

**Committee:** Full Council

**Date:** 22 July 2008

**Title:** Council's response to Section 11 Notice

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**Agenda Item**

**8**

Item for  
Decision

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### Summary

- The 2006/07 Annual Audit and Inspection Letter included a number of statutory recommendations made under Section 11 of the Audit Commission Act 1998.
- Under Section 11 the Council is required to consider the recommendations within 4 months of the date the recommendations are sent to the Council.
- Attached at Appendix A is a summary of the recommendations to be considered by the members of the Council, together with details of the Council's actions and a formal response to the Audit Commission.

### Recommendations

- It is RECOMMENDED that the Council approves the formal responses to the Audit Commission, as set out in Appendix A.

### Background Papers

Annual Audit and Inspection Letter dated April 2008.

### Impact

Communication/Consultation	This is a statutory response to the Section 11 Notice issued by the District Auditor.
Community Safety	No Implications.
Equalities	No implications.
Finance	This report deals with recommendations issued by the District Auditor relating to the Council's Accounts for 2006/07.
Human Rights	No implications.
Legal implications	The Council is required to consider and make a formal response to the District Auditor within 4 months of the issue of the Section 11 Notice.
Sustainability	No implications.
Ward-specific impacts	No implications.
Workforce/Workplace	There are a number of recommendations relating to recruitment to senior officer posts.

**Situation**

- 1 The District Auditor presented a report to Performance Select Committee on 29th April 2008, together with the Annual Audit and Inspection Letter dated April 2008.
- 2 Within the above Letter were a number of recommendations made by the District Auditor.
- 3 The following recommendations are made for consideration by the Members of the Council under Section 11 (3) of the Audit Commission Act.
  - The Council should take the necessary steps to ensure that the Council's financial position is stabilised,
  - The Council should review and put in place a Medium Term Financial Strategy that provides for the Council to achieve an acceptable financial position and level of reserves over the next three years,
  - The Council should put in place appropriate financial management arrangements, including budget setting and budget monitoring processes, to ensure that its financial position can be closely monitored and the appropriate action taken as necessary,
  - The Council should consider carefully and implement as appropriate, the recommendations made in the independent financial review carried out in January and February 2008. The Council should consider commissioning a further review during 2008/09 to consider whether the Council's financial management and budget monitoring arrangements are effective,
  - The Council should take steps to secure that the Council has effective leadership at officer level,
  - The Council should work positively with potential partners to identify joint working opportunities to enhance its management and service delivery capacity,
  - The Council should work with regulators and stakeholders through the voluntary Improvement Board to support the Council's recovery.
- 4 Under Section 11 (1) of the Audit Commission Act 1998, the Council must consider the recommendations made under Section 11 (3) referred to above. Section 11 (4) requires that this consideration shall be held at a meeting of the Council within four months of the Recommendations being sent to the Council.
- 5 Section 12 of the Act also requires at least seven clear days notice of the meeting to be given through advertisement in a newspaper circulating in the area of the Council concerned. Advertisements were placed in the 10<sup>th</sup> July editions of the Saffron Walden Reporter and the Great Dunmow Broadcast, as required under Section 12 as referred to above.

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**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
That the Council does not recover the appropriate required levels of reserves in the next 3 years	3	3	The recommendations in the Section 11 Notice are being implemented throughout 2008/08, but it is likely to be into 2009/10 when the full effects will be achieved. Members need to agree the Formal Responses to the Audit Commission recommendations in Paragraph 3 above.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

