

## Section 11 Notice Progress Update

Finance & Administration Committee, Agenda Item 11

**Committee:** Finance & Administration

**Agenda Item**

**Date:** 25 June 2009

**11**

**Title:** Section 11 Notice Progress Update

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Item for  
decision

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### Summary

- 1 On 22 July 2008, Full Council approved its formal response to a notice issued by the Audit Commission under Section 11 of the Audit Commission Act 1998.
- 2 The Section 11 notice was issued as a result of issues arising during the external audit of the 2006/07 financial year.
- 3 It is almost one year since the responses were approved, so it is timely to review the status of each of the issues detailed in the Section 11 notice.
- 4 It is the judgement of the Strategic Management Board that satisfactory progress has been made in all cases and Members are recommended to endorse this view.
- 5 One of the Audit Commission's recommendations included the consideration of whether a further independent review of the Council's financial management and budget monitoring arrangements are effective, building upon the "Roots Review" of early 2008. The Strategic Management Board's opinion is that in view of the progress made, and the extent of independent review already undertaken by the Audit Commission, a further independent review is not necessary.
- 6 This report may be considered in the context of the progress acknowledged by the Voluntary Improvement Board, with chairmanship of the Board transferring from the Audit Commission to the Council, a significant and encouraging development.

### Recommendations

The Committee is recommended to:

- approve the progress report as detailed in Appendix A, and endorse the Strategic Management Board view that satisfactory progress has been made
- endorse the Strategic Management Board view that there is no need to commission a further independent review of the Council's financial management and budget monitoring arrangements.

### Background Papers

Full Council 22 July 2008 – [Response to Section 11 notice](#)

**Impact**

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	Possible financial implications if a decision is made to commission a further independent review of financial management
Human Rights	None
Legal implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
The Council may not sustain or build upon improvements to its financial management	1	3	Voluntary Improvement Board continuing to oversee progress Oversight by Finance & Administration Committee and Performance Select Committee

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.

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**APPENDIX A**

<b>AUDIT COMMISSION RECOMMENDATIONS</b>	<b>THE COUNCIL'S ACTIONS.</b>	<b>THE FORMAL RESPONSE</b>	<b>PROGRESS AS AT JUNE 2009</b>
<p>1 The Council should take the necessary steps to ensure that the Council's financial position is stabilised.</p>	<p>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.</p>	<p>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.</p>	<p>There is strong evidence to suggest that the Council's financial position has stabilised.</p> <p>The final outturn for 2007/08 was a net underspend of £61,000 compared with the Original Budget.</p> <p>The forecast outturn for 2008/09 is a net underspend of £361,000. (Actual outturn to be reported to F&amp;A on 25 June).</p> <p>Landsbanki poses a risk to the Council's financial position, mitigated by establishing a Contingency Fund.</p> <p>Financial pressures are forecasted to arise over the medium term against which proactive steps to identify "strategic solutions" are being taken.</p>
<p>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.</p>	<p>The F&amp;A Committee approved MTFS for the period 2008/09 to 2010/11 in March 2008. The MTFS assumed that there may be a requirement to transfer £400k from the PFI Reserve in 2007/08 but this is now not planned to be necessary with a General Fund Balance of £900k. The 2 later years of the MTFS forecast added £120k and £199k to reserves. 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.</p>	<p>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.</p>	<p>The Medium Term Financial Strategy was revised in February 2009 to support the new Corporate Plan. The MTFS included a 5 year financial forecast, clear policy on the level and use of reserves, and sets out how the Council's resources shall be used to support corporate priorities, and the methods by which financial challenges over the medium term will be addressed.</p>

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<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Monthly reports to all councillors and senior management continued during 2008/09 and were augmented by a detailed Financial Outlook report (Full Council December 2008) and Forecast Outturn report (Finance &amp; Administration Committee March 2009).</p> <p>Enhanced arrangements are being introduced for 2009/10 as detailed in a report elsewhere on tonight's agenda.</p>
<p>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>	<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> <p>a) Are there any revenue costs that can be Capitalised?</p> <p>Continues...</p>	<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.</p>	<p>The Council has taken action to address all of the detailed recommendations in the Roots report. Specifically:</p> <p>a) Approval was obtained from DCLG to capitalise redundancy costs in 2007/08 and pensions and redundancy costs in 2008/09.</p> <p>Continues...</p>

