develop its corporate capacity; strengthen the strategic thrust of the corporate plan and build more robust delivery arrangements around key elements of the plan in order to deliver sustained improvement.

Each year we carry out an assessment to provide an overview of the progress the Council has made specifically in taking forward its improvement agenda following the CPA process. It is not intended to provide a comprehensive and detailed picture of the council's activities and performance in the last 12 months.

The Council's CPA scorecard was published on 16 December 2004 on the Audit Commission's website. In the absence of a formal corporate assessment Rutland County Council remains a 'fair' council. The overall rating was reached in December 2002 by looking at how:

- the Council's main services perform; and
- the Council is run.

This year's scorecard includes a brief 180 word text describing how the council has improved in the last 12 months. The text is set out below.

Rutland County Council remains a fair council.

Results have been mixed: environment services, social care (children) and housing benefits service scores have improved this year but the housing service score has deteriorated, reflecting broadly positive inspection outcomes but a variable picture on performance indicators.

The council has good service scores for its top two spending priorities, education and social services. However the council's corporate plan contains much wider ambitions and progress against these has been more limited this year, with some key improvement projects significantly slipping. Some realignment and development of corporate capacity has taken place but financial resources remain a key concern which the council has identified in its new medium term financial plan.

Rutland County Council needs to continue to focus on clear corporate priorities before there can be any sustained improvement in the services it provides to local people. Despite the growing emphasis on the corporate plan, the council lacks robust delivery plans in some key areas. We will continue to monitor progress over the next 12 months.

The scorecard summarises the main issues arising from work we have carried out to make a qualitative assessment of the progress made by the council. The full report relating to the qualitative assessment is attached at Appendix 4.

The Council's main services are scored annually on a scale of 1 to 4, with 1 being the lowest and 4 the highest. Education and Social Care are given more importance in reaching the overall service score than the other service areas. The service scores for the last three years are set out below.

EXHIBIT 1 SERVICE SCORES

Summary of scores

	2002	2003	2004
Education	4	4	4
Social Care (Children)	2	2	3
Social Care (Adults)	2	3	3
Environment	2	2	2
Housing	2	3	2
Libraries & Leisure	2	2	2
Benefits	3	1	2
Use of Resources	2	3	3
Overall Service performance	3	3	3

Certain features contained in the qualitative assessment are covered elsewhere in this letter:

- performance information;
- performance management;
- procurement; and
- financial standing.

Performance information

The council's arrangements for collecting performance information and for monitoring and remedying poor performance are not satisfactory.

We reported last year that the council was having less impact in improving poor ('worst' quartile) performance than the top performing councils. Analysis of this year's BVPI quartiles (Exhibit 2) shows that the council is having less impact across the range of quartiles in improving performance. Impetus is being lost.

EXHIBIT 2 BVPPS COMPARED AGAINST QUARTILES

Year	2001/02 to 2002/03		2002/03 to 2003/04	
Move-ment	PIs that improved	PIs not improved	PIs that improved	PIs not improved
PIs in 'best' quartile	22	4	24	16
PIs in second quartile	4	6	5	4
PIs in third quartile	3	6	8	5
PIs in 'worst' quartile	2	5	5	13
	60%	40%	52%	48%

The BVPP was prepared broadly in accordance with legislation and other statutory guidance. However the systems used for the collection and production of 15 best value performance indicators were insufficiently reliable to produce accurate information. Our opinion on the BVPP was qualified in this respect.

Systems need to be significantly strengthened.

Members should note that the proposed methodology for future CPA assessments and scoring will place more emphasis on council performance as measured through performance indicators. It is therefore even more important to ensure that performance information is accurate.

Other Audit Commission Inspections

Highways and transport

The council provides a 'fair' one-star service that has uncertain prospects for improvement.

Highways and transport includes transport policy and strategy, highway maintenance, road safety, public transport and other areas relevant to travelling within Rutland. The revenue cost of the service is £2.4 million (2003/04) which is 7.5 per cent of the council's total budget.

We inspected the service in December 2003.

We assessed the council as providing a 'fair', one-star service that has uncertain prospects for improvement. Our judgements were based on the evidence obtained during the inspection.

We have recently carried out a review of progress against the agreed action plan. Progress has generally been poor, however the local transport plan (LTP) is now 'above average'

Appendix 5 sets out a summary of the inspection findings and our review of progress against the action plan.

Supporting people

The council provides a 'fair' one-star service that has uncertain prospects for improvement.

'Supporting People' is the Government's long-term policy to enable local authorities to plan, commission and provide support services which help vulnerable people live independently.

The total amount of Supporting People funding available in 2003/04 is £557,123. The council also receives £146,171 to fulfil its role as the administering authority. It is estimated that this will decline to £102,706 in 2004/05. The council receives a small Supporting People grant but a high administration grant relative to other councils. Unit costs of services are low compared to most other councils.

We inspected the service in December 2003.

We assessed the council as providing a 'fair' one star service that has uncertain prospects for improvement. Our judgements were based on the evidence obtained during the inspection.

Appendix 6 sets out a summary of the inspection findings.

Other performance work

Performance management

The council's corporate plan is ambitious and delivery of many key milestones will be dependent on reappraising the functions and structures of the council, to produce a better alignment between priorities and resources.

Many departments concentrate on operational matters and therefore focus on reporting statutory performance information rather than using the information to manage and improve performance.

The council does not have an overall learning culture to network best practice across departments, thereby helping to drive improvement.

We are reviewing performance management arrangements as a specific exercise to assist the council with its improvement planning process. Our work is still in progress, and will be reported to officers in the new year. A summary of key points is given below.

The council has six strategic aims, each being broken down into strategic objectives for 2003/04 and 2004/05. Milestones have been set for each objective. Progress is reported against each objective and milestone. In November 2004 the following progress was reported.

EXHIBIT 3 PROGRESS REPORTED TO MEMBERS

	Objectives	Milestones
Number	42	107
Completed	1	40
Not completed within the timeframe	3	33
Not yet due for completion until March 2005	3	24
Due for completion in 2005/06 or beyond	35	10

The corporate plan reflects government priorities and the objectives and milestones are stretching when related to the Council's current resources constraints. Only ten Milestones extend beyond April 2005.

The emphasis in many departments is on the reporting of statutory performance information, rather than the use of the information to manage and improve performance. A limited number of staff are actively using performance information to aid service delivery.

There does not appear to be an overall culture of sharing experience within, or across, departments to help with overall improvement. Inspectors in both the supporting people inspection and the highways and transport inspection commented on weaknesses in performance management. However social services inspectors identified an effective approach to performance management and quality assurance in children's services.

Procurement

The Council does not yet have a Procurement Strategy in place.

The Council has real and hard won procurement experience. It is now in a position to consolidate that practical expertise for its future benefit, particularly in respect of shared services, in striving to meet its strategic objectives and service commitments within a difficult budgetary climate. However, this existing expertise and knowledge has not been brought together in one place accessible to all.

