



# Cannock Chase District Council

## Review of the Council's Arrangements for Securing Financial Resilience

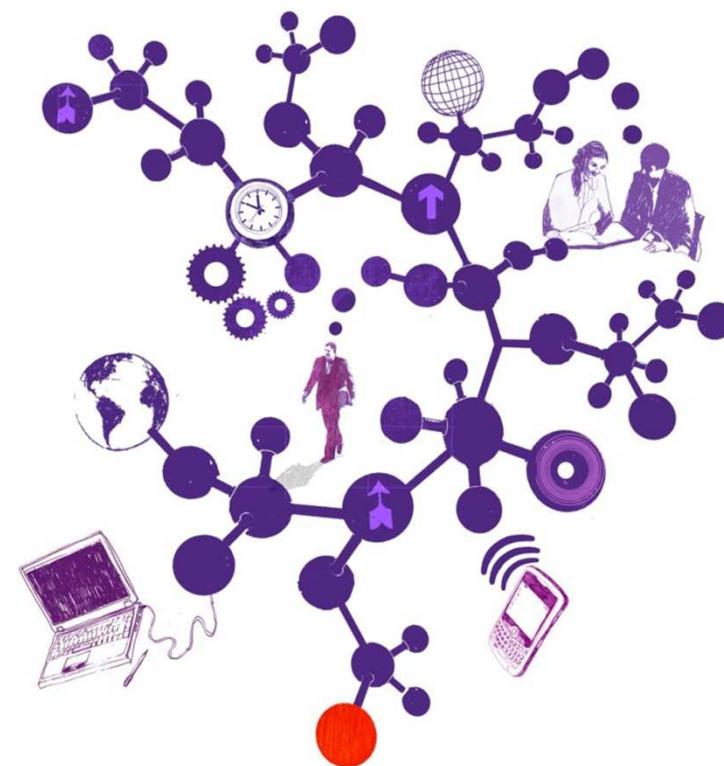
**Year ended 31 March 2013**

16 September 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper 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. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

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. Our overall conclusion is that whilst the Council faces financial challenges, particularly from 2015/16, it has identified budget shortfalls and has plans in place to address them such that its current arrangements for financial resilience place it in a good position to meet them and emerging risks.

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

Green	<b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	<b>Potential risks and/or weaknesses.</b> 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	<b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding

# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to 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 were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

DCLG issued its indicative settlement for each authority for 2015-16 for consultation at the end of July. This indicated that the core reduction is more likely to be 15.6% rather than the 10% as contained in the spending round. In addition proposals exist to effectively top slice the new Homes Bonus grant in that year.

These 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.

A new financial regime was introduced in 2013-14 whereby authorities retain a proportion of their business rates which means that core funding is directly linked to the local economy and hence is subject to volatility. Financial austerity is expected to continue until at least 2017.

# Executive Summary

## National and Local Context

### Local Context

Cannock Chase District Council is largely rural with part of Cannock Chase lying in the heart of the area. The three main towns in the district are Cannock, Rugeley and Hednesford. The district has a population of around 95,000 people with a fairly young population.

The district is relatively deprived. Unemployment is lower than the West Midlands average but higher than the national average, and wage levels are relatively low when compared with other places in the West Midlands and England. The Council, along with other public sector bodies like the County Council, Staffordshire Police Authority, Stafford Prison and Cannock Hospital provide a significant level of local employment. It is estimated that over a third of all people employed in Cannock Chase District work for the public sector. Therefore, maintaining the delivery of services within the local area and sustaining local employment is a key consideration.

The Council is forecasting that it will remain in financial balance until the end of the 2015/16 financial year. Efficiency savings are being identified for 2014-15 with future years' deficits being supported by reserves, at this time, pending implementation of other aspects of the budget Strategy. After this, there will be further financial challenges as more grant reductions are made coupled with other funding pressures. The Council is forecasting a potential on-going budget deficit of £1,000,000 in 2016/17, although a great deal of uncertainty exists in relation to the funding for this year. However, the Council has been clear in its communication of the medium term financial strategy and challenges it faces. The Council is still in the early stages of assessing the full impact of these risks and identifying any potential opportunities from changes in its service delivery which will be required.

