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Watford Borough Council

Review of the Council's arrangements for securing financial resilience

November 2011

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Section 1

Executive summary

| | |
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| 1. | Executive summary |
| 2. | Key Indicators |
| 3. | Strategic Financial Planning |
| 4. | Financial Governance |
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Introduction

Context

The Chancellor of the Exchequer announced the 2010 Spending Review (SR10) to Parliament on 20 October 2010. This formed a central part of the Coalition Government's response to reducing the national deficit, with the intention to bring public finances back into balance during 2014/15.

The associated report published Government Departmental Expenditure Limits (DELs) for the four-year spending review period: 2011/12 to 2014/15. CLG funding was reduced by 26% over the period.

SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government will reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions have been frontloaded, with 8% cash reductions in 2011/12.

The provisional Local Government Finance Settlement was announced on 13 December 2010. The final figures were announced on 31st January with the debate and approval by the House of Commons on 9th February. This represents a two year funding announcement, because the Government is delaying a decision on later years until after their review of local government finance.

This follows a period of sustained growth in local government spending, which increased by 45% (including schools and social services) during the period 1997 to 2007. The funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Our Approach

Value for Money Conclusion

As part of the work informing our 2010/11 Value for Money (VFM) conclusion we have undertaken a review to determine if the Council has adequate arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report .

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. In overall terms the conclusion from this report is that the Council has adequate arrangements in place for achieving financial resilience.

We have used a red / amber / green (RAG) rating with the following definitions.

Green

No cause for concern. Adequate arrangements identified and key characteristics of good practice appear to be in place.

Amber

Potential risks and / or weaknesses. Adequate arrangements and characteristics are in place in some respects, but not all . Evidence that the Council is taking forward areas where arrangements need to be strengthened.



Red

High risk: The Council's arrangements are generally inadequate and not in line with good practice.

Our findings are detailed between pages 6 and 41 of this report.

All findings and recommendations have been discussed with senior officers. Details of the recommendations can be found on pages 8 and 9.



Overview of Arrangements

| Area | Summary observations | Summary level risk assessment |
|---|--|--|
| <p>Key Indicators of Performance</p> | <ul style="list-style-type: none"> • The Council has a good track record of financial management, achieving underspends on budget in each of the last three years. • Benchmarked key indicators of performance indicate that the Council hold a high level of useable reserves compared to their nearest neighbours. Further analysis found that the Council was able to meet their net revenue expenditure more than once over from the amount of usable reserves available to the Council. • The comparison also highlights a strong position in terms of working capital. However, it is clear that working capital will come under increasing pressure as a result of SR10 and will need to be carefully monitored. • Sickness levels are above both the private and public sector averages. Absence management will be a particular challenge for all authorities going forward, given the context of significant pressures on staff to deliver 'more for less'. • The Council will need to carefully monitor these financial indicators to ensure that it remains financially resilient during the MTFS period. | <p style="text-align: center;">  Green </p> |
| <p>Strategic Financial Planning</p> | <ul style="list-style-type: none"> • The Council performed scenario planning for scenarios of budget cuts of 5%, 7.5% and 10% ahead of the final settlement announcement from central government. • A service prioritisation exercise was performed in August 2010 that saw Council wide engagement of staff input into the savings programme that was supported by a very robust challenge exercise to identify savings in anticipation of the central government settlement reduction. • Savings programme performance for 2011/12 is that from the £1.8m of budgeted savings targeted, the Council has achieved £1.194m of savings as at the end of period 6 of 2011/12 which is ahead of target. • The Council will need to continue to monitor the MTFS during its delivery, in particular in relation to the impact of price inflation in the medium term, and the outcome of the Government's funding settlement for the final two years of the plan. In addition, work is still required to ensure savings assumptions in the latter years of the plan are effectively developed and the savings realised. | <p style="text-align: center;">  Green </p> |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Overview of Arrangements

| Area | Summary observations | Summary level risk assessment |
|------------------------------------|--|--|
| <p>Financial Governance</p> | <ul style="list-style-type: none"> • The Council was able to undertake the most recent MTFS process with an effective lead in time and the process had a high level of stakeholder engagement. • The monthly budget 'Finance Digest' packs are produced and circulated for the committee members and employees to review and contain detail of variance analysis by service and identifying the reason for the variance. The Council also provides within its data packs the 10 key risk areas for the Council including housing benefit expenditure, commercial rents and trade refuse income that are analysed on budget to outturn position but identify remedial action that is required. • The monthly finance position reporting of income is very limited, the Council provide analysis of percentage of NNDR and council tax collected with target values but there are no analysis of other income streams notably property and commercial rent although they accounts for £6.8m of budgeted income. in 2011/12 • The Council did ensure that the appropriate financial skills were in place across the organisation but since the transfer to a shared service centre, certain processes have lapsed, in particular the process of reconciliation between systems. The delivery of the accounts on 14 July 2011, was after deadline and the combination of these elements has led to concern around the deliverability of the shared service finance function. | <p style="text-align: center;">  Amber </p> |
| <p>Financial Control</p> | <ul style="list-style-type: none"> • The financial processes employed by the Council to address the issues faced under SR10 including scenario planning and service prioritisation exercise have equipped it to address the challenges ahead. • As at June 2011 we were unable to assess the status of implementation of the internal audit recommendations, as the internal audit function provide reports that concentrate on the headline recommendations. • The finance team that prepared the accounts for Watford BC has changed from the prior year, the function is now provided by the finance shared service unit. We experienced delays in receipt of information and, although this did not impact our sign off deadline of 29 September 2011, the process and subsequently the Council will benefit from extra capacity within the shared service finance function. • The Council should consider adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis by agreed deadlines. • The Council received unqualified accounts and value for money opinions on 29 September 2011, in line with the national deadline of 29 September 2011. | <p style="text-align: center;">  Amber </p> |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Recommendations

| Area of review | Recommendations | Responsibility | Timescale | Comment | |
|-----------------------------|---|----------------|-----------|---------|--|
| Financial Governance | The Council should address the issues raised by the independent assessment of the IT strategy in place across both Three Rivers DC and Watford BC. | | | | |
| | The presentation of income charges could be improved with the further analysis of other income streams such as property and commercial income included within the monthly budget reporting pack the 'Finance Digest'. | | | | |
| | A complete set of draft accounts with accompanying notes should be provided to audit by the national deadline. | | | | |
| Key Indicators | The Council should consider their current absence management procedures in the light of the 2010/11 staff absence levels. | | | | |