**Appendix One**

AUDIT COMMISSION RECOMMENDATIONS		THE COUNCIL'S ACTIONS.	THE FORMAL RESPONSE
Number	Detail		
1	The Council should take the necessary steps to ensure that the Council's financial position is stabilised.	Throughout the 2008/09 Budget process members were advised of the latest position with regard to the necessary reductions in budgets. Despite the need to find £1.8m of cuts the Council set a balanced budget for 2008/09. Although there was a revised estimate forecast for 2007/08 which required nearly £900k from balances, the draft outturn for 07/08 (subject to audit) approved at Finance Committee last month is for £93k from balances. Active management of spending plans together with delaying filling vacancies has reduced overall spending.	The Council has achieved a reduction of nearly £800k, between revised estimate and provisional outturn, in the forecast overspend for 2007/08 which, will (subject to audit) stabilise the General Fund Balance at around £900k. The Council continues to carefully monitor all expenditure. Filling of posts remains subject to agreement by SMB.
2	The Council should review and put in place a Medium Term Financial Strategy that provides for the Council to achieve an acceptable financial position and level of reserves over the next three years.	The Finance and Administration Committee approved the Medium Term Financial Strategy (MTFS) for the period 2008/09 to 2010/11 on 27th March 2008. The MTFS assumed that there may be a requirement to transfer £400k from the PFI Reserve to support the General Fund in 2007/8 but this is now not planned to be necessary with a General Fund Balance of £900k. The 2 later years of the MTFS forecast adding £120k and £199k to reserves respectively. A further review will be carried out as part of the 2009/10 Budget process including recalculating the revenue contribution to ensure that the PFI Reserve will be sufficient when required.	A three year Medium Term Financial Strategy was approved in March 2008. Within the MTFS there are provisional amounts for reimbursing reserves. These contributions will be reviewed during the Budget setting process for 2009/10, when the Council will have a clearer view of the final outturn for the General Fund Balance at 31/03/08, together with any pressures on the 2008/09 Budget.

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AUDIT COMMISSION RECOMMENDATIONS		THE COUNCIL'S ACTIONS.	THE FORMAL RESPONSE
Number	Detail		
3	The Council should put in place appropriate financial management arrangements, including budget setting and monitoring processes, to ensure that its financial position can be closely monitored and the appropriate action taken as necessary.	The Council has introduced detailed budget monitoring processes from June 2008 whereby all councillors received monthly emails showing spend and income to date compared to profiled budgets, together with explanations from Heads of Division on additional spend/reduced income over 10%. All committees receive a Budget Monitoring report for the services they are responsible for and Performance Select Committee receive a report on budgets that are overspent/under income by more than 10%, together with an explanation from the responsible head of service. In addition, Chairmen of Committees, at their meetings with SMB receive monitoring reports on a range of high profile budgets.	From 2008/09 the Council has set up a detailed budget monitoring process whereby all councillors receive monthly reports, highlighting spending 10% over profile. In addition monitoring reports are sent to each service committee and the senior management receive reports on high profile budgets.
4	The Council should consider carefully and implement as appropriate the recommendations made in the independent financial review carried out in January and February 2008. The Council should consider commissioning a further review during 2008/09 to consider whether the Council's financial management and budget monitoring arrangements are effective.	<p>The report by Mr Roots on the independent financial review was considered at Finance &amp; Administration Committee on 27th March 2008. Budget options raised by Mr Roots and the Council's actions are set out below:</p> <ul style="list-style-type: none"> <li>- Are there any revenue costs that can be Capitalised?</li> </ul> <p style="padding-left: 40px;">ACTION. £490k of redundancies were capitalised after approval from DCLG in March 2008</p> <ul style="list-style-type: none"> <li>- Pension deficit contributions allowed over more than 5 years.</li> </ul> <p style="padding-left: 40px;">ACTION. Officers consulted Essex CC who only allow deficit funding up to a maximum 5 years.</p>	The Council has taken account of the most urgent recommendations in Mr Roots' report as part of the recent budget setting process. Apart from the extension of pension deficits and sponsorship negotiations, the Council has implemented or is implementing all the recommendations at some level. The Council has not yet considered whether to commission another review of financial management and budget monitoring during 2008/09 but will at budget time.

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AUDIT COMMISSION RECOMMENDATIONS		THE COUNCIL'S ACTIONS.	THE FORMAL RESPONSE
Number	Detail		
		<p>- Seek maximum funding for recovery costs from Capacity Building Fund.</p> <p>ACTION. The Council has received funding towards support for development and overseeing implementation of a short term recovery plan and mentoring/support for the Interim Chief Executive and for the additional consultancy support in Finance.</p> <p>- Curtail the size of the Capital Programme.</p> <p>ACTION. Finance &amp; Administration Committee at its meeting on 7th February 2008 made significant reductions in its Capital Programme for 2008/09 and also for future years.</p> <p>- Maximise Fees and Charges for as much as the market can stand for charges within the Council's control.</p> <p>ACTION. Service Committees at the January budget cycle considered and agreed a number of increases in fees and charges after considering the market. For 2009/10 Fees and Charges will be considered at the November cycle of meetings.</p>	

