

Annual Governance Statement

1 Scope of Responsibility

Uttlesford District Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure the continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be found on the Council Website www.Uttlesford.gov.uk in our Members Handbook under Codes and Protocols, or by writing to

Uttlesford District Council
Council Offices
London Road
Saffron Walden
Essex, CB11 4ER

This statement explains how the Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts and engages with the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

3 The Governance Framework

Uttlesford District Council's governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute Of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

- a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of members and officers to be effective; and
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles at Uttlesford District Council are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Uttlesford District Council Corporate Plan 2007-09 outlines the vision, aims and four priority areas and Medium-Term Financial Strategy. This strategy outlines the principal objectives for the Council and represents the key planning documents for the Council, from which a number of additional plans are developed in support of it. These include the Best Value Performance Plan, the Capital Strategy, the Asset Management Plan, Leisure Strategy and the Housing Strategy.

The objectives outlined within these Strategies are translated into more specific aims and objectives in the service delivery plans which each Council service is required to prepare annually. Performance against these objectives is monitored by individual services and formally reviewed by the Strategic Management Board and Performance Select Committee to ensure the council's objectives are being met and published within the Best Value Performance Plan.

Satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery.

In addition the Local Strategic Partnership (LSP) - Uttlesford Futures has developed a new version of the Sustainable Community Strategy in consultation with key stakeholders and the wider community. Membership comprises of a wide range of public, private, voluntary and community sector organisations which are committed to sustaining the high quality of life in the district.

The Council has a formal performance management framework in place providing links from the corporate priorities of the Authority, the budget and work planning process and the annual divisional plans.

As part of the budget cycle, each Head of Division produces an annual Divisional Plan, which is presented to Strategic Management Board for approval, in conjunction with the Council's priorities and financial resources. Performance Indicators are set at a national and local level and targets agreed for the coming three years. Once the Divisional Plans and budgets have been finalised and approved, individual staff reviews take place to agree work plans and targets.

Performance against targets is monitored on a quarterly and annual basis by Heads of Division and reports are presented to Strategic Management Board and Performance Select Committee, in order that service standards are maintained and corrective action can be taken.

In addition, within the Corporate Plan and Best Value Performance Plan, there is a formal link made between the priorities of the Council and how these measured..

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Uttlesford District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The main decision making Committees are the three Policy Committees, namely Finance and Administration, Community and Environment which are responsible for all matters defined by law and operate within the budget and policy framework approved annually by full Council. The role of the Policy Committees is to develop policies and services within the framework of the Corporate Strategy and policies. Meetings are open to the public except where personal or confidential matters are being discussed. Policy committees take decisions under delegated powers and those decisions therefore have effect as if decisions of Full Council, they do not need to be and are not ratified.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution, with clear details of delegated authorities to officers.

All reports are reviewed for legal, financial and risk considerations prior to being presented to Members of the Council for formal decision-making.

The Council meets in public at least six times a year. There are five cycles of meetings for Committees of the Council in each Council year. This, together with an appropriate level of delegation to senior managers enables speedy decision making.

The Strategic Management Board of the Council meets on a weekly basis and provides the strategic direction of the Council in delivering the requirements of the Members. It also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money and financial management.

There is also a robust budget and policy framework and detailed financial regulations, which are monitored by the Section 151 Officer and the Monitoring Officer. The Constitution is updated continually to reflect any changes in structure.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The behaviour of Members is regulated through separate Codes of Conduct which have been formally approved and adopted. These Codes are supported by numerous protocols that apply the principles of the codes to specific areas of Council activity.

In addition the Council has a Standards Committee whose roles and functions include:

- promoting and maintaining high standards of conduct by councillors and co-opted members;
- assisting councillors and co-opted members to observe the Members Code of Conduct;
- advising the Council on the adoption or revision of the Members Code of Conduct;
- monitoring the operation of the Members Code of Conduct;
- advising, training or arranging to train councillors and co-opted members on matters relating to the Members Code of Conduct;
- granting dispensations to councillors and co-opted members from requirements relating to interests set out in the Members Code of Conduct;
- dealing with any reports from an ethical standards officer and any report from the Monitoring Officer on any matter which is referred by an ethical standards officer to the Monitoring Officer;
- the exercise of the above functions in relation to the town and parish Councils wholly or mainly in its area and the members of those town and parish Councils.