The majority of the council's budget is targeted on education and social services so it may not be able to take full advantage of any Welland grouped arrangements to improve its bargaining position in the key County services markets.

The acquisition and implementation process for the revenues software was poorly managed.

We are reviewing procurement arrangements. Our work is still in progress and will be reported to officers in the new year. A summary of key points is given below.

Although the Council does not yet have a procurement strategy in place, all the officers we interviewed, displayed relevant expertise. However existing expertise and knowledge has not been brought together in one place accessible to all.

The Government strongly encourages small authorities to group together in order to have a stronger position in the market place – for instance by adopting a shared procurement unit. The Welland partnership offers this opportunity to the Council. However unlike the other Welland partners, the majority of the council's budget is directed to education and social services so it may not be able to take advantage of any grouped arrangements to improve its bargaining position in the key County services markets.

Nonetheless there is scope to improve purchasing practices over time by working with the other partners to develop procurement thinking and training.

The council has acquired new revenues software systems. The acquisition process was poorly managed. For example, there was no full time project manager to oversee acquisition and implementation. This has had an adverse impact on the council's arrangements which is explained in the 'Accounts and Governance' section of this letter.

Follow up of previous years' vfm studies

As part of our work each year we follow up recommendations made in previous performance audit and management arrangements studies. This ensures that benefits gained from the recommendations are being achieved or, if not, that the matter can be drawn to the attention of the Council.

A separate report detailing our findings is being discussed with officers.

Implementing e-government

Progress against the agreed action plan arising from the inspection has been fair.

Positive aspects identified to date include:

- significant investment from central government has been secured;
- an ICT security policy and data protection registration are in place;
- the contact centre initiative has helped to improve awareness amongst members and staff; and

- the council has bought in business process re-engineering expertise to make sure improvements are to services and not just information about services.

More progress is needed in the following areas:

- the electronic records management system (WERMS) is not yet in place. There is a risk that the system becomes available before the council has considered how best it can be used;
- implementing e-government is now included in the council's corporate plans but not yet in individual service plans;
- deadlines for individual improvements have been missed due to technical difficulties and a strategic decision to implement changes council by council (through the Welland partnership) rather than at the same time. However scheme implementation is imminent in a number of areas: contact centre; council tax payments on-line; electronic records management;
- there is still no ICT strategy. In the last two years the council has had three ICT managers. The development of an ICT strategy is a high priority for the new head of ICT with a deadline of 31 January 2005. A review of technical aspects of delivery system options has been commissioned externally and will contribute to the strategy;
- staff lack suitable skills and further training is necessary; and
- there has been no consultation with citizens in relation to e-government service delivery preferences so far. There are plans for a full consultation exercise but not until the triennial consultation process in 2006/07.

The Welland partnership

Progress in the areas that we identified for attention has been good.

The latest Welland partnership three year business plan prioritises delivering e-government projects and developing shared services where improvements can be realised.

Although there have been delays in implementing some of the e-government projects, the partnership has successfully used project management methods to sustain progress. Rutland is the last of the five councils to benefit from the e-government projects being implemented by the partnership. As a result it has suffered the greatest from cumulative delays.

Rutland's size, its small staff group and its additional responsibilities as the only unitary council in the Welland, all affect how the council can deliver services. Capacity has been significantly increased primarily through securing external funding. Partners have also started to share some back office functions. Some of the e-government developments are now in place and others imminent. The shared services project offers significant potential for increasing capacity. However Rutland has not increased capacity by learning from project management methods introduced in the partnership.

The current system of a lead council for each project has worked up to now as each council is responsible for implementing changes in its own services. Sharing services will change that and it is necessary that the detailed business cases consider more formal governance arrangements.

Accounts and governance

Audit of 2003/04 accounts

We gave an unqualified opinion on the council's accounts on 30 November 2004. However key information required to support the council's accounts was not available until very late in the day, following problems with financial systems implementation. The council narrowly avoided having its accounts qualified.

Control accounts (particularly council tax, NNDR and rents) have not been reconciled to the general ledger beyond the end of 2002/03. These are key financial controls.

The deadlines for preparing and approving the Council's annual accounts will become increasingly more difficult to achieve.

Urgent attention needs to be directed to strengthening basic financial controls and strengthening the financial accounts close-down process next year.

Matters arising from the final accounts audit

In 2003/04 the council replaced its entire financial management systems. In practice the implementation of interfaces between systems was fragmented. Operational difficulties arose and additional controls had to be implemented.

As a result of these problems, staff had difficulty producing some control account reconciliations and the year-end bank reconciliation was not produced in a timely fashion.

The impact of these problems on our audit was significant. Key information required to support the council's accounts was not available until very late in the day. The council narrowly avoided having its accounts qualified.

The bank reconciliation contained a large number of unusual reconciling items, many of which were not due to valid year-end timing differences. These were eventually sorted out. Creditors contained a number of balances for which there was no supporting evidence until very late in the day. Officers then identified adjustments between bank and creditors amounting to £2.2 million. After extensive testing on the bank reconciliation we concluded that bank balances and creditors (as adjusted) were fairly stated.

Control accounts (particularly council tax, NNDR and rents) have not been reconciled to the general ledger beyond the end of 2002/03. Officers have identified mis-postings between these systems as at 31 March 2003. There are also likely to be further valid timing differences as at 31 March 2004. We concluded that these control account balances may be mis-stated but not by a material amount.

A large number of amendments to disclosure notes in the statements were agreed with officers.

Urgent attention needs to be directed to strengthening basic financial controls and strengthening the financial accounts close-down process next year.

Report to those with responsibility for governance in the council

We are required by professional standards to report to those charged with governance certain matters before we give an opinion on the financial statements.

We issued a report under SAS610 to leading members which set out:

- *unadjusted misstatements* (non-trifling misstatements in the financial statements that management has decided not to adjust). We reported that NNDR balances may be overstated in the accounts by £254,000 and that council tax balances may be understated in the accounts by £320,000. These misstatements mainly affect the presentation of amounts within the balance sheet debtors note. In addition, as the net misstatement referred to above is only £66,000 we concluded that the accounts are not materially misstated; and
- *adjusted misstatements* (where these are material and are relevant to your governance responsibilities). We reported the adjustment of £2.2 million to bank balances and creditors.

Statement on internal control

The draft accounts presented to members for approval in August contained a statement which only hinted at the problems encountered following the implementation of new financial management systems.

The statement was expanded at our request to reflect more fully the significant internal control issues faced and how they are being dealt with. The revised text included the following:

‘Implementation of interfaces between systems was fragmented; operational issues were also encountered with the financial management system requiring additional controls to be instigated during 2003/04. The combination of these issues resulted in it being extremely difficult to produce some control account reconciliations and timely bank reconciliations at the year end.’