Recommendations

| Area of review | Recommendations | Responsibility | Timescale | Comment |
|--------------------------|---|----------------|-----------|---------|
| Financial Control | The Council should consider providing a detailed analysis of the progress of internal audit recommendations to the audit committee on a bi-annual basis. | | | |
| | Efforts should be made within the finance team to find additional capacity to meet deadlines. | | | |
| | The Council should consider adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis by agreed deadlines. | | | |

Section 2

Key Indicators

1. Executive summary
2. Key Indicators
3. Strategic Financial Planning
4. Financial Governance
5. Financial Control

Introduction

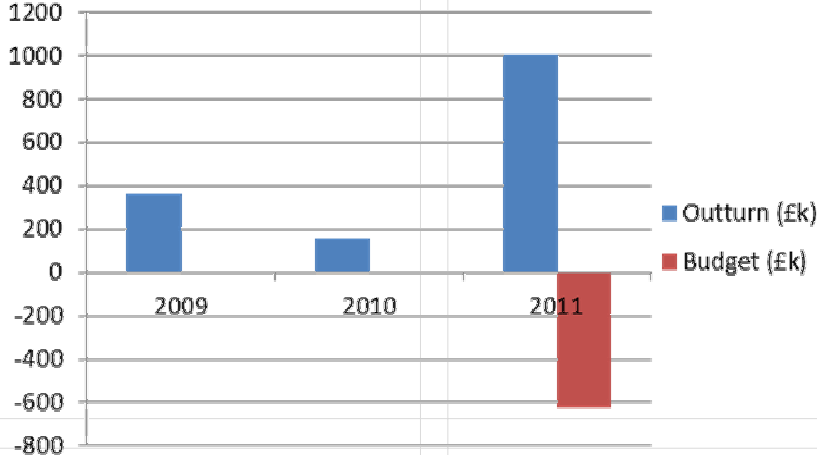
This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Out-turn against budget
- Working capital ratio
- Useable Reserves levels
- Sickness absence levels

We have used the Audit Commission's nearest neighbours benchmarking group, which is the following authorities.

- Broxbourne Borough Council
- Cheltenham Borough Council
- Dacorum Borough Council
- Dartford Borough Council
- Gloucester City Council
- Hertsmere Borough Council
- North Hertfordshire District Council
- Rushmoor Borough Council
- Spelthorne Borough Council
- Stevenage Borough Council
- Tunbridge Wells Borough Council
- Warwick District Council
- Welwyn Hatfield Borough Council
- Woking Borough Council
- Worcester City Council

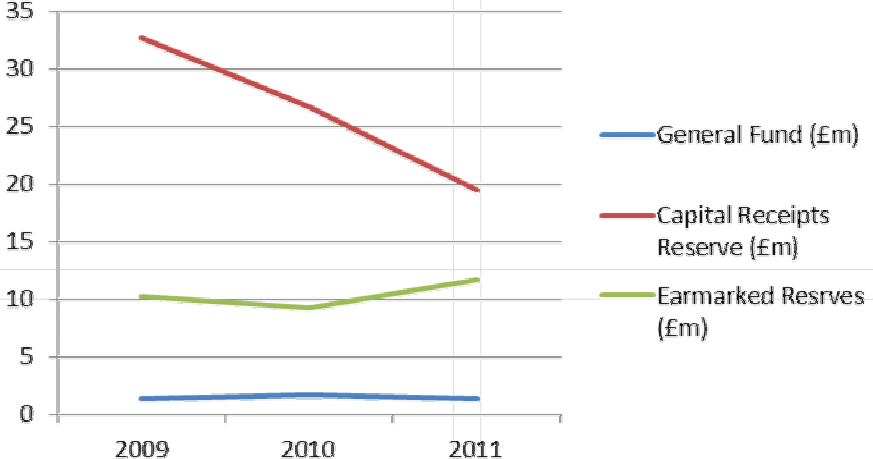
Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | | | | | |
|----------------------------|---|----------------------------|--------------|-------------|------|------|---|------|------|---|------|-------|-------|---|
| Performance Against Budget |  <table border="1" data-bbox="602 372 1417 825"> <caption>Performance Against Budget Data</caption> <thead> <tr> <th>Year</th> <th>Outturn (£k)</th> <th>Budget (£k)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>~350</td> <td>0</td> </tr> <tr> <td>2010</td> <td>~150</td> <td>0</td> </tr> <tr> <td>2011</td> <td>~1000</td> <td>~-600</td> </tr> </tbody> </table> <ul data-bbox="395 882 1777 1196" style="list-style-type: none"> • The Council has a good track record in managing expenditure against budget, achieving underspends of budget in each of the last three years. • Per the 2010/11 certified statement of accounts, the underspend against budget was attributable to service expenditure reduction and increase. • The most significant variances include a VAT refund of £1.15m lower than expected building maintenance costs across the Council's operational sites of £343k and a dip in the commercial rent income of £281k. • Of the services that are provided by the Shared Services only revenues and benefits service that has not provided a saving from original budget. Of the £502k overspend from original budget, £549k of the loss was attributable to revenues and benefits service., the majority of which is funded by Watford. | Year | Outturn (£k) | Budget (£k) | 2009 | ~350 | 0 | 2010 | ~150 | 0 | 2011 | ~1000 | ~-600 | <p data-bbox="1881 725 1935 772">●</p> <p data-bbox="1881 796 1949 819">Green</p> |
| Year | Outturn (£k) | Budget (£k) | | | | | | | | | | | | |
| 2009 | ~350 | 0 | | | | | | | | | | | | |
| 2010 | ~150 | 0 | | | | | | | | | | | | |
| 2011 | ~1000 | ~-600 | | | | | | | | | | | | |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