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	<p>b) Pension deficit contributions allowed over more than 5 years.</p> <p>c) Seek maximum funding for recovery costs from Capacity Building Fund.</p> <p>d) Curtail the size of the Capital Programme.</p> <p>e) Maximise Fees and Charges for as much as the market can stand for charges within the Council's control.</p> <p>f) Advertising and Sponsorship.</p> <p>Continues...</p>		<p>b) The Council is making pension fund deficit contributions in line with the minimum amount required by Essex CC Pension Fund and the independent actuary.</p> <p>c) The Council has secured additional funding from Improvement East to assist with ongoing development and improved Use of Resources.</p> <p>d) Reductions were made to the Capital Programme for 2008/09 and subsequent years, and the 2008/09 programme was underspent due to deferment and reprioritisation of schemes.</p> <p>e) All Fees &amp; Charges were reviewed for 2009/10, and will be reviewed on an annual basis (November committee cycle). A policy on Pricing &amp; Concessions is in development and market forces including prevailing economic conditions will be a feature of the policy.</p> <p>f) Officers have looked into various advertising and sponsorship arrangements but have determined not to proceed on practicality grounds.</p> <p>Continues...</p>
	<p>g) Alternative means of service</p>		<p>g) Work is underway to progress</p>

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	<p>provision by engaging in shared services and market testing.</p> <p>h) Is the Council doing all it can to generate capital receipts?</p> <p>i) Housing Stock Transfer will give the Council a significant capital receipt.</p> <p>j) A higher level of Council Tax is called for than the 4.5% included in the MTFS.</p> <p>k) Business Planning &amp; Performance Management effective process.</p> <p>l) A new Chief Executive as soon as possible.</p> <p>m) A new Director of Central Services as soon as possible.</p> <p>n) A new Chief Finance Officer as soon as possible.</p> <p>o) Commence discussions with partners on funding G1</p>		<p>'strategic solution's including partnership working on various services.</p> <p>h) The Council is in discussions with Essex CC to establish capacity for asset management.</p> <p>i) A Stock Options Appraisal is underway, although current economic conditions weaken the financial case to proceed with a Stock Transfer.</p> <p>j) Council Tax increases were 4.979% in 2007/08 and 4.875% in 2008/09. The MTFS assumes an annual increase of 4.9%.</p> <p>k) Performance management framework is operating well and business development reviews have been carried out.</p> <p>l) Appointment made.</p> <p>m) Appointment made.</p> <p>n) Appointment made.</p> <p>o) Partner local authorities have contributed towards the cost of G1. Agreements in place to share costs of G2.</p>
5	The Council should take steps to secure the appropriate level of senior management capacity to ensure that the	The Council is currently in the process of recruiting a new Chief Executive, and an appointment is expected to be	The Council has taken prompt action to strengthen its senior management at officer level, with the recruitment of a

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	Council has effective leadership at officer level.	<p>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>	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.	2008.
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.	<p>The Council has established partnerships relating to car parks, HR services and airport planning activity.</p> <p>The Council is actively pursuing partnership opportunities with Essex County Council, other district councils, and town/parish councils.</p> <p>The nature of the partnerships include shared front line and back office services, enhancing corporate capacity in disciplines such as procurement and asset management, and devolvement of assets and services to local communities.</p> <p>A detailed report on this subject will be presented to Full Council on 21 July.</p>
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	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	Improvement Board continues to meet bi-monthly providing useful oversight and challenge. The emphasis has moved away from "recovery" with current focus being upon ensuring that improvements

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	on the short term recovery plan and has identified a basket of indicators on which it receives regular reports.	officers. Key messages from meetings of the Board are circulated to all councillors and staff.	are sustained and built upon, with Use of Resources inspection providing the focus. Chairmanship of Improvement Board handed over from Audit Commission to the Council in May 2009.