The statement was re-signed by the Chief Executive and by the Leader on 25 November 2004.

Preparation of accounts

The published accounts are an essential means by which the Council reports its stewardship of the public funds at its disposal and its financial performance in the use of those resources.

In last year’s Annual Audit and Inspection Letter we emphasised that timeliness in producing the accounts will become increasingly important over the next few years as the deadline for completion of the accounts is brought forward in line with the Government’s requirements.

Members approved the Council’s annual accounts this year on 31 August 2004, which was the deadline set out in the Accounts and Audit Regulations 2003. However the deadlines will become increasingly more difficult to achieve. In 2005 the deadline will be brought forward to 31 July and in 2006 to 30 June.

Members must ensure that adequate resources are available next year, not only to meet the new timetable requirements but also to support staff who are new to the authority or whose roles and responsibilities will have changed.

Financial standing

The council faces a difficult financial outlook. Although the recent Government grant settlement was more favourable than had been anticipated, it is likely that ongoing service pressures will continue to present a significant challenge to delivering a balanced budget in the financial years 2006/07 and beyond.

We anticipate that Members will be in a position to approve a balanced budget for 2005/06 but they may need to take fundamental decisions to align resources and priorities in the longer term.

Financial plans must also make adequate allowance for the impact of likely future rises in pension costs.

General fund spending and balances

The Council has set a target minimum level for general fund reserves of £1 million. The latest in-year expenditure monitoring (up to September 2004) forecasts a balance at March 2005 of just £152,000 above the minimum level.

Medium term financial plan (MTFP)

There has been clear progress this year in pulling together the council's first MTFP. This for the first time captures the budgetary implications of delivering continuously improving services as well as all the elements within the corporate plan over the coming three years.

The MTFP as originally drafted predicted a significant shortfall in the revenue budget for 2005/06. Since then the following factors have combined to produce a draft budget for 2005/06 that does not require the use of general fund reserves:

- reduction in forecast net service expenditure (£0.8 million);
- increase in expected government funding (£0.9 million); and
- increase in council tax base/council tax collectable (£0.5 million).

The provisional settlement for 2005/06 funding, announced in December 2004, provides a measure of support. Changes to the formulae will benefit the authority next year. However Members should not necessarily anticipate such funding increases being repeated in future years.

The council has also benefited from a significant rise in its council tax base, from 13,221 in 2004/05 to 13,759 in 2005/06, due to the large number of new properties built in the district.

Savings or efficiencies (for example, by reappraising the functions and structures of the council) will need to be identified in 2006/07 and 2007/08 in order to deliver the corporate plan priorities as the level of the general fund balances is meagre. Strategies for generating further savings are limited, for example, as a result of making service savings routinely in the past.

Discussions surrounding the 2005/06 budget have started earlier than last year. Nevertheless there remains considerable uncertainty about the source of any future savings or alternatively which strategic objectives may need to be sacrificed or delayed to balance the budget.

Capital programme

Over the three year period 2004/05 to 2006/07 the Council has estimated that it will have capital resources available amounting to £17.3 million. Members will need to keep capital bid approvals within this limit if they are to avoid having to make use of the new powers under the Prudential Code for Borrowing to fund capital expenditure by means of unsupported borrowing (which is more costly). A number of large schemes, notably the Oakham bypass, are likely to account for a significant proportion of available resources.

Pensions fund deficit

The Council's proportion of the Leicestershire County Council Pension Fund deficit calculated under FRS17 was £3.3 million at 31 March 2004. Whilst this deficit is calculated on an actuarial basis and reflects a snapshot of the value of Fund at 31 March 2004, it provides an indicative figure of the longer term future funding requirements facing the Council.

The Fund's actuary is currently undertaking the triennial valuation and initial indications are that a significant increase in the employers contributions will be required over the next three or four years. However, it is likely that the increase will be much less than the other Leicestershire bodies. The latest available proposals show an increase of just 10 per cent for Rutland (the lowest increase) compared to increases for other bodies of up to 115 per cent.

The revenue budgets already include employers contributions payable, so it is the incremental element that must be allowed for in budget setting considerations.

Systems of internal financial control

Reconciliations between feeder systems and the general ledger have not been brought up to date. This is of serious concern, raising uncertainty as to the accuracy and integrity of the main accounting system.

Internal audit arrangements have been strengthened.

Financial systems

We have commented earlier in this letter on the problems encountered following the implementation of new financial management systems. Officers have identified mispostings between these systems as at 31 March 2003. There are also likely to be further valid timing differences as at 31 March 2004.

Preparing up to date reconciliations and adjusting for mispostings must be a high priority. We expect to see reconciliations as at 31 March 2005 prepared soon thereafter.

Internal Audit

In March 2003 members resolved to establish a shared service with Harborough DC for Internal Audit. This was in response to our concerns – which were reported to members in previous letters – and also assisted the Council's financial position by achieving economies of scale for both participating authorities.

We have carried out a detailed review of the new internal audit arrangements in place.

Internal Audit meets each of the ten standards set out in the CIPFA 'Code of Practice for Internal Audit in local government in the United Kingdom', either in full or in part. They achieve full compliance with four of the ten standards, while the remaining six are partially achieved.

Internal Audit has operated below its envisaged capacity for much of the year. Officers have already put in place measures to develop further the effectiveness of the section, including the development of an in-house Audit Manual and addressing the staff resources issue.

Internal Audit has produced its first annual report this year. This report includes an opinion on the system of internal control.

International auditing standards apply in the UK for the first time with effect from 2005/06. The standards place additional responsibilities on auditors, particularly in terms of documenting systems. We have already begun discussions with Internal Audit to determine:

- how we can work together to allow us to discharge our responsibilities in the most efficient and cost effective way; and
- how we can minimise the impact of the new standards on the level of audit fees.

Standards of financial conduct, the prevention and detection of fraud and corruption and legality of transactions

We have not identified any significant weaknesses in the council's overall control framework.

In last year's letter we concluded that the council had satisfactory arrangements in place. Since then we have identified the following areas where arrangements have been strengthened.

Risk management

A risk management strategy has now been approved by Cabinet. There is clearer evidence of member involvement in identifying and monitoring risks, and reports now contain a section summarising risks and implications. The Council has appointed a Corporate Group Manager to co-ordinate risk management activities.

Ethical Framework and governance arrangements

Internal Audit have reviewed the extent of compliance with the CIPFA/SOLACE framework for corporate governance. Internal Audit has identified full compliance in 28 out of 37 requirements. An action plan has been drawn up to achieve full compliance during 2004/05.

Other work

Grant claims

The Council's arrangements for managing and quality assuring grant claims submitted for audit need to be significantly strengthened. There are considerable weaknesses in the processes for producing the housing subsidy and benefits claims.