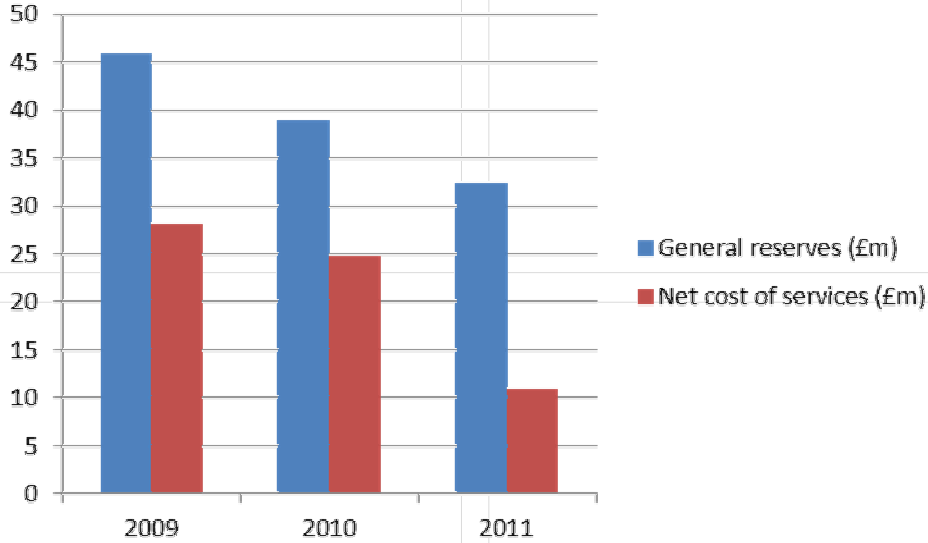
Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | | | | | | | | | |
|------------------|---|-------------------------------|-------------------------|-------------------------------|-------------------------|------|------|-------|-------|------|------|-------|------|------|------|-------|-------|--|
| Reserve Balances | <ul style="list-style-type: none"> The Council's total usable reserves have reduced from £38.888m to £32.418m over the three most recent years. However, as the graph below shows, the key driver for this reduction is the planned use of the capital receipts reserve:  <table border="1" data-bbox="569 521 1440 978"> <caption>Reserve Balances (£m)</caption> <thead> <tr> <th>Year</th> <th>General Fund (£m)</th> <th>Capital Receipts Reserve (£m)</th> <th>Earmarked Reserves (£m)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>~1.5</td> <td>~32.6</td> <td>~10.0</td> </tr> <tr> <td>2010</td> <td>~1.8</td> <td>~25.0</td> <td>~9.5</td> </tr> <tr> <td>2011</td> <td>~1.5</td> <td>~19.4</td> <td>~11.5</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The balance of the capital receipts reserve has fallen from £32.635m in 2008/09 to £19.413m in 2010/11, a drop of 40%. In 2010/11, the Council utilised £8.7m to finance capital expenditure of £10.3m and in the current economic climate it is difficult to sell assets to provide additional funding. The level of capital reserve remains healthy and there is no immediate short term requirement for the Council to start borrowing to finance capital expenditure. | Year | General Fund (£m) | Capital Receipts Reserve (£m) | Earmarked Reserves (£m) | 2009 | ~1.5 | ~32.6 | ~10.0 | 2010 | ~1.8 | ~25.0 | ~9.5 | 2011 | ~1.5 | ~19.4 | ~11.5 | <p style="text-align: center;">● Green</p> |
| Year | General Fund (£m) | Capital Receipts Reserve (£m) | Earmarked Reserves (£m) | | | | | | | | | | | | | | | |
| 2009 | ~1.5 | ~32.6 | ~10.0 | | | | | | | | | | | | | | | |
| 2010 | ~1.8 | ~25.0 | ~9.5 | | | | | | | | | | | | | | | |
| 2011 | ~1.5 | ~19.4 | ~11.5 | | | | | | | | | | | | | | | |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | | | | | |
|-------------------------------------|--|----------------------------|-----------------------|---------------------------|------|----|----|------|----|----|------|----|----|--|
| <p>Reserve Balances (continued)</p> | <ul style="list-style-type: none"> The chart below show the level of total usable reserves against the net cost of services balance. The first graph shows this in actual terms.  <table border="1" data-bbox="561 518 1487 1058"> <caption>Reserve Balances (Actual Terms)</caption> <thead> <tr> <th>Year</th> <th>General reserves (£m)</th> <th>Net cost of services (£m)</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>46</td> <td>28</td> </tr> <tr> <td>2010</td> <td>39</td> <td>25</td> </tr> <tr> <td>2011</td> <td>32</td> <td>11</td> </tr> </tbody> </table> <ul style="list-style-type: none"> This highlights that whilst the level of reserves has fallen over the previous three years, the level of reserves are more than capable of covering the net cost of service expenditure. We note that the total usable reserves amount includes both revenue and capital reserves, revenue reserves and not capital reserves are utilised to support revenue expenditure This evidences that the Council is maintaining reserves at a more than reasonable level and had the ability to cover net expenditure in 2010/11. | Year | General reserves (£m) | Net cost of services (£m) | 2009 | 46 | 28 | 2010 | 39 | 25 | 2011 | 32 | 11 | <p style="text-align: center;">● Green</p> |
| Year | General reserves (£m) | Net cost of services (£m) | | | | | | | | | | | | |
| 2009 | 46 | 28 | | | | | | | | | | | | |
| 2010 | 39 | 25 | | | | | | | | | | | | |
| 2011 | 32 | 11 | | | | | | | | | | | | |

Key:


- High-risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------|---|----------------------------|-------------------|-----------------------|------|---------------------|------|-----------------------------|-------------|----------------------|------|---------------------|------|--------------------|------|---------------------|------|--------------------------|------|--------------------|------|------------------------|------|-----------------------|------|------------------------|------|------------------------|------|-------------------------|------|----------------------|------|-----|------|--|
| <p>Reserve Balances (continued)</p> | <ul style="list-style-type: none"> The Audit Commission made comparative data available for 2009/10. This has been used to generate the graph below showing the ratio of usable reserves to gross revenue expenditure with a comparison against those authorities the Audit Commission considers to be 'nearest neighbours'. <div data-bbox="549 564 1740 1078" data-label="Figure"> <p style="text-align: center;">Useable reserves: GRE - 2009/10</p> <table border="1"> <caption>Estimated data from 'Useable reserves: GRE - 2009/10' chart</caption> <thead> <tr> <th>Authority</th> <th>Ratio (Estimated)</th> </tr> </thead> <tbody> <tr><td>Borough of Broxbourne</td><td>0.78</td></tr> <tr><td>Rushmoor Borough...</td><td>0.55</td></tr> <tr><td>Hertsmere Borough...</td><td>0.52</td></tr> <tr><td>Tunbridge Borough...</td><td>0.45</td></tr> <tr><td>Spelthorne Wells...</td><td>0.38</td></tr> <tr><td>Welwyn Hatfield...</td><td>0.28</td></tr> <tr><td>Dartford Borough...</td><td>0.25</td></tr> <tr><td>Warwick District Council</td><td>0.22</td></tr> <tr><td>Dacorum Borough...</td><td>0.18</td></tr> <tr><td>North Hertfordshire...</td><td>0.15</td></tr> <tr><td>Cheltenham Borough...</td><td>0.12</td></tr> <tr><td>Woking Borough Council</td><td>0.10</td></tr> <tr><td>Worcester City Council</td><td>0.08</td></tr> <tr><td>Gloucester City Council</td><td>0.07</td></tr> <tr><td>Stevenage Borough...</td><td>0.05</td></tr> <tr><td>...</td><td>0.04</td></tr> </tbody> </table> </div> <ul style="list-style-type: none"> This shows the Council holds an above average level of reserves compared to their 'nearest neighbours'. | Authority | Ratio (Estimated) | Borough of Broxbourne | 0.78 | Rushmoor Borough... | 0.55 | Hertsmere Borough... | 0.52 | Tunbridge Borough... | 0.45 | Spelthorne Wells... | 0.38 | Welwyn Hatfield... | 0.28 | Dartford Borough... | 0.25 | Warwick District Council | 0.22 | Dacorum Borough... | 0.18 | North Hertfordshire... | 0.15 | Cheltenham Borough... | 0.12 | Woking Borough Council | 0.10 | Worcester City Council | 0.08 | Gloucester City Council | 0.07 | Stevenage Borough... | 0.05 | ... | 0.04 | <p style="text-align: center;">● Green</p> |
| Authority | Ratio (Estimated) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borough of Broxbourne | 0.78 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rushmoor Borough... | 0.55 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hertsmere Borough... | 0.52 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tunbridge Borough... | 0.45 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Spelthorne Wells... | 0.38 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Welwyn Hatfield... | 0.28 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dartford Borough... | 0.25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Warwick District Council | 0.22 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dacorum Borough... | 0.18 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| North Hertfordshire... | 0.15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cheltenham Borough... | 0.12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Woking Borough Council | 0.10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Worcester City Council | 0.08 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gloucester City Council | 0.07 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stevenage Borough... | 0.05 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ... | 0.04 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern


Overview of performance

| Area of Focus | Summary observations | High level risk assessment |
|------------------------------|--|---|
| Reserve Balances (continued) | <ul style="list-style-type: none"> The level of General fund reserves has remained fairly stable at recording over £1m for the past 3 years, which is a Council policy decision. With this the level of reserves the Council could potentially be exposed to one off charges such as a provision or unanticipated items of expenditure, although we recognise that the scale of other reserves leaves the Council very well placed over. It remains important to maintain appropriate levels of General Fund reserves during this period of fiscal constraint. Failure to do so will create cash flow pressures and may cause adverse publicity for the Council. The Council were originally anticipating utilising £280k of general fund balances to support the budget in 2010/11, however due to improved service performance combined with a savings programme resulted in the Council being able to transfer £1.35m to reserves. The MTFS for the next 3 years budgets for £520k of general fund reserves to be utilised, which is less than the balance of general fund reserves in 2010/11 of £1.35m The Council do not maintain high levels of general fund balances but plan and revisit the MTFS and budgets at least twice a year to update the planning and budget assumptions. In any event if the Council did require an injection of cash then they can call on the £31m in short term investments. |  Green |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern


Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | |
|---------------|--|----------------------------|-----------------------|------|-----|------|-----|------|-----|---|
| Liquidity | <ul style="list-style-type: none"> The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those over the next twelve month period. As the graph below shows, the Council's working capital ratio has fallen over the three years 08/09 to 10/11. <div data-bbox="576 564 1502 982" style="text-align: center;"> <h3>Working capital ratio</h3> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Working capital ratio data</caption> <thead> <tr> <th>Year</th> <th>Working capital ratio</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.5</td> </tr> <tr> <td>2010</td> <td>3.8</td> </tr> <tr> <td>2011</td> <td>3.8</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> This indicates that the Council's liquidity has remained virtually constant, although it should be noted that it remains at a very high level. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst the Council currently have a ratio of just under 4:1. In general, a very high working capital ratio is not considered to be a good thing, as it tends to indicate that an authority is not investing its excess cash effectively. However, Watford have invested the cash but, due to the nature of the investments, this remains reported as a current asset. Were these investments to be excluded from the calculation, the current working capital ratio would be 1.07:1 which would not be considered unreasonable. | Year | Working capital ratio | 2009 | 4.5 | 2010 | 3.8 | 2011 | 3.8 |  Green |
| Year | Working capital ratio | | | | | | | | | |
| 2009 | 4.5 | | | | | | | | | |
| 2010 | 3.8 | | | | | | | | | |
| 2011 | 3.8 | | | | | | | | | |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
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Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|---|----------------------------|-------|-----------------------|-----|------------------------|-----|--------------------|-----|--------------------------|-----|--------------------|-----|----------------------|-----|---------------------|-----|--------------------|-----|-----------------------|-----|---------------------|-----|------------------------|-----|----------------------|-----|------------------------|-----|-------------------------|-----|-----------------------|-----|---|
| <p>Liquidity (continued)</p> | <ul style="list-style-type: none"> As with usable reserves, the Audit Commission made comparative data available for 2009/10. This has been used to generate the graph below showing the working capital ratio with a comparison against those authorities the Audit Commission considers to be 'nearest neighbours'. <div data-bbox="445 528 1761 1042" style="text-align: center;"> <h3>Working capital ratio - 2009/10</h3> <table border="1" style="margin: auto;"> <caption>Working capital ratio - 2009/10 (Estimated)</caption> <thead> <tr> <th>Borough</th> <th>Ratio</th> </tr> </thead> <tbody> <tr><td>Borough of Broxbourne</td><td>6.8</td></tr> <tr><td>North Hertfordshire...</td><td>5.5</td></tr> <tr><td>Dacorum Borough...</td><td>3.8</td></tr> <tr><td>Warwick District Council</td><td>3.8</td></tr> <tr><td>Tunbridge Wells...</td><td>3.6</td></tr> <tr><td>Hertsmere Borough...</td><td>3.3</td></tr> <tr><td>Rushmoor Borough...</td><td>2.9</td></tr> <tr><td>Welwyn Hatfield...</td><td>2.7</td></tr> <tr><td>Spelthorne Borough...</td><td>2.7</td></tr> <tr><td>Dartford Borough...</td><td>2.0</td></tr> <tr><td>Woking Borough Council</td><td>1.8</td></tr> <tr><td>Stevenage Borough...</td><td>1.6</td></tr> <tr><td>Worcester City Council</td><td>1.4</td></tr> <tr><td>Gloucester City Council</td><td>0.8</td></tr> <tr><td>Cheltenham Borough...</td><td>0.4</td></tr> </tbody> </table> </div> <ul style="list-style-type: none"> The Council is maintaining a positive working capital ratio and looks to be in a strong position, as evidenced by the comparison above. However, it is clear that working capital will come under increasing pressure as a result of the Spending Review and will need to be carefully monitored. | Borough | Ratio | Borough of Broxbourne | 6.8 | North Hertfordshire... | 5.5 | Dacorum Borough... | 3.8 | Warwick District Council | 3.8 | Tunbridge Wells... | 3.6 | Hertsmere Borough... | 3.3 | Rushmoor Borough... | 2.9 | Welwyn Hatfield... | 2.7 | Spelthorne Borough... | 2.7 | Dartford Borough... | 2.0 | Woking Borough Council | 1.8 | Stevenage Borough... | 1.6 | Worcester City Council | 1.4 | Gloucester City Council | 0.8 | Cheltenham Borough... | 0.4 |  <p>Green</p> |
| Borough | Ratio | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Borough of Broxbourne | 6.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| North Hertfordshire... | 5.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dacorum Borough... | 3.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Warwick District Council | 3.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tunbridge Wells... | 3.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hertsmere Borough... | 3.3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rushmoor Borough... | 2.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Welwyn Hatfield... | 2.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Spelthorne Borough... | 2.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dartford Borough... | 2.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Woking Borough Council | 1.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stevenage Borough... | 1.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Worcester City Council | 1.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gloucester City Council | 0.8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cheltenham Borough... | 0.4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern

Overview of performance

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | |
|----------------|---|----------------------------|---------------------------------|------------|-----|---------------|-----|----------------|-----|---|
| Workforce | <ul style="list-style-type: none"> The graph below shows that performance at the Council dips against both public sector and private sector averages: <div data-bbox="638 468 1558 992" data-label="Figure"> <p style="text-align: center;">Average number of sickness days</p> <table border="1"> <caption>Average number of sickness days</caption> <thead> <tr> <th>Category</th> <th>Average number of sickness days</th> </tr> </thead> <tbody> <tr> <td>Watford BC</td> <td>8.5</td> </tr> <tr> <td>Public sector</td> <td>8.1</td> </tr> <tr> <td>Private sector</td> <td>5.9</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> The average level of sickness days have remained constant from the prior year at 8.5 days absence per employee, which is both above the private and public sector averages of 5.9 and 8.1 days respectively. Further analysis has found that 54% of the absences relate to short term illness. Given the reduction in headcount due to the commencement of the shared service arrangement with Watford BC, the level of sickness absence remains the same. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities going forward, given the context of significant pressures on staff to deliver 'more for less'. | Category | Average number of sickness days | Watford BC | 8.5 | Public sector | 8.1 | Private sector | 5.9 | <p style="text-align: center;"> ● Amber </p> |
| Category | Average number of sickness days | | | | | | | | | |
| Watford BC | 8.5 | | | | | | | | | |
| Public sector | 8.1 | | | | | | | | | |
| Private sector | 5.9 | | | | | | | | | |

Key: ● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Section 3


Strategic Financial Planning

1. Executive summary
2. Key Indicators
- 3. Strategic Financial Planning**
4. Financial Governance
5. Financial Control

Key indicators of good Strategic Financial Planning

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFS focuses resources on priorities
- Service and financial planning processes are integrated.
- The MTFS includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc
- Annual financial plans follow the longer term financial strategy
- There is regular review of the MTFS and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks
- The Council has performed stress testing on its model using a range of economic assumptions including SR10
- The MTFS is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFS
- Effective treasury management arrangements are in place.
- The council operates within an appropriate level of reserves and balances