The Council recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities. The approach is regularly reviewed against the guidelines issued by CIPFA/SOLACE and the findings are reported to Committee annually.

The Head of Paid Services, Section 151 Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework and are lawful.

Each Member receives copies of the meeting Agendas in advance. As one of the Agenda items for each meeting, the Members are required to declare any interests at the outset of the meeting. In addition, Members are encouraged to undertake any training relevant to their area of decision making.

Internal and External Audit work together to review and provide annual opinions of the control framework, governance arrangements and the validity of the annual accounts. The Internal Audit Section operates to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK' and the Institute of Internal Auditors – UK and Ireland 'Code of Ethics and the

International Standards for the Professional Practice of Internal Auditing’.

The Council has policies to safeguard both itself and its staff when making decisions. An Anti-Fraud & Corruption Strategy and Whistle Blowing Policy have been developed and communicated to staff as part of the Induction process. Both Policies provide clear reporting channels and are reviewed on an annual basis.

The Council’s financial management arrangements consist of a number of interlocking strands:

Financial Regulations – The regulations provide the framework for managing the Council’s financial affairs. They identify the financial responsibilities of the Council, its committees and officers. They also set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services including standing orders for contracts.

Medium Term Financial Planning – The Council approved its first Medium Term Financial Strategy (MTFS) in February 2007. In March 2008 the Council approved the MTFS from 2008/09 onwards. This provides the basis for financial decision making over the next 3 years for both the Council’s Revenue and Capital budgets. The Council also publishes a Budget Book containing more detailed revenue information for the following financial year together with capital projections for the next three years. The projections are reviewed and updated on an annual basis.

Budget Management - A protocol is in place for the management of budget over and under spends, and use of the Council’s financial reserves, that is designed to manage areas of known budget risk, the planning for predictable budget peaks and change management issues. The responsibility for all earmarked reserves is assigned to individual officers.

Budget Monitoring and Reporting – Officers are provided with information enabling them to manage their budgets. All budgets have been re-assigned to the responsible budget managers. Councillors have identified that further work is required to improve the Council’s approach to budgetary control and a major initiative to progress this is being undertaken from June 2008 following which, Councillors will receive monthly budget monitoring reports.

The Council has in place a detailed divisional planning process that feeds into the budget setting system. Heads of Division are required to prepare Divisional Plans on an annual basis.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several Committees which carry out regulatory or scrutiny functions as follows:

The Scrutiny Committee is formally responsible for monitoring and reviewing policy and advising policy committees, as well as scrutinising the performance of outside bodies and making reports and recommendations as appropriate and may receive public petitions.

The Performance Select Committee monitors the performance of the Council and progress against improvement plans, fulfils the Council's Audit Committee functions in respect of External Audit, Internal Audit and Risk Management and makes reports and recommendations to policy committees and the Council as a whole on its policies, budget and service delivery as appropriate.

In addition to the above, there are also two regulatory Committees, Development Control and Licensing, which are remitted to take certain decisions delegated from the Full Council. In general, these comprise planning and licensing decisions.

The Council is in the process of embedding Risk Management throughout the Council, with an active Risk Management Steering Group re-convened in February 2006. The Risk Management Steering Group is charged with embedding the risk management process throughout the organisation.

Its Terms of Reference are to :

- Approve the Council's risk management strategy
- Promote a best practice framework that embeds risk management at the Council
- Monitor and review the Council's risk management strategy
- Monitor and review the Council's various risk registers
- Monitor and review the Council's business continuity arrangements

The Terms of Reference group were agreed in October 2006 and reviewed in July 2007.

The Council first adopted a risk management strategy and policy in 2003 which was updated in July 2007. This policy has been designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives.

The strategic and operational risks that have been identified have been prioritised and Strategic and Operational Risk Registers for 2007-09 have been developed. The management of the key risks identified in the Strategic Risk Register have been assigned to the Strategic Management Board with the interim Chief Executive, Assistant Chief Executive and Directors taking individual responsibility for managing an appropriate action plan to combat the risk. Heads of Division are the Risk Managers for the Operational Risk Registers for the services within their divisions and are responsible for managing an appropriate action plan to combat the risks therein.