Over recent years the number of claims requiring audit certification has grown and audit fees have risen in line with this growth. In accordance with Strategic Regulation, the Audit Commission has adopted a more risk-based approach to the certification of grant claims. With effect from 2003/04 the smaller claims have not been subject to audit or have received a lighter touch. The approach to larger claims has been determined by risk and the adequacy of the Council's control environment.

We encountered specific problems this year, in respect of the quality of evidence and working papers produced and the evidencing of review by the officer signing the claim. A draft protocol for dealing with these issues has been discussed with officers.

- Housing subsidy base data: we reported to ODPM the incomplete analysis of the housing stock (by age and by type of dwelling). This was due to inadequate liaison between the finance and housing departments. Officers were later able to provide information to enable us to withdraw our qualification letter.
- Housing benefits: a decision was taken not to obtain all necessary software upgrades at the end of 2003/04 as a new system was being introduced with effect from 1 April 2004. The consequence of this is that many of the entries in the housing benefits claim (which totals £2.2 million) are unreliable. There are also no reconciliations between benefits payable as recorded in the benefits system and benefits actually paid out. An extension to the audit deadline has been granted (from 31 December to 31 January) by DWP to allow more time to resolve these issues.

National fraud initiative

The Council took part in the Audit Commission's national fraud initiative (NFI) 2002/03. The NFI, which is undertaken every two years, brings together data from local authorities, NHS bodies, government departments and other agencies, to detect a wide range of frauds against the public sector. Total savings from the 2002/03 exercise exceeded £83 million.

The Audit Commission is repeating the exercise this year and will again collect payroll, pensions, housing benefits, student loan and housing rents data from Authorities.

Alongside the core exercise a number of pilot initiatives are being undertaken at selected sites. These are focused on risk areas that were highlighted by Authorities and include payments made to privately run care homes, abuse of blue badge parking permits, serial insurance claimants and duplicate payments to suppliers. These pilot areas, if they prove effective, will be incorporated into future NFI exercises.

Looking forwards

Future audit and inspection work

We have an agreed plan for 2004/05 and we have reported in this letter those aspects that have already been completed. The remaining elements of that plan, including our audit of the 2004/05 accounts, will be reported in next year's Annual Letter.

We will seek to ensure, wherever possible, that our work relates to the improvement priorities of the council when planning our programme of work for 2005/06. We will seek to reconsider with you, your improvement priorities in the light of your ongoing CPA improvement planning process, and develop an agreed programme by 31 March 2005.

Revision to the Code of Audit Practice

The Audit Commission has consulted on a revised Code of Audit Practice for application to the audit of the 2005/06 accounts. The new Code, which will be laid before Parliament in January 2005, is designed to secure:

- a more streamlined audit, which is proportionate to risk and targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, focussing on corporate performance and financial management arrangements (rather than individual services and functions);

- better and clearer reporting of the results of audits; and
- compliance with international auditing standards which apply in the UK for the first time with effect from 2005/06. The standards place additional responsibilities on auditors, particularly in terms of documenting systems. We are liaising with Internal Audit to determine how we can work together to allow us to discharge our responsibilities in the most efficient and cost effective way.

Further details will be provided in the Audit and Inspection Plan 2005/06.

Closing remarks

This letter has been discussed and agreed with the Chief Executive and the Director of Resources. A copy of the letter will be presented at the cabinet in March 2005.

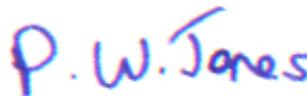
The council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

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



Nigel Toms
Relationship Manager



Phil Jones
District Auditor

January 2005

Status of our reports to the council

Our annual audit and inspection letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. Annual audit and inspection letters are prepared by relationship managers and appointed auditors and addressed to members and officers. They are prepared for the sole use of the audited and inspected body, and no responsibility is taken by the Audit Commission or its appointed auditors to any member or officer in their individual capacity, or to any third party.

Audit and inspection reports issued

Report title	Date issued
Audit plan	May 2004
Review of IA	September 2004
Supporting people inspection report	December 2003
Highways inspection report	December 2003
Auditor scored judgement feedback	October 2004
BVPI report	December 2004
BVPP opinion	December 2004
Final accounts opinion	November 2004
Final accounts memo	January 2005
QA report (Appendix 4 to this letter)	January 2005
Vfm follow up	January 2005

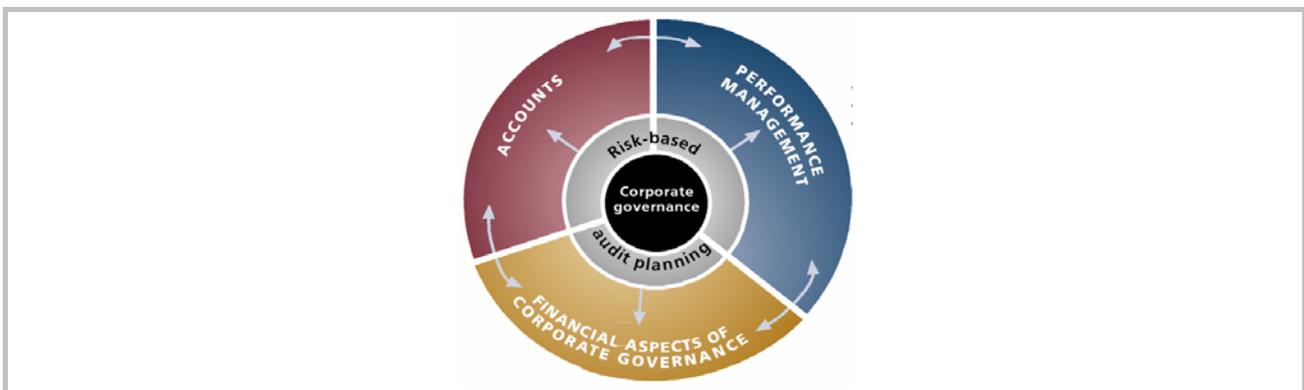
Scope of audit and inspection

Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 4.

EXHIBIT 4 THE THREE MAIN ELEMENTS OF OUR AUDIT OBJECTIVES



Accounts

- Opinion.

Financial aspects of corporate governance

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

Performance management

- Use of resources.
- Performance information.
- Best Value Performance Plan.

Inspection

Inspection work is based around section 10 of the Local Government Act 1999, which requires us to carry out inspections and deliver reports that will:

- enable the Council and the public to judge whether best value is being delivered;
- enable the Council to assess how well it is doing;
- enable the Government to assess how well its policies are being implemented; and
- identify failing services where remedial action may be necessary.