Medium Term Financial Strategy

| Area of Focus | Summary observations | High level risk assessment |
|---------------------------------|--|--|
| <p>Focus of the MTFS</p> | <ul style="list-style-type: none"> • An updated Medium Term Financial Strategy (MTFS) has been prepared that runs to 2013/14, which includes a 10 year high level income and expenditure analysis with associated impact upon the reserve balances and was presented to Cabinet in July 2011 for approval. • The MTFS is set up so to establish the Council's strategy for the next four years and to set out the financial challenges that the Council will face over this medium term. It is clearly recognised this continues to be a period of uncertainty across local government as the Government consider and review resource needs and demands within the framework of the Comprehensive Spending Review and in light of the economic climate and the state of public finances. • Prior to the announcement of the 2011/12 settlement by CLG, the Council developed plans based on expected reductions in the formula grant and a freeze on Council Tax resulting in 20% reduction in revenue over the next 3 years. By anticipating the potential reductions at an early stage the Council was able to prepare proposals for significant cost reductions from 2011/12 onwards. • Review of the MTFS makes it clear that the plan is applying resources so as to achieve the Council's priorities. When the MTFS was refreshed in January 2011 the Council utilised data from the citizens panel survey regarding the responses to the Council on their priorities with regard to service delivery, cost and quality of service. • Key to the MTFS is also how the Council manage their capital going forward. As with the MTFS, the capital programme is focussed on the achievement of the Council's priorities. All proposed projects are in line with these priorities and all projects are phased appropriately and in line with available resources. | <p style="text-align: center;">  Green </p> |

Medium Term Financial Strategy

| Area of Focus | Summary observations | High level risk assessment | | | | | | | | |
|--|---|----------------------------|----------------------------------|---------|-----|---------|-----|---------|------|---|
| <p>Adequacy of planning assumptions</p> | <ul style="list-style-type: none"> The MTFS is monitored on a monthly basis, as part of the Finance Digest, together with the impact on the reserve balances for the next 3 years. Part of dealing with the cost pressures faced by the Council is the achievement of savings targets. These savings are seen as being of importance as the Council wants to maintain a strong level of general balances. The proposed savings targets are shown below: <div data-bbox="561 562 1355 968" data-label="Figure"> <p style="text-align: center;">Proposed efficiency savings (£m)</p> <table border="1"> <caption>Proposed efficiency savings (£m)</caption> <thead> <tr> <th>Financial Year</th> <th>Proposed efficiency savings (£m)</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>1.9</td> </tr> <tr> <td>2012/13</td> <td>0.9</td> </tr> <tr> <td>2013/14</td> <td>0.25</td> </tr> </tbody> </table> </div> <ul style="list-style-type: none"> In terms of the savings required, the Council is felt to be in a strong position given the significant progress made with the 2011/12 savings package having achieved 66% of the annual savings plan. As this shows, the greater the level of recurring savings that can be found, the less the impact on subsequent years. Specific scenario planning took place prior to the central government settlement being released and the council planned for a 5%, 7.5% and 10% reduction. This process aided to highlight the savings that led to the Council's service prioritisation process to identify savings and subsequent revision of the MTFS, which demonstrates the anticipation of the Council to react to cuts in funding before they have been implemented. | Financial Year | Proposed efficiency savings (£m) | 2011/12 | 1.9 | 2012/13 | 0.9 | 2013/14 | 0.25 | <p style="text-align: center;"> ● Green </p> |
| Financial Year | Proposed efficiency savings (£m) | | | | | | | | | |
| 2011/12 | 1.9 | | | | | | | | | |
| 2012/13 | 0.9 | | | | | | | | | |
| 2013/14 | 0.25 | | | | | | | | | |


Medium Term Financial Strategy

| Area of Focus | Summary observations | High level risk assessment |
|---------------------------------|--|--|
| <p>Scope of the MTFS</p> | <ul style="list-style-type: none"> • The Council's current MTFS covers the period up to 2014/15 for revenue and capital budgets. • The Comprehensive Spending Review was published in October 2010. This included spending cuts for the Department for Communities and Local Government, with reductions of 27% being front loaded to 2011/12 and 2012/13. The Local Government Finance Settlement was announced in December 2010 covering a two year period. As a result of this, Watford saw a reduction in their formula grant for 11/12 of £2.063m (25.5%) and a further reduction of £791k (13.2%). Future years will need to be reviewed as there is increased clarity over central government funding. • The Annual Budget and MTFS presented to the Cabinet in January 2011 covers savings and growth targets for the 2011/12 budget process. • The budget for 2011/12 was approved by the Council in January 2011 as part of the approval of the strategic plan 2011-2014. • There is evidence that both senior officers and members debated and challenged budgets and savings across all services. | <p style="text-align: center;">  Green </p> |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Medium Term Financial Strategy

| Area | Summary observations | High level risk assessment |
|--|---|--|
| <p>Responsiveness of the Plan</p> | <ul style="list-style-type: none"> • It is clear from review of minutes and reports around the finances of the Council that the MTFS is being monitored closely both on a monthly basis, as part of the high level review of the general fund included within the Finance Digest. The MTFS has been revised five times in 2010/11 to take account of the CSR and was last updated in July 2011. • The MTFS is updated each year as part of the annual planning cycle. All changes are monitored on an on-going basis. The MTFS presented to the Cabinet and Council in January 2011 after being updated five times during the year to reflect all government announcements on public finances, as well as trying to anticipate potential announcements that may be still to come. • It is clear that budgetary pressures could arise due to a number of risk based factors and that a relatively small change to interest rates, inflation levels, pay awards, government funding or demand could result in significant impacts on Council Tax levels and/or the need to identify further savings or utilise further reserve balances. • The current performance of the Revenues and Benefits section, £549k overspend against original budget in 2010/11, could impact the level of savings the Council has to generate over the next 3 years, any deterioration in performance could result in additional savings having to be generated. • The Council have updated their MTFS to incorporate scenario planning for cash reduction and ultimately budget reduction of 5%, 7.5% and 10%. • Savings programme performance for 2011/12 is that from the £1.916m originally identified, which has been reduced to £1.8m, the council has achieved £1.194m of savings representing 66% of target and ahead of schedule. The council had a good track record for delivering 86% of their savings plan in 2010/11. • Testing of audit testing of the savings found we were able to substantiate £374,430 of the total savings of £725,641 savings to supporting documentation. | <p style="text-align: center;">  Green </p> |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Section 4

Financial Governance

1. Executive summary
2. Key Indicators
3. Strategic Financial Planning
- 4. Financial Governance**
5. Financial Control

Key indicators of effective Financial Governance

There is a clear understanding of the financial environment the Council is operating within:

- Regular reporting to Members. Reports include detail of action planning and variance analysis etc
- Actions have been taken to address key risk areas
- The CFO is a key member of the leadership team
- Officers and managers across the council understand the financial implications of current and alternative policies, programmes and activities
- The leadership ensure appropriate financial skills are in place across all levels of the organisation
- The leadership foster an open environment of open challenge to financial assumptions and performance

There is engagement with stakeholders including budget consultations


There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.