A programme of regular monitoring and review of Risk Registers by the Risk Management Steering Group has been agreed. It will review on a quarterly basis select risks with highest risk ratings and progress towards implementation of actions to mitigate the high risks evaluated. An annual evaluation of the management of high risks throughout the year will be undertaken in March 2009. Where deemed necessary, the Risk Management Steering Group will also invite the Director or Head of Division responsible to attend meetings to discuss their risk management practices where either little progress has been made in reducing high risks levels or where significant changes to risk ratings have occurred or been achieved

The Performance Select Committee has specific responsibility for scrutinising Risk Management and receives regular Risk Management update reports from the Risk Management Steering Group at its meetings.

Developing the capacity and capability of members and officers to be effective

Uttlesford entered in to an HR partnership with Essex County Council commencing on 1 April 2008. One of the first projects is a review of Member and Officer training needs especially in the area of Finance and budget responsibilities

All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications have been drawn up for all posts to ensure that the best candidates are appointed into each position.

All officers employed by the Council receive an annual 'U Perform' at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and/or individual service as appropriate.

Uttlesford District Council has made a significant commitment towards the training of its staff. Staff are actively encouraged to apply for training through the 'U Perform' process. Significant budget is set aside annually to ensure that these training needs are met.

A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost.

The Interim Chief Executive and Leader of the Council have a good working relationship and hold regular meetings to discuss any emerging issues. The Interim Chief Executive also briefs all members with regard to their roles at the time they are sworn in.

There are regular meetings between Members and Senior Officers. These include Chair Person and Directors fortnightly meetings and Committee briefing meetings. These meetings allow Members to be briefed on reports going through Committee, forthcoming matter for consideration and to allow Members to ask pertinent questions to inform the decision making process.

The new HR partnership is looking at Member training above and beyond the initial induction phase. The first phase of training will be around finance and will be delivered by CIPFA FAN training and will consist of up to four courses depending upon the individual Members Committee responsibilities.

Engaging with local people and other stakeholders to ensure robust public accountability

Uttlesford District Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of high quality, cost effective services.

The Council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and staff. Most recently Uttlesford has:

- Invested in new technology to ensure that services are available electronically
- Entered into a partnership with Essex County Council which will see (from August 2008) joint bi-monthly newsletters delivered to all households
- Funded free electronic access points at some remote sites with direct links to both the Council and Citizens Advice Bureau
- Introduced a Customer Service Centre that will enable the majority of queries to be answered and problems solved at the initial point of contact.

Uttlesford continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the Council is currently developing a revised Communications Strategy which will be presented to Members in the near future

The strategy has been developed with the input of staff, Members and other key stakeholders. Consultation has also taken place with representatives from across the District, to establish the standards of communication that are demanded of the Council. In addition, best practice has been explored to ensure that this strategy takes the Council forward to reach the highest standards of communication

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council, should a Stakeholder be unable to access it electronically

The Council's Best Value Performance Plan and Corporate Plan represent the key documents that outline the vision, priorities and objectives for the year ahead, sets performance targets and outlines the Council's accountability to its stakeholders. When identifying the priorities and objectives for the Corporate Plan the views of stakeholders and the wider community are taken into account. The Corporate Plan is made available to all via the Council's website.

The Council's programme for securing continuous improvement in its services is set out in the Best Value Performance Plan and Corporate Plan. Actions for improvement are drawn from a variety of sources including external inspections, internal audit reviews and scrutiny reviews; issues arising from performance management; consultation exercises; and service improvements identified by the Council's complaints and comments procedure. These improvements are communicated to all annually through the Best Value Performance Plan.

The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council. Complaints can be made on-line or in writing and the Council has set targets for responding to all complaints received, ensuring accountability to its Stakeholders. The procedure will be reviewed and updated during 2008/09

There is a Local Strategic Partnership - Uttlesford Futures - which has adopted a new Sustainable Community Strategy up to 2018 with the following six themes:

- Children and Young People Matter
- Staying Healthy
- Developing Business
- Feeling Safe
- Protecting the Environment
- Getting Around

The Sustainable Community Strategy was developed following consultation with key stakeholders and the wider community. The six overarching themes (detailed above) were identified and specific actions to address them have been determined by the Working Groups. Progress against the actions are measured on a quarterly basis and reported to Uttlesford Futures Management Team and Board.