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

Audit and inspection fees

Audit fee update

Audit area	Plan 2003/04 £000	Actual 2003/04 £000
Accounts	26.3	40.2
Financial aspects of corporate governance	33.2	28.7
Performance	29.4	25.0
TOTAL CODE OF AUDIT PRACTICE FEE	88.9	93.9
Grant Claim certification	43.2	22.7
Additional Voluntary work (under Section 35)	0	0

As explained in the 'Accounts and governance' section of this letter, the problems associated with the implementation of new systems had a significant impact on the conduct of our audit. The additional work necessary to give an opinion on the accounts is reflected in the table above. However we have largely been able to offset the impact on the Council as our integrated audit approach allowed us to reconsider the amount of work required under other elements of the audit.

The planned grant claim certification fee was an estimate and includes smaller claims that have not been subject to audit or have received a lighter touch (as explained in the 'Other work' section of this letter. Actual fees are charged based on the time taken at skill-related fee rates. Certification of 2003/04 grant claims is ongoing and the actual fee shown above is the total charged as at the end of November 2004. Further fees will be charged for work undertaken in December 2004 and January, February 2005.

Inspection fee update

The full year inspection fee is £48,500. The work reported in this audit and inspection letter has been funded by an element of the fee covering 2003/04 and by an element of the fee covering 2004/05. In both years the actual fee will be in line with that planned.

Qualitative assessment report 2004

CPA scorecard

The Council's CPA scorecard was published on 16 December 2004 on the Audit Commission's website. In the absence of a corporate reassessment Rutland County Council remains a 'fair' council. The overall rating was reached in 2002 by looking at how:

- the Council's main services perform; and
- the Council is run.

The Council's main services are scored annually on a scale of 1 to 4, with 1 being the lowest and 4 the highest. Education and Social Care are given more importance in reaching the overall service score than the other service areas. The service scores for the last three years are set out below.

	2002	2003	2004
Education	4	4	4
Social Care (Children)	2	2	3
Social Care (Adults)	2	3	3
Environment	2	2	2
Housing	2	3	2
Libraries & Leisure	2	2	2
Benefits	3	1	2
Use of Resources	2	3	3
Overall Service performance	3	3	3

We reviewed the way the Council is run corporately in December 2002 and scored it **2** out of a possible **4**. This score cannot change until the Council has another Corporate Assessment (CA).

This year's scorecard also includes a brief 180 word text describing how the council has improved in the last 12 months. The text is set out below.

The scorecard summarises the main issues arising from work we have carried out to make a Qualitative Assessment of the progress made by the council. The full text of the report relating to the Qualitative Assessment is also set out below.

Rutland County Council remains a fair council.

Results have been mixed: environment services, social care (children) and housing benefits service scores have improved this year but the housing service score has deteriorated, reflecting broadly positive inspection outcomes but a variable picture on performance indicators.

The council has good service scores for its top two spending priorities, education and social services. However the council's corporate plan contains much wider ambitions and progress against these has been more limited this year, with some key improvement projects significantly slipping. Some realignment and development of corporate capacity has taken place but financial resources remain a key concern which the council has identified in its new medium term financial plan.

Rutland County Council needs to continue to focus on clear corporate priorities before there can be any sustained improvement in the services it provides to local people. Despite the growing emphasis on the corporate plan, the council lacks robust delivery plans in some key areas. We will continue to monitor progress over the next 12 months.

Qualitative assessment

Introduction and scope

This assessment is intended to provide an overview of the progress the Council has made specifically in taking forward its improvement agenda following the CPA process last year. It is not intended to provide a comprehensive and detailed picture of the council's activities and performance in the last 12 months.

Overall progress

The council has made a number of specific service improvements this year, notably in social services (children). It does however need to continue to develop and realign its corporate capacity, to increase further the strategic value of the corporate plan, and to build more robust delivery arrangements around key elements of the plan in order to delivery sustained improvement.

Ambition

Progress has been made in clarifying the council's and the wider community's ambitions in the past 12 months following delays in the agreement of the council's public service agreement (PSA), and in the adoption of county's first community strategy.

Due to good corporate plan preparatory work two years ago, the council was well placed to integrate key elements of the PSA and the community strategy with the corporate plan. There is a reasonable level of coherence between these and the revised 2004/05 corporate plan.

The community strategy is a high level statement of intent for the wider partnership of public, private and voluntary sector bodies in the county. However progress has been limited in confirming, challenging or reshaping the delivery arrangements in order to implement this strategy. The high level strategy is currently being reviewed in order to agree targets by March 2005.

The corporate plan now reflects the council's ambitions for improving its own capacity as set out in the original CPA improvement plan, as well as public facing improvements.

Priorities

The council outwardly promotes a wide range of priorities, but there remains limited transparency as to what is most important currently to the council. There is, for instance, no prioritisation process ahead of budget setting.

While the community strategy does pick out clear concise priorities, such as the delivery of more affordable housing, and the building of the Oakham bypass, the council's corporate plan does not set out its own priorities so concisely. There remain 42 equally important priorities, that is, the 42 strategic objectives, with each accompanied by a range of milestones (over 100 in total). Affordable housing and the bypass are also council strategic objectives, but there is no formal recognition of the order of priorities.

However, in practice the council does continue to place a high priority, when it comes to resources, on education and social services. During 2004 the share of the council's total annual budget to these two service areas stood at 67 per cent, compared to the 62 per cent level at the time Rutland became a unitary council (in 1997). In turn the council continues to place a lower priority on recycling, where performance has deteriorated year-on-year for many years in relation to other councils, where 2003/04 government standards have been missed, and where there remain no practical plans for improving performance in this area in line with the stated strategic objective.

Focus

The council has made variable progress this year in linking its corporate plan to wider key corporate governance arrangements. The plan's strategic aims, objectives and milestones have been used effectively, to:

- provide a statement of corporate intent to members, officers and the public;
- provide a means of monitoring progress, through quarterly reports to cabinet; and
- help shape the council's three-year, medium term financial plan (MTFP).

However, the plan has been ineffective in other respects. It does not yet provide a framework for scrutiny, and cabinet is beginning to forward plan effectively, pulling in specific strategic objectives for key decisions in a coherent way. But cabinet and full council reports do little to acknowledge the primacy of the corporate plan, and its related strategic aims, objectives and milestones. The plan has been poorly utilised in accounting for progress publicly through the BVPP. Links between the corporate plan's strategic objectives and BVPIs (or other outcome or impact indicators that the public would recognise) are not fully developed.

The council has received two best value inspections this year and it has concluded two best value reviews in children's services, and health/wellbeing of adults. The rigour of the council's best value review approach continues to be questioned both internally and externally by inspectors, with some reviews taking up to two years (health/wellbeing of adults), and others being insufficiently searching (highways and transport).