Number of internal and external recommendations overdue for implementation

Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny

There are effective recovery plans in place (if required)


Understanding and engagement

| Area of focus | Summary observations | High level risk assessment |
|--|--|--|
| <p>Understanding the Financial Environment</p> <p>The controls assurance performance monitoring focuses on financial management, governance and risk management</p> | <ul style="list-style-type: none"> Once a budget is in place, the committees receive copies of the 'Finance Digest' on a monthly basis to highlight and enable the scrutiny of budget performance. The report is then presented to the Cabinet. The monthly budget packs are produced they are circulated to the committee members and employees to review. The packs contain detail of variance analysis by service and identifying the reason for the variance, key risk analysis that highlights the variance and explains the current assessment of outturn position and identifies the mitigating action taken. The Council planned that the appropriate financial skills were in place across the organisation but since the transfer to a shared service centre, certain processes have lapsed, in particular the process of reconciliation between systems. The delivery of the accounts on 14 July 2011, was after deadline and the combination of these elements has led to concern around the deliverability of the shared service finance function. The budget and the service prioritisation exercise was scrutinised by the Budget panel on 11 January 2011 and then by Cabinet on 17 January 2011. There are comprehensive policies and procedures in place for all members and officers, which outline responsibilities. The Council's dedication to member training is considered an area of strength. The IT arrangements were assessed by an external consultant who concluded that there were major infrastructure issues to address as well as insufficient data storage capacity, failure of back ups of data and the current path of web traffic requires re-routing. Significant change and investment is needed to improve IT arrangements. | <p style="text-align: center;">  Amber </p> |

Key:


- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern

Understanding and engagement

| Area of focus | Summary observations | High level risk assessment |
|--------------------------------------|--|--|
| <p>Stakeholder Engagement</p> | <ul style="list-style-type: none"> • Review of the budget setting process indicates that there is considerable engagement in the process both from senior officers, members and the Citizens panel. • In October 2010 the Council performed the budget consultation survey, a survey that involved canvassing the following groups: <ul style="list-style-type: none"> ➢ Citizens panel members (539 responses) ➢ Postal invitation to the wider community (154 responses) ➢ Face to face meeting with the mayor (96 responses) • The areas the Council surveyed were: <ul style="list-style-type: none"> ➢ Expectations with regard to the level and timing that savings need to be made ➢ Opinion on sharing services or delivering services differently ➢ Statutory & non-statutory service ➢ Support for voluntary sector ➢ Opinions on council becoming more commercially focused • The Council, as part of the CSR, commenced with a council wide service prioritisation plan ['PP'] in July 2010, ahead of the Council's grant settlement. The programme involved the heads of service and their teams assessing Council services on the following criteria: <ul style="list-style-type: none"> ➢ Cost of service ➢ Value of service in terms of customer feedback ➢ Benchmarking or comparison information ➢ Options for delivering the service area • The results were challenged by an independent team from a different service to ensure the savings were sufficiently robust. • Both the results of the budget consultation and the prioritisation programme were fed into the annual budget and MTFS in January 2011. • Member training remains an area of strength for the Council and members have a 3 year training programme but the Resources Policy and Scrutiny committee assess member needs on an individual basis. | <p style="text-align: center;">  Green </p> |


Key: ● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Monitoring and review

| Area | Summary observations | High level risk assessment |
|---|---|--|
| <p>Review of accuracy of Committee reporting</p> | <ul style="list-style-type: none"> • The Executive receive monthly 'Finance Digest' budget monitoring reports. Review of example reports have found them to include detailed financial information alongside explanations for variances. Each report is split into the following sections: <ul style="list-style-type: none"> • Revenue summary income and expenditure account • Revenue - explanation of variances by service • Salaries analysis • Key risk analysis • Capital investment programme summary and detail by service • Treasury management performance • NNDR & Council tax collection rates compared to target collection rates • Creditor payment monitoring • Debtor analysis • Key business indicators actual compared to target • The Council have maintained their strong commitment to reporting of financial information and have preserved their target audience of employees and members. | <p style="text-align: center;">  Green </p> |

Key: ● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Monitoring and review

| Area | Summary observations | High level risk assessment |
|---|---|--|
| <p>Performance Management of Budgets</p> | <ul style="list-style-type: none"> • The monthly finance position reports presented to the Executive include significant detail of variances over the next 3 years broken down by service, the narrative included within the report provides a reason for the variance together with corrective action to be taken to address the variance. • The statement of accounts includes detail on performance against budget and provides explanations for all significant movements. • The monthly finance position report provides analysis of income from NNDR, council tax and includes target budget values of % of total annual amount collected per month. In addition, the council report the invoices raised from 1/4/10 by service. Given the current austere economy the Council should consider the reporting of the collection of car parking income, fees & charges and commercial rents on a monthly basis with targeted amounts to collect. | <p style="text-align: center;">  Amber </p> |

Key: ● High risk area
 ● Potential risks and/or weaknesses in this area
 ● No causes for concern

Section 5

Financial Control

1. Executive summary
2. Key Indicators
3. Strategic Financial Planning
4. Financial Governance
5. Financial Control

Key indicators of Effective Financial Control

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion and the council has a good track record of operating within its budget
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance
- Financial forecasting is well-developed and forecasts are subject to regular review, including trend analysis, benchmarking of unit costs, risk and sensitivity analysis.
- There is particular focus on monitoring income related budgets

The capacity and capability of the Finance Department and Service Departments are fit for purpose



Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit
- Financial systems are adequate for future needs, for example commitment accounting functionality is available

Internal Control

- Strength of internal control arrangements - there is an effective internal audit which has the proper profile within the organisation. Agreed Internal audit recommendations are routinely implemented in a timely manner
- There is an assurance framework in place which is used effectively by the Council and is how business risks are managed and controlled.
- The Annual Governance Statement gives a true reflection of the organisation.