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AUDIT COMMISSION RECOMMENDATIONS		THE COUNCIL'S ACTIONS.	THE FORMAL RESPONSE
Number	Detail		
		<p>- Advertising and Sponsorship.</p> <p>ACTION. Officers are currently investigating options for advertising and sponsorship, but no agreements have been finalised.</p> <p>- Alternative means of service provision by engaging in shared services and market testing.</p> <p>ACTION. The professional work for the Human Resources Division is now being delivered in partnership with Essex CC, and discussions are being progressed with Essex CC around Asset Management work. Saffron Walden Town Council now operate the Tourist Information Centre in the town, and other areas of service are being investigated.</p> <p>- Is the Council doing all it can to generate capital receipts?</p> <p>ACTION. As explained above the Council is in discussions with Essex CC for an officer secondment to set up procedures for asset management.</p> <p>-Housing Stock Transfer will give the Council a significant capital receipt.</p> <p>ACTION. Within the 08/09 Housing Revenue Account budget provision has been made for an options appraisal.</p>	

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AUDIT COMMISSION RECOMMENDATIONS		THE COUNCIL'S ACTIONS.	THE FORMAL RESPONSE
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		<p>-A higher level of Council Tax is called for than the 4.5% included in the MTFS.</p> <p>ACTION. Having considered guidance issued by the Government on increases over 5%, and the potential costs of a re-billing exercise, the Council agreed a Council Tax increase of 4.979%.</p> <p>Mr Roots identified number of other structural issues for action:</p> <p>-Business Planning &amp; Performance Management effective process.</p> <p>ACTION. In Progress</p> <p>-A new Chief Executive as soon as possible.</p> <p>ACTION. In Progress</p> <p>-A new Director of Central Services as soon as possible.</p> <p>ACTION. Deferred until new Chief Executive in post, but interim director appointed.</p>	<p>The Chief Executive recruitment is in progress with an appointment planned to be confirmed at Council in July.</p> <p>The Director of Central Services recruitment is deferred until the Chief Executive is appointed. The Council has an Interim Director of Central Services.</p>



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		<p>-A new Chief Finance Officer as soon as possible.</p> <p>ACTION. Advert in Public Finance 18 July interviews week commencing 11 August</p> <p>-Commence discussions with partners on funding G1.</p> <p>ACTION. Ongoing</p>	<p>Recruitment of a new Chief Finance Officer has commenced.</p> <p>Discussions are ongoing with partners on G1.</p>
5	The Council should take steps to secure the appropriate level of senior management capacity to ensure that the Council has effective leadership at officer level.	<p>The Council is currently in the process of recruiting a new Chief Executive, and an appointment is expected to be confirmed at Council on 22nd July. An Interim Chief Executive is in post.</p> <p>The Director of Central Services remains unfilled until the new Chief Executive has determined whether there needs to be a new structure.</p> <p>An Interim Director of Central Services has been appointed.</p> <p>Recruitment for a new Chief Finance Officer post has commenced</p>	The Council has taken prompt action to strengthen its senior management at officer level, with the recruitment of a new Chief Executive imminent, and the approval given to recruit to a new post of Chief Finance Officer. The vacant Director post will be filled once the Chief Executive is in post.

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Number	Detail		
6	The Council should work positively with potential partners to identify joint working opportunities to enhance its management and service delivery capacity.	The professional work for the Human Resources Division has been outsourced to Essex CC, and discussions are being progressed on Essex CC carrying out Asset Management work. Saffron Walden Town Council now operate the Tourist Information Centre in the town, and other areas of service are being investigated. A new partnership with Essex CC on a joint magazine initiative will see a combined Essex Works and Uttlesford Life being delivered to all households in the district in August	The Council has been active in investigating areas of joint working with potential partners. Enhanced service delivery has been delivered with the transfer of the TIC to Saffron Walden TIC, and management capacity is improved with the HR Partnership with Essex CC. A new partnership around communication will see a joint magazine (Essex CC and UDC) being sent out in August and bi-monthly thereafter.
7	The Council should work with regulators and stakeholders through the voluntary Improvement Board to support the Council's recovery.	The Council's political leadership and Strategic Management Board have been working closely with the voluntary Improvement Board over the last few months. The Board monitors progress on the short term recovery plan and has identified a basket of indicators on which it receives regular reports.	The Council is being pro-active in working with regulators and stakeholders through the voluntary Improvement Board, which has already held three meetings with senior politicians and officers. Key messages from meetings of the Board are circulated to all councillors and staff.