The council has sustained attention during the year on improving its customer services. The council's own assessment of progress (September 2004) against its corporate milestones indicates that progress is being made, but not at the pace envisaged. A key disappointment has been the two postponements of the 'go live' date for the Welland partnership's electronic record management system for development control, building control and waste following technical difficulties experienced across the whole partnership. There has also been some delay to the accompanying business process re-engineering, to the council's website redesign and to implementation of a robust approach to delivering agreed customer service standards. However, following the augmentation and training of the customer services team last year, there has been some progress in resolving more calls at the first point of contact. Currently around 50 per cent of customers' calls are resolved in this way, but much progress is needed to reach the goal of 80 per cent by March 2005.

There are major expectations that the Welland partnership will deliver not only improved customer services that the public will recognise but also more efficient services. A key project is therefore to identify and deliver appropriate 'shared services' by September 2005. This project is slightly behind schedule.

Capacity

As the smallest unitary council in England, Rutland County Council continuously assesses its corporate capacity in relation to what it is trying to achieve. This year is no different. For example, in-year quarterly expenditure monitoring indicates the council is currently running very close to its agreed level of financial reserves.

As the corporate plan has become more firmly embedded, the council is refining its understanding of the resources necessary for its delivery. There has been clear progress this year in pulling together the council's first MTFP. This for the first time captures the budgetary implications of delivering continuously improving services as well as all the elements within the corporate plan over the coming three years.

The MTFP highlighted a potential shortfall of £1.8 million in the revenue budget for 2005/06. Since then the following factors have combined to produce a draft budget for 2005/06 that does not require the use of general fund reserves:

- reduction in forecast net service expenditure (£0.8 million);
- increase in expected government funding (£0.9 million); and
- increase in council tax base/council tax collectable (£0.5 million).

The provisional settlement for 2005/06 funding, announced in December 2004, provides a measure of support. Changes to the formulae will benefit the authority next year. This should enable the budgets for the following two years to be more closely aligned to available resources.

However additional resources or savings will be required in order to keep the corporate plan on track. To re-instate highways spending levels and to increase investment in recycling will amount to an extra £850,000. Strategies for generating further savings are limited, for example, as a result of making service savings routinely in the past. Also shared services initiatives are unlikely to generate savings of the magnitude or in time to have a major impact on next year's budget, and reserves are close to the agreed minimum level.

At this stage plans are not sufficiently advanced to deliver savings in time for 2005/06. Although discussions surrounding the 2005/06 budget have started earlier than last year, there remains much uncertainty surrounding where savings will come from or which strategic objectives need to be sacrificed or delayed.

The council is making some progress in improving corporate capacity of its human resources. In the past year, there have been a number of outcomes, many of which were elements of the original (2003) CPA improvement plan. These include corporate training programme and management team development programme now underway, accreditation of the council as an investor in people (IIP), self assessment to race equality scheme level 1 and policy renewal for absence management.

Some key projects are moving from the planning stage to implementation. The IIP assessors' criticism of consistency of appraisal interviews is to be addressed by a new appraisal scheme in 2005. A dedicated council structure review group (as part of the council's scrutiny function) has been reviewing senior management roles and responsibilities in the light of the Children's Act. The council is the first in the East Midlands to establish a director designate for children's services.

The renewal of existing IT systems and new service delivery solutions supported by IT continue to be a major investment in terms of capital and management attention. This year's IT developments have resulted in significant disruption and delay, although IT projects have at least maintained momentum, and some have been concluded successfully, at least in part. The rewards of improved capacity resulting from recent IT developments are yet to be felt.

The council is working towards developing greater corporate capacity in its procurement function. Although some progress is taking place both at a local level and within the Welland partnership on developing policy and structures, much work remains to be done.

Performance management and learning

The cabinet continues to keep poor performers in the spotlight through regular reporting. The May 2004 quarterly report indicates improvement as particularly desirable for 8 of the 22 'worst' quartile BVPIs.

We reported last year that the council was having less impact in improving poor ('worst' quartile) performers than the top performers. Analysis of this year's BVPI quartiles (Exhibit 5) shows that the council is having less impact right across the range of quartiles in improving performance. This casts doubt on the effectiveness of the arrangements for monitoring and remedying poor performers.

EXHIBIT 5 BVPIs COMPARED AGAINST QUARTILES

Year	2001/02 to 2002/03		2002/03 to 2003/04	
Movement	PIs that improved	PIs not improved	PIs that improved	PIs not improved
PIs in 'best' quartile	22	4	24	16
PIs in second quartile	4	6	5	4
PIs in third quartile	3	6	8	5
PIs in 'worst' quartile	2	5	5	13
	60%	40%	52%	48%

There are notable exceptions, in planning for example, where targeted improvement effort is now paying off, with two of the three planning speed indicators escaping from the bottom quartile in 2003/04.

Last year we reported positively about the proposed changes to the way plans were to be developed for the delivery of the council's strategic aims. Service delivery planning below the level of the corporate plan is an area where limited progress has been made over the past 12 months. There remains no corporate approach to service planning as the council enters its budget setting period.

Routine monitoring is evident at all levels but intervention and remedial action is limited in some areas. Inspectors in both the supporting people inspection and the highways and transport inspection commented on weaknesses in performance management. Conversely, social services inspectors identified an effective approach to performance management and quality assurance in children's services.

The council's risk management arrangements have been developed further during the past 12 months. There are arrangements for risk identification and assessment, although not for the subsequent management of all the key financial and operational risks identified. Members are involved, and risk registers are in place.

We have identified in the past that the council is self aware, and is able to learn from its successes and failures. For example, the council has been responsive to LEA inspection and the social services joint review. Equally so, it tends to lock learning into departments. This perception has recently been re-emphasised through our work on procurement at the council, where the corporate approach to procurement is weaker than the 'sum of the parts'. For example we identified valuable expertise and resources within education and environmental services directorates which have remained untapped corporately.

Investment and future plans

The corporate plan reflects the council's significant effort to put in place building blocks that will in the future result in improvements the public will notice. Some planned investments are very long term and are only just beginning, such as the fundamental review of surplus places at the primary education phase, which looks ahead to 2010.

Others, outlined in the corporate plan and the related MTFP, should lead to more immediate changes in service delivery, such as the shared services initiative, the Barleythorpe care home development and the council-wide drive to be e-enabled. All should be looking for outcomes during 2005, but progress has been uncertain.

There has been progress during the year, following a history of uncertainty, for several longer term investments, for example:

- the Oakham bypass has progressed to the public inquiry phase; and
- on- and off-road car parking in Uppingham has reached a six-month pilot phase following more than five years' debate.

The council has responded to investment opportunities arising from government funding with varying degrees of success. The PSA, although delayed, has enabled £215,000 of pump priming monies to be applied within the 2004/05 budget and the improvement in planning services has resulted in a greater level of reward grant (£160,000) this year. Bids for building schools for the future and recycling have not been successful this year, and fall back options have been limited.

The council has been more successful at securing investment through working in partnership notably through the Welland, in support of the shared services initiative, and in helping establish a one-stop shop for young people, which recently was awarded £200,000 of EMDA funding through the Welland SSP.