Internal arrangements


| Area of focus | Summary observations | High level risk assessment |
|--|--|---|
| Performance against Savings Plans | <ul style="list-style-type: none"> The Council outlined a savings plan for 2010/11 and the target was £860,701 and the council achieved £725,641 representing 84% of the target being achieved. The Council have, as part of their budget setting, identified savings for 2010/11 totalling £725k combined with service efficiencies throughout the year resulted in the Council returning a positive variance of £769k on the budgeted deficit. The result was an increase to the earmarked reserves of £1.35m as opposed to the originally budgeted reduction of £280k. Over £3.2m of savings have been included within the budget for the next 3 years from 2011/12 to 2013/14, these were identified as part of the service prioritisation scheme described earlier. The final central government grant settlement has resulted in a further £2m of savings have yet to be identified for the 2014/15 giving an overall savings target of £5m to be achieved by 2014/15. The Council are expecting to utilise £165k of general fund balances to support expenditure in the next 3 years, any variations to budget will be drawn down from the Economic Impact reserve currently standing at £1.25m. Overall performance against budget confirms that the Council has a good track record of delivering the budget. The focus of income budget monitoring is to record the income received in the month. The comparison would further benefit from preparing monthly income targets and comparing against the actual income recorded providing reasons for variance. |  Green |
| Finance Department resourcing and qualifications / experience | <ul style="list-style-type: none"> The current finance department is adequately resourced consisting of 19 employees, with 7 employees being CCAB qualified and another 4 employees having taken relevant exams to allow them to enter the path of progression to CCAB level. The pipeline to ensure continuity of professional competence is evident. The finance team have been in place in Three Rivers DC for a number of years and we have experienced no issues in the production of accounts in the previous years but this year proved not to be as effective as in previous years with the delay in the provision of information. This did not ultimately impact the ultimate accounts certification date planned and achieved on 29 September 2011. We felt that this year the shared service finance team, that provided the accounts for both Watford BC and Three Rivers DC was impacted with the requirements of both Councils for a year, timetabling issues and consequently could not provide the same level of effective service of previous years, this is reflected in the number of reconciliations between systems that are no longer performed in a timely manner. The shared service finance function delivered the complete set of accounts with notes 14 days after the national deadline. The age profile of the key finance employees that produce the accounts is nearing retirement age and the Council will have to think about the future continuity of the service and identify replacement resources. |  Amber |

Key: ● High risk area
● Potential risks and/or weaknesses in this area
● No causes for concern

Internal and external assurances

| Area of focus | Summary observations | High level risk assessment |
|---|--|--|
| <p>Summary of key financial accounting systems</p> | <ul style="list-style-type: none"> • In April 2010 a new financial management system was implemented for both Watford BC and their partner in shared services. Three Rivers DC. Time has been invested in harmonising the systems but teething issues are to be expected. • The most recent Internal Audit report on the shared main accounting and budgetary control system was produced in respect of reconciliations and issued as a draft report dated 29 September 2011. This report assigned 'Limited Assurance' to the reconciliation process, which means unsatisfactory controls or inconsistent application putting some control objectives at risk. • The lack of reconciliations being prepared on a timely basis was further supported by the annual internal audit report 2010/11 that made this point one of the 5 key issues reported on. • The Council would benefit from adopting a purchaser provider relationship with the finance function and ensuring that no slippage in deadlines occurs and all products and reconciliations are carried out on a regular basis. by agreed deadlines. | <p style="text-align: center;">● Amber</p> |
| <p>Internal audit arrangements including compliance with CIPFA Code of Practice for Internal Audit</p> | <ul style="list-style-type: none"> • The current internal audit function provides internal audit services to both Watford Borough Council and Three Rivers District Council . • For the year 2010/11, Internal Audit was an in-house function that moved into the shared service arena and, in addition, began to provide audit services to Three Rivers DC. • The Internal Audit annual report of 2010/11 gave an unqualified opinion of the adequacy and effectiveness of the control environment of the Council, • Annual reviews of the Internal Audit function at Watford BC have not highlighted any significant issues in relation to the CIPFA Code of Practice for Internal Audit. • The budgeted number of days allocated for Watford BC for 2011/12 is 215 days, which includes the Watford BC specific audits as well as the shared service allocation of days. The number of days, although on the high side for a District Council, should ensure a very robust and challenging audit for the council services. • An analysis of the status of recommendations issued by internal audit to the audit committee on 29 September 2011 found that we were unable to report the percentage of recommendations implemented due to the papers reporting on the headline areas of deficiency. No issues have been reported which are opinion impacting. We recommend that a detailed appendix of all outstanding recommendations is presented to the audit committee once a year. | <p style="text-align: center;">● Amber</p> |

Internal and external assurances

| Area of focus | Summary observations | High level risk assessment |
|--|--|--|
| <p>External audit arrangements and programme of activities</p> | <ul style="list-style-type: none"> The most recent VfM conclusion confirmed that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011. The Council had implemented all outstanding external audit recommendations in 2010/11. The Council received unqualified accounts and value for money opinions on 29 September, ahead of the national deadline of 30 September 2011. The Council's Annual Governance Statement was not amended and the council had correctly included all the required significant control risks. | <p style="text-align: center;">  Green </p> |

Key:

- High risk area
- Potential risks and/or weaknesses in this area
- No causes for concern