

**ANNUAL GOVERNANCE STATEMENT 2007-08
SIGNIFICANT CONTROL AND GOVERNANCE ISSUES**

MANAGEMENT ACTION PLAN

AGS ref	Issue	Risk 1 – 4	Responsible Officer	Action / Comment	Implementation Date
5 a)	Financial Control Issues				
I.	<p>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.</p> <p>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.</p> <p>As a result, the District Auditor in February 2008 issued a Qualified Opinion on the 2006/07 Accounts.</p>			This is a historic issue on which no further action can be taken	
II.	<p>Staffing Since the Accounts were approved there have been a number of changes in the Finance Division's senior staff.</p> <p>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</p>			Already implemented	

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	<p>Ltd.</p> <p>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.</p>				
III.	<p>Budget 2007/08</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>			This is a historic issue on which no further action can be taken	
IV.	<p>Budget 2008/09</p> <p>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.</p>			This is a historic issue on which no further action can be taken	

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	<p>In addition there is an assumption of £0.5m savings being achieved in the base budget for 2008/09.</p> <p>Following the necessary reductions in costs actioned above, the Council set a Budget for 2008/09 in February 2008.</p>																															
V.	<p>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:</p> <table border="0" data-bbox="304 667 853 938"> <thead> <tr> <th>Theme</th> <th>2006</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>Financial Reporting</td> <td>2</td> <td>1</td> </tr> <tr> <td>Financial Management</td> <td>2</td> <td>1</td> </tr> <tr> <td>Financial Standing</td> <td>2</td> <td>1</td> </tr> <tr> <td>Internal Control</td> <td>2</td> <td>2</td> </tr> <tr> <td>Value for Money</td> <td>2</td> <td>2</td> </tr> <tr> <td>Overall Use of Resources Score</td> <td>2</td> <td>1</td> </tr> </tbody> </table> <p>The scoring is based on the Audit Commission's Standard Scale used for assessments and inspections, which are set out below:</p> <table border="0" data-bbox="304 1145 815 1310"> <thead> <tr> <th>Scale</th> <th>Scale for assessment</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Below minimum requirements-inadequate performance</td> </tr> <tr> <td>2</td> <td>Only at minimum requirements-adequate performance</td> </tr> </tbody> </table>	Theme	2006	2007	Financial Reporting	2	1	Financial Management	2	1	Financial Standing	2	1	Internal Control	2	2	Value for Money	2	2	Overall Use of Resources Score	2	1	Scale	Scale for assessment	1	Below minimum requirements-inadequate performance	2	Only at minimum requirements-adequate performance	4	SMB	unable to plan any further action at this stage until Use of Resources Scoring reported by Audit Commission (possibly December 2008 – to be confirmed with Audit Commission Audit Manager)	
Theme	2006	2007																														
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5 b)	Governance Issues				
I.	<p>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.</p> <p>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.</p>			Already implemented	
II.	<p>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</p>			Already implemented	
III.	<p>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</p>	3	Chief Executive, SMB & HoDs	Risk Management to become an integral part of Corporate and Divisional planning	
VI.	<p>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</p>	2	Assistant Chief Executive	Further training for Members to be considered	31/03/09
VII.	<p>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.</p>	3	Assistant Chief Executive; Emergency	Review of Business and Service Continuity plans to be undertaken	31/01/09

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			Planning Officer		
VIII.	<p>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.</p>	3	Chief Executive	Current Partnership arrangements require risk assessment. All new significant partnerships to be fully risk assessed	31/03/09
IX..	<p>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.</p> <p>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</p>	3	Chief Executive	<p>Already implemented.</p> <p>The Voluntary Improvement board meets on a roughly 6 weekly cycle. In view of the progress already made in a number of 'top priority' areas, the plan was revised and updated in September 2008. Priorities are linked to the Council's corporate plan.</p>	

Risk descriptions

4. *Catastrophic effect - immediate action required. Matters that are considered fundamental that require immediate attention and priority action.*
3. *Significant impact – action required. Matters that are considered significant that should be addressed within six months.*
2. *Some impact – action necessary. Matters that are considered important that should be addressed within twelve months.*
1. *Little or no impact. Matters that merit attention and would improve overall control levels.*