Achievement

As last year, the council has significantly more BVPIs above average than below when compared to similar councils nationally. However, the council has slipped back during the last twelve months relative to other councils in that 69 per cent of BVPIs were above average last year, and this year the figure is 60 per cent above average.

Looking at service areas, most services continue to have more PIs above average than below average (Exhibit 6).

EXHIBIT 6 BVPI ANALYSIS BY SERVICE AREA		
Service area	Level of PI performance	Improvement in performance
Housing	40% in top half	60% improved
Education	79% in top half	68% improved
Environment	38% in top half	50% improved
Social care	57% in top half	29% improved
Use of resources	75% in top half	50% improved
Libraries and leisure	62% in top half	67% improved
Housing Benefits	100% in top half	30% improved

The exception is environmental services and housing where there were more PIs below average than above. Social care and housing benefits showed less improvement than other services last year, taking only BVPIs into account.

Service improvement

There have been a number of external inspections which, in addition to BVPIs, provide a fuller picture of progress in relation to individual services during the year.

Housing services were subject to a supporting people inspection which resulted in a 'fair service but uncertain prospects' judgement. Previous housing inspection outcomes, combined with below average BVPIs has led to a lower CPA service block score this year, despite some good performance linked to the new appointments system introduced last year.

Educational attainment remains high at primary and secondary phases (at KS2, KS3, GCSE), and has improved further for KS3. However improvement is not at the level the LEA anticipated. The 2004 school survey, as it did in 2003, shows year-on-year improvement for 81 per cent of the 70 satisfaction survey themes. The OFSTED and Adult Learning Inspectorate report on learning provision for 14 to 19 year olds indicates provision is satisfactory in general but that there is limited choice and poor integration between vocational and academic provision in Rutland.

There has been some improvement in performance in environment services. Highways and transport services was inspected and judged to be fair but with uncertain prospects of improvement. However, PIs and the local transport plan assessment have improved this year. The rate of recycling continues to deteriorate relative to other councils, and the council missed its interim government target for 2003/04, but planning speeds are now improving following recent investment and government standards (for 2006) are now within reach.

Despite fewer improving BVPIs than last year, the social care service block score has moved to a '3' overall this year. A key factor is the good outcome from the Commission for Social Care Inspection (CSCI, Sept 2004), which stated that significant progress had been made since the Joint Review three years ago, and that children's services show promising prospects of improvement and are serving most children and families well. The CSCI's inspection of fostering services also found a 'good and developing' service, with all but one of 32 standards achieved, and six exceeded.

Despite many improving BVPIs, a majority of PIs above average, and a good library plan assessment the libraries and leisure services score has not improved. However there have been improvements the public would recognise such as wider opening hours at Ketton and Ryhall although Uppingham services remain a priority for improvement.

Housing benefits BVPI performance remained above average during 2003/04, but deteriorated during the first part of 2004/05 linked to the introduction of new IT systems. The service is now addressing the backlog, and the Benefit Fraud Inspectorate have recently upgraded the council benefit service to fair.

Progress against the corporate plan

Last year we reported accelerating performance when considering achievement against corporate milestones year-on-year. However, an assessment of end of year progress for 2003/04 indicates that around 50 per cent of milestones and 50 per cent strategic objectives were met last year. Based upon the council's own self assessment (September 2004) of the year-to-date, around 40 per cent of milestones have been met, with 30 per cent missed or rescheduled, and the remaining 30 per cent to be reached by the end of 2004/05. These assessments of performance of the last 12 months indicate that the corporate plan is proving stretching and that many milestones are not matched to the current capacity of the council. For example delays can be seen in:

- implementing customer service standards;
- implementing a number of IT developments;
- progressing plans for sports and other facilities development e.g. Barleythorpe care home, the Ferrers' site; and
- considering housing stock options.

However, there are also a number of key milestones which have been met and these the public will notice, including:

- the Oakham bypass progressing through to a conclusion of the public inquiry;
- the refurbished museum, and castle events and increased visitor numbers;
- affordable housing targets exceeded by 200 per cent; and
- improved library services and extended opening hours.

Highways and transport – summary of inspection findings

Inspection of the service in December 2003

We assessed the council as providing a 'fair', one - star service that has uncertain prospects for improvement. Our judgements were based on the evidence obtained during the inspection and are outlined below.

The service is a fair, one-star, service because:

- whilst corporate objectives are clear, service aims are less clear and there are patchy plans to integrate transport and reduce the need for transport;
- the council has focussed on some successful projects, including safe routes to school and improving the bus network, but has not addressed the poor road safety record in the county;
- the council does not have its own green travel plan;
- whilst satisfaction with the highway network is high, the council cannot demonstrate value for money in highways and capital programme and projects are frequently delivered late; and
- the council does not routinely assess the impact of road safety schemes, although the road safety camera partnership does look at the success of the mobile speed cameras.

The council has uncertain prospects for improvement because:

- whilst the best value review was open and honest it was of limited value because;
- it did not fundamentally challenge why the council provides the service in the way it does;
- it did not learn from comparison with other councils;
- it did not attempt to demonstrate whether the service was delivering value for money for the council;
- the council has a mixed track record of performance in this area. Some areas are improving, such as the quality of the roads, but other areas are getting worst, such as deaths and serious injuries for car users; and
- the service lacks adequate systems to manage improvements. There is no effective performance management system; this hinders the services ability to support both the developing corporate performance system and the employee development process.

Progress against the agreed action plan

We have recently carried out a review of progress against the agreed action plan. Progress has been poor.

The content of the council's best value improvement plan was approved, but none of the required funding was provided. Conversely, it has reduced the highways budget by £350,000 in 2004/05 to fund higher priorities. Officers have concluded that much of the improvement plan cannot now be implemented but they will continue to provide priority services.

The improvement plan has not been revised to include outcome based targets or milestones and so the extent of achievement cannot be gauged. The council has reviewed its improvement plan to determine progress to date and it reports that of the 58 actions, 21 are either complete or progressing well. However the remaining 37 actions have either not started or only limited progress has been made.

The council's performance plan now includes targets for improving road safety and increasing the public rights of way network as well as the previously included Oakham bypass. There is no overall strategy for achieving the national road safety targets by 2010. The numbers of killed and seriously injured rose in Rutland in 2003 for the third consecutive year. However the council has identified and prioritised three accident cluster spots for improvement this year and has implemented other safety measures.

Good progress has been made in developing local performance indicators. These are included in the annual progress report (APR) of the local transport plan (LTP) which itself is now 'above average'. But the summary version of the APR, aimed at the public, does not contain information about local PIs and this is a missed opportunity.