There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. Key partnerships include the Local Strategic Partnership - Uttlesford Futures and the Essex Waste Management Advisory Board.

4 Review of Effectiveness

Uttlesford District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Management Team within the Authority, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the External Auditors and other review agencies and inspectorates

The key features of the Council's internal control framework are:

The Authority

The key formal document governing the internal control framework for the Authority is its Constitution. All delegation of decision-making is made in accordance with the requirements of the Constitution and the Scheme of Delegation, which forms part of the Constitution.

The formal rules governing the way in which the Council, its Committees and Officers conduct their business are also set out as part of the Constitution and include:

- Budget & Policy Framework
- The Financial Regulations
- Rules of Procedure for Council & Committee Meetings
- Access to Information Procedure Rules

All Committee reports are reviewed by the Monitoring Officer to ensure that they are lawful and by the Section 151 Officer for financial and risk implications prior to be presented to Members.

The Council has three Policy Committees that approve all policies and reports under each directorate. The Scrutiny Committee has the powers to 'call in' and challenge any Committee decisions.

The Monitoring Officer has a duty to monitor and review the constitution to ensure that its aims and principles are current. The constitution is reviewed regularly and updates are issued as necessary. Recent changes to the Constitution have included changes to the scheme of delegation and members allowances.

The Scrutiny Committee

The Scrutiny Committee is formally responsible for monitoring and reviewing policy and advising policy committees, as well as scrutinising the performance of outside bodies and making reports and recommendations as appropriate and may receive public petitions. In 2007/8 one decision was called in for scrutiny.

The Performance Select Committee

The Performance Select Committee monitors the performance of the Council and progress against improvement plans, fulfils the Council's Audit Committee functions in respect of External Audit, Internal Audit and Risk Management and makes reports and recommendations to policy committees and the Council as a whole on its policies, budget and service delivery as appropriate.

Section Heads have also been requested to attend meetings to explain poor performance within their service.

The Standards Committee

The Standards Committee met regularly throughout 2007/08 as part of the Committee cycle of meetings. It advised the Council on adopting a revised Code of Conduct compliant with the amended legislation; it responded to various government consultations on issues surrounding the Code of Conduct; it sponsored the attendance of the Standards Board's Sixth Annual Assembly by the Independent Chairman and the Monitoring Officer; it supported training for district, parish and town councillors and parish and town clerks on the new Code of Conduct and provided guidance to a parish council which was having difficulties with its Members not observing the Code.

The Standards Committee has also dealt with two complaints that have been made against Members of parish councils that were referred to them by the Standards Board for England and one from a member of the public ensuring high standards of conduct are maintained. Training has also been received by the Committee Members on the additional powers that the Standards Committee will have regarding complaints in 2008/09 to ensure that they will act lawfully from the outset.

Internal Audit

The role of internal audit is to review the internal control framework that governs the operations of the Council and, in so doing, provide an independent opinion to both management and members of the Authority on the robustness of the Council's internal control environment.

The Internal Audit function of the Council is delivered by the Internal Audit Team. The work of the team complies fully with the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the UK and with the Code of Ethics and International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors – UK and Ireland

Internal audit is part of the Council's corporate governance framework. Corporate governance is defined as the system by which local authorities direct and control their functions. The requirement for adequate and effective internal audit is statutory for all local authorities. Annual audit coverage is traditionally linked to a five year strategic work plan, which ensures that all services are reviewed on a cyclical basis. The frequency with which services are audited within the cycle is dependant on the result of a risk assessment, indications of performance and being reconciled to available audit resource. Senior officers and Members are traditionally consulted about the proposed work plan.

A separate Annual Audit Plan is agreed that identifies the audits to be completed during the year, including the core fundamental systems (audited annually as part of the managed audit agreement with the Council's External Auditors) and other operational systems.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director, Head of Division and Service Manager and Director. Head of Paid Services, the Monitoring Officer and the Section 151 Officer also receive a report of all audits completed.

Each audit report includes agreed recommendations for improvement (graded high, medium or low). All recommendations are regularly followed up to ensure they are acted on. An opinion of the overall internal control environment is also provided. Where assurance is deemed to be unsatisfactory, immediate action is required.