Performance management remains weak. The council sees the planned highways procedure manual as the vehicle for a system and setting out operational standards and procedures. It reports that lack of funding has delayed its development. The procedures manual is viewed as necessarily introducing higher costs. Officers say it is therefore unlikely to be approved by cabinet reducing motivation to complete the task. Although the local PIs have not been cascaded to individual employee development plans, the highways department is to pilot a staff appraisal scheme this year prior to it being introduced for all staff.

The council should focus on its priority areas for this service. It should re-visit the improvement plan, bearing in mind our recommendations from the inspection, and decide which of the actions it will progress. Outcome based targets should be set. Improvements that could be achieved may be lost within an atmosphere of budget restrictions. For example, a procedures manual can spell out levels of expected service within financial restrictions and would help in achieving value for money. Some performance figures are already being collected and there has been an improvement in the assessment and use of available data. A performance management system can be developed from this position that would also help in achieving value for money.

Supporting people – summary of inspection findings

'Supporting People' is the Government's long-term policy to enable local authorities to plan, commission and provide support services which help vulnerable people live independently.

The total amount of Supporting People funding available in 2003/04 is £557,123. The council also receives £146,171 to fulfil its role as the administering authority. It is estimated that this will decline to £102,706 in 2004/05. The council receives a small Supporting People grant but a high administration grant relative to other councils. Unit costs of services are low compared to most other councils.

We inspected the service in December 2003.

Performance

We assessed the council as providing a 'fair' one star service that has uncertain prospects for improvement. Our judgements were based on the evidence obtained during the inspection.

What works well

During our inspection we found a number of positive features in the way that the Supporting People programme has been implemented to date.

The Supporting People programme has played a key role in assisting the council to provide more individualised support services. It has positively contributed to extending the range of services available for adults with a learning disability and those with a mental health problem in particular. It has enabled the council to develop more appropriate services to replace its outdated residential care provision for adults with learning disabilities.

Most providers are very positive about the responsiveness and the level of support they received from the Supporting People team in assisting them to prepare for the implementation of the Supporting People programme as well as the ongoing coaching and practical assistance they continue to receive.

The Rutland tenants and leaseholder forum has a clear role and provides regular feedback to the council on a number of important issues. Members told us that the council was listening to and trying to accommodate their views on the future of sheltered accommodation, the level of support they required, and their concerns with respect to charging.

The Welland partnership (a rural sub region of the East Midlands comprising areas with similar profiles of need) works well for Rutland County Council and helps to compensate for the challenges it faces in terms of its size. It has assisted the council in achieving economies of scale and enabled the sharing of positive practice.

The service review process being followed by the council appears to be comprehensive at this early stage and the guidance given to service providers has enabled them to prepare well for their service review.

Areas for improvement

However, we found a number of weaknesses with the Supporting People programme that need to be addressed.

The commissioning body is still trying to establish itself as a key driver locally and progress in moving to the new phase of the Supporting People programme with an emphasis on commissioning and service review has been slow. The agencies represented on the commissioning body have not yet developed a strong sense of shared purpose and priorities.

There is no mechanism yet in place for the resolution of conflicts between members.

The commissioning body is not yet actively influencing the agenda of the local primary care trust.

The recent research into the accommodation and support needs of ex offenders shows that further work is needed alongside probation services to make sure that the needs of offenders are prioritised.

The Supporting People vision statement is too inward looking and focused on process and not on outcomes for service users. Users and carers were not involved in shaping it. The Supporting People shadow strategy does not clearly demonstrate how the local programme will contribute to the strategic priorities of the council.

There is no Supporting People service user forum in place, and there are no timescales for when this will happen. The service user consultation strategy is not clear about how feedback will be used to inform service improvement or how this connects with the existing user consultation arrangements the council has in place.

There are still gaps in the awareness of the needs and true demand levels of some of the smaller or harder to reach Supporting People user groups. Local services need further development to ensure they have the capability to respond appropriately to the diverse range of Supporting People service users.

The council currently has limited capacity to respond to some people who need urgent access to services. There is very little general needs housing available for vulnerable single people under the age of 60 years, including those who are homeless and out of county resources are often relied on to meet need. The incidence needs to be formally tracked and reported to the commissioning body.

The majority of Supporting People provision consists of supported accommodation. The limited access to floating support services locally coupled with the rural nature of the area and the likelihood of limited turnover in supported accommodation impacts on the ability of the council to respond to the future needs of other vulnerable people.

The commissioning body and the wider council have not yet ensured robust scrutiny of the programme. The framework initially established to assist performance management has not yet been implemented. In addition, some financial risks have not been well monitored by the commissioning body.

Prospects

We have judged that the Supporting People programme has uncertain prospects for delivering further improvements. We found the following strengths.

What works well

The council is keen to ensure its resources benefit those who most need them, and is committed to reducing its operational costs in sheltered housing and ensure a more appropriate service targeted to levels of need.

The council has made a good start in mapping the needs of people with learning disabilities and is making good progress on its plans to develop a wider range and choice of services that will lead to increased numbers of older people being able to remain in their own homes with support.

Rutland County Council has demonstrated that it listens to and works hard to make progress against the areas for improvement identified by external regulatory bodies. The council has taken seriously the key issues identified in its joint review of social services and the corporate performance assessment, and has made steady progress in a number of areas previously highlighted as weaknesses.

The setting up of the home improvement agency has led to reduced waiting times for disabled facilities grants, and there is an improved range of information and advice services available with an emphasis on safety and prevention for older and other vulnerable people.

Areas for improvement

There are, however, some areas in which the council needs to improve.

The level of corporate ownership within the council and partner agencies including senior management involvement has not been as strong as it needs to be.

The commissioning body has not yet got a firm grip of its proper governance and scrutiny role. This results in the council being exposed to risk and uncertainty in terms of the future development of the Supporting People programme.

The role and remit of the Supporting People team alongside the commissioning body is not yet effective. The training and development needs of team members need progressing.

The Supporting People programme is not yet visible and inclusive enough and as a result all the potential that can arise from joint working has not been realised. The gap in terms of user participation and feedback is a critical area for improvement.

The commissioning body has made limited progress on the service development priorities highlighted in the shadow strategy, and there is little evidence to show that they have been refined, or that progress towards their achievement has been actively tracked by commissioning body members.

Priority setting is currently weak and it is not yet clear how the commissioning body will address its unmet need. The commissioning body has just begun to map out the key tasks required for the production of the five year strategy and it has a lot of work yet to do to ensure there is a robust plan in place to support its implementation.

The council could have set itself more stretching targets if it focused more on the contribution Supporting People can make to the bigger picture of housing and social care in the area.

The commissioning body and the linked agencies have more work to do in order to challenge and reach agreement on the funding of Supporting People services.

There have been few opportunities yet to reflect on learning and positive practice from the Supporting People programme and ensure that this is shared across the sector and mainstream agencies. The shadow strategy is disappointing in that no areas of innovation have been highlighted.