The Internal Audit Team reports directly to the Performance Select Committee at each of its meetings. The committee approves the Audit Plan and monitors the performance of the Audit Team and progress against audit recommendations. The committee also receive copies of all audit reports issued and selected audits reports are reviewed by the committee at its meetings at which the Head of Division responsible for the service audited is required to attend and confirm progress towards the implementation of the recommendations made in the audit report. The Audit Team reports annually to the Performance Select Committee, providing the audit opinions of all audits completed and an overall audit opinion. The overall audit opinion on the control environment for 2007/08 is that risks identified by Internal Audit are adequately controlled.

It is considered best practice that an internal review of the effectiveness of the system of internal audit is undertaken and the findings of this review have been reported to Members for their consideration. The purpose of this review was to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance. No internal review has undertaken in 2007-08, the work of Internal Audit is being reviewed externally by the Audit Commission who are expected to report their findings in July 2008, any recommendations arising from this report will be actioned in 2008-09.

The Performance Select Committee receives regular reports on risk management, updating them on the work undertaken by the Risk Management Steering Group and approving key documents including the risk management strategy and the Corporate Risk Register.

This has enabled the Performance Select Committee to be satisfied that significant progress has been towards embedding Risk Management throughout the authority and that the Council is improving in its identification of and actions to mitigate the key risks to the Council's ability to achieve its objectives.

Other Assurance Mechanisms

In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included the collation of assurances from all service managers and directors on the effectiveness of the internal control environment. A review of the returns concluded that based on this self assessment, effective controls were in place.

The Council has a Performance Management Framework through which quality of service can be measured by both local and national performance indicators. Performance targets are set and agreed for the coming three years and is monitored on a quarterly basis by Heads of Divisions and reported to the Strategic Management Board and Performance Select Committee in order that corrective action can be taken where services are deemed to be under performing.

The Audit Commission reviewed the data quality used for assessing performance and deemed it to be of a "good quality and there were no qualifications to the information submitted". Performance in 2007/08 resulted in 39% of our BVPI's being in the top quartile (based on 57 out of 60 indicators reported at the time of preparation of this statement) an overall improvement in year of 36% of the indicators.

The Audit Commission carried out a Comprehensive Performance Assessment Inspection of the Council in 2004. The Council was assessed as "Fair".

The most recent Audit Commission Inspections were:

September 2006 Waste Management and Street scene. The Council was assessed as Fair Service / Promising prospects for improvement

July 2007 Access to Services 19 July 2007. the Council was assessed as Fair Service / Promising prospects for improvement

May 2008 Community Housing Services. The Council was assessed as Fair Service / Poor prospects for improvement

As part of the Comprehensive Performance Assessment framework the Council has been assessed twice under the 'use of resources' category. The outcome of the first assessment was a score of 2 (out of 4) and for the 2006/07 (reported in December 2007) assessment the score had reduced to 1. Top level areas for improvement have been identified and form part of the Voluntary Improvement board – Short term improvement Plan.

5 Significant Control and Governance Issues

The following control and governance issues were identified during 2007/08

a) Financial Control Issues

I. Closedown 2006/07

The Accounts and Audit Regulations 2003 set out the requirements for the production and publication of the annual Statement of Accounts. The Regulations require authorities to approve the 2006/07 draft Statement of Accounts (subject to audit) before 30th June 2007. The Council failed to meet this deadline, as the Accounts were not approved until a meeting of Full Council on 31st July 2007.

Following the commencement of the Audit of the Accounts by the Audit Commission, it became apparent that there was a large number of material amendments required to the Statement of Accounts, before they could be signed of by the District Auditor. It was also apparent that the Council's Balances and Reserves had been substantially reduced. On the 11th December 2007, as a result of further consideration by the District Auditor, it was determined that the lease taken out in November 2006 for 18 recycling vehicles, previously determined by the Council as an Operating Lease, was in fact a Finance Lease. The Accounts were re-submitted to Performance Select Committee on 11th December 2007, and approved at Full Council on the same night, with no amendment for the incorrect treatment of the Lease.

As a result, the District Auditor in February 2008 issued a Qualified Opinion on the 2006/07 Accounts.

II. Staffing

Since the Accounts were approved there have been a number of changes in the Finance Division's senior staff.

Currently the Interim Director of Central Services is carrying out the responsibilities of the Chief Finance Officer, and further support at a senior level is being provided by resources from Public Sector Consultants Ltd.

A number of new appointments were made in the Finance Section in late 2007 and a new post of Chief Financial Officer has now been approved by the Council, with an appointment expected in summer 2008.

III. Budget 2007/08

Because of the issues with the Council's financial position set out above, further detailed work on the estimates included in the Council's Budget for 2007/08 was undertaken, starting in April 2007. Regular reports have been submitted to Council, up to the setting of the 2008/09 Budget in February 2008.

It became apparent that there had been a number of errors in the Budget for 2007/08 set in February 2007, which resulted in a substantial underestimate of the Council's Budget Requirement.

The Council implemented a series of cost cutting measures in order to minimise the shortfall on the 2007/08 Budget and also approved an updated Medium Term Financial Strategy with a revised outturn forecast for 2007/08, together with updated projections for 2008/09.

The Council then approved proposals for first voluntary, then compulsory redundancies which resulted in a number of staff leaving the Council, together with the deletion of a large number of vacant posts from the establishment.

IV. Budget 2008/09

As a result of the shortfall in projected income and underestimated budgets the Council's Earmarked Reserves and the General Fund Balance were forecast to be severely depleted at 31st March 2008. The Council agreed to the use of the PFI Reserve as temporary support to the General Fund Balance in 2007/08.

In addition there is an assumption of £0.5m savings being achieved in the base budget for 2008/09.

Following the necessary reductions in costs actioned above, the Council set a Budget for 2008/09 in February 2008.

V. Use of Resources

The Council's draft Use of Resources Auditor Judgements 2007 was reported to Performance Select Committee on 29th April 2008. Set out below are the scores for the relevant themes:

		<u>2007</u>	<u>2006</u>
1.	Financial Reporting	1	2
2.	Financial Management	1	2
3.	Financial Standing	1	2
4.	Internal Control	2	2
5.	Value for Money	2	2
6.	Overall Use of Resources Score	1	2

The scoring is based on the Audit Commission's Standard Scale used for assessments and inspections, which are set out below:

Score	Scale for assessment
1	Below minimum requirements-inadequate performance
2	Only at minimum requirements-adequate performance
3	Consistently above minimum requirements-performing well
4	Well above minimum requirements-performing strongly

b) Governance Issues

I. Head of Paid Services / Chief Executive vacancy

The former Chief Executive and Head of Paid Service left the Council's employment in February 2008. Since that time, the Director of Development has assumed the role of Interim Chief Executive and Head of Paid Service, pending a permanent appointment. The post was advertised nationally in June 2008.

This leaves the council with some capacity issues at a senior level which in turn increases the risk around corporate governance, service delivery and accountability to stakeholders.

II. Internal Audit

To help address issues arising from the financial position of the Council at the end of 2007/08, the Internal Audit work plan for 2008/09 now includes audit time allocated to Corporate Audits of Income, Reconciliations, Budget (Setting) and Budget Monitoring and Reporting

III. Risk Management

Although the Council has a corporate Risk Management Group and Risk Register, the Council needs to continue to take further action to progress the embedding of a risk management culture across the authority.

VI. Code of Corporate Governance

The Council has a Code of Corporate Governance. Training on Corporate Governance has been provided for Members; however there is scope for further training and/or increased awareness in this area.

VII. Business Continuity

The Council has business and service continuity plans in place. However, it is planned that these will be reviewed during the year to ensure that they remain current.

VIII. Partnership Working

The Council has a number of partnership working arrangements in place, which are critical to the achievement of the Council's corporate objectives. As such, the Council should ensure that the risk and corporate governance arrangements for these partnerships is fully considered.

IX. Short Term Recovery /Improvement Plan

As a consequence of the governance issues that the Council has encountered, a short term recovery/improvement plan has been prepared to assist in addressing the key issues. The Council has secured support, in the form of capacity building, from Improvement East and has also set up a Voluntary Improvement Board, to oversee the council's progress and to assist the council to improve. This is a concept that has worked successfully with other councils.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed

John Mitchell
Interim Chief Executive

Cllr Jim Ketteridge
Leader of the Council