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Performance</b>	<p>Review against key performance indicators show that the Council is in a relatively strong position. Our review of indicators of liquidity, performance against budget and reserves balances all rated the Council as green.</p> <p>The Council's pension liability has risen from £48.9m to £58m. Reducing this liability will continue to place significant pressure on the Council's general fund.</p>	 <b>Green</b>
<b>Strategic Financial Planning</b>	<p>Overall we are satisfied that in the short-term the Council is in a sound financial position. It is taking actions to identify medium-term requirements and options. There remains significant uncertainty but it will be important for the Council to ensure that future financial plans are fully developed, agreed and delivered.</p> <p>The key risk is the strength of arrangements in place to manage the financial position in 2015/16 and beyond.</p>	 <b>Amber</b>
<b>Financial Governance</b>	<p>The Council has effective governance arrangements in place. Financial balance has been delivered in 2012/13 and in previous years.</p> <p>The Council's financial environment and financial performance is understood at all levels through the organisation. There is a robust budget setting process in place. Developments in this process are seeing to identify further savings whilst still ensuring that financial decisions are seen in the wider context of the Council's business as a whole. The Council is in the process of increasing further partnership working where possible.</p>	 <b>Green</b>
<b>Financial Control</b>	<p>The Council has good financial controls overall and an effective assurance framework. The quality of the financial statements process was improved yet again with a strong set of financial statements provided for audit which required minimal adjustments.</p> <p>Finance staff are experienced and appropriately qualified. There is a commitment to delivering strong financial control. Technical expertise and resilience has been strengthened by bringing the finance departments from Cannock Chase District Council and Stafford Borough Council together in a shared service arrangement.</p> <p>The Internal Audit function meets professional standards and makes a positive contribution to ensuring that sound financial systems and control environment are in place.</p>	 <b>Green</b>

# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Strategic Financial Planning</b>	There are still uncertainties around the levels of future Government funding and the Council does not yet have detailed plans drawn up on how to deliver the recurrent savings required from 2015/16 onwards. The Council should develop its savings plans to feed into a more robust Medium Term Financial Plan. The Council has started this process, but considerable progress is required in the coming months to provide the level of savings required to ensure a sustainable financial position is maintained going forward.	Head of Finance	On-going	The Financial Resilience report highlights that a great deal of uncertainty still exists in relation to the impact of the new Business Rates Funding Regime and the quantum of Government Funding in 2015-16. Whereas no details are available for 2016-17. An updated Financial Plan will be presented to Cabinet in November 2013 as more details become known. However firm decisions on saving options for 2016-17 will need to be determined once a clearer picture on funding for that year becomes known, with options being developed as part of the 2015-16 to 2017-18 budget process.
<b>Adequacy of other Committee Financial Reporting</b>	The Council currently does not report financial information and performance to a committee below Cabinet level. Introducing quarterly financial reporting to the Scrutiny Committee would enable a more detailed consideration of any over or underspends as well as assessing their impact on service delivery.	Head of Finance	October/November	Agreed – to be produced as part of Quarter 2 reports to Scrutiny

# Executive Summary

## Next Steps (cont)

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Key Indicators of Performance</b>	The Council would benefit from more detailed information on unit/transaction costs and key cost drivers. It is in the process of assessing all services delivered to identify areas for savings or efficiencies. More detailed costing information would assist the Council in making key decisions for the best use of its limited resources.	Head of Finance	On-going	The Council have utilised the Audit Commission VFM toolkit as part of previous work within Delivering Change . More up to date detailed costing information will now be utilised as part of its Budget Strategy
<b>Financial Governance – Audit Committee</b>	The Council’s Audit Committee should undertake a review of its effectiveness to give confidence that the financial stewardship and overall governance arrangements can be relied upon. This assessment will identify any additional skills or further training required by members and how the Committee should be best supported.	Head of Governance/Finance	To be determined in consultation with Committee	Agreed

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# Key Indicators

## Introduction

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

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Ashfield District Council  
Bassetlaw District Council  
Burnley Borough Council  
Chorley Borough Council  
Erewash Borough Council  
Hyndburn Borough Council  
Kettering Borough Council  
Mansfield District Council  
Newcastle Under Lyme Borough Council  
Nuneaton & Bedworth Borough Council  
Pendle Borough Council  
Redditch Borough Council  
Rossendale Borough Council  
Tamworth Borough Council  
West Lancashire Borough Council

# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<p>The working capital ratio indicates whether a council has enough current assets to cover its immediate liabilities. The Council's working capital ratio was 3.8:1 at 31 March 2013 (1.8:1 at 31 March 2012). Comparative information on liquidity from the Council's statistical nearest neighbours (up to 2011/12) shows performance to be within the 'norm'. Councils have recently held onto reserves to support their financial performance in future years. As your current assets exceed your current liabilities, this indicates that the Council has sufficient assets to meet its short term liabilities.</p> <p>The Council has increased its collection rates for Council Tax and NNDR since moving to a higher proportion of electronic collection methods, e.g. direct debits. Approximately 10% of the Council's income is from Council Tax and NNDR with around 60% coming from Government Grants. Around 15% comes from fees, charges and other service income. This proportion is typical of a District Council and the Council is aware of the risks this presents with uncertainty from future Government Grant funding.</p>	 <b>Green</b>
<b>Performance Against Budgets: revenue &amp; capital</b>	<p>The Council has a good track record in achieving a balanced revenue budget and managing financial performance. Previous years have allowed for planned underspends to accrue levels of reserves to support the financial overspends anticipated in future years.</p> <p>In 2012/13 the Council had an overall underspend of £99,000 against its Portfolio Controllable budget. This was a result of expenditure underspends, partly offset by some lower than expected income from fees and charges being received.</p> <p>The Council spent £10.447 million on capital projects in 2012/13 which was £0.588 million less than the budget of £11.035 million. The main reason for the difference in 2012/13 is scheme slippage where the scheme will proceed later than planned and the expenditure will occur in a future year. Funding for this slippage has been moved to reserves to ensure available when required. The main areas of expenditure were for the enhancements to the Chase Leisure Centre and improvements to its housing stock..</p>	 <b>Green</b>

# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Borrowing</b>	<p>The Council borrowed £4.7 million from the Public Works Loans Board (PWLB) in May 2012 in accordance with the borrowing strategy, which identified an underlying need to borrow to finance General Fund capital spending. This loan is for a period of 25 years at a rate of 4.05%. The Council also borrowed £0.8 million from the PWLB in February 2013 at a rate of 1.47%. This shorter dated loan will mature in Feb 2017. This is mainly due to new borrowing to finance the enhancement to Chase Leisure Centre. This brings the total of new borrowing for 2012/13 to £5.5m. Total long term borrowing for the Council stands at £88.839 million.</p> <p>Historically, it was better value to use reserves to fund capital expenditure rather than take loans with high interest rates. Therefore, the Council has used this approach, reducing its reserves levels but also reducing the long term borrowing required.</p> <p>The majority of the Council's long term borrowing relates to the loan in respect of the Housing Revenue Account (HRA) debt settlement (approximately £59 million) which was accounted for in 2011/12. The costs of the housing related borrowing will be met from the housing revenue account.</p>	 <b>Green</b>
<b>Reserve Balances</b>	<p>The Council has reasonable levels of reserves. The Useable Reserves at 31 March 2013 were £20.189 million (31 March 2012 was £17.115 million). When compared with the Audit Commission's nearest neighbour benchmark group, the Council was average for the Useable Reserves to Gross Revenue Expenditure ratio. Reserves have been increased in recent years so the Council could support deficits it planned for 2015/16 onwards. Movements in reserves have been in line with the Medium Term Financial Plan.</p>	 <b>Green</b>
<b>Workforce</b>	<p>The majority of the Council's net expenditure relates to staffing costs. The Council has historically held vacancies where possible and made use of retiring staff to minimise the levels of redundancies required to meet the savings delivered to date. The Council considers workforce planning within each department, although there is no formal overarching workforce planning process reported to Cabinet. However, the Council has made use of flexible retirements to retain skills and expertise whilst other Officers are developed. Three apprentices were employed from the Future Jobs Fund scheme, all of which have secured permanent employment with the Council and two further apprentices are in the process of being recruited.</p> <p>The Council actively monitors staff sickness via reports to Leadership Team and to individual managers. The Leadership Team receives monthly "hotspot" reports on sickness levels with a more detailed annual report at the year end. The April 2013 report sought to identify potential measures for improving current sickness absence rates. Recorded levels of sickness absence for 2012/13 were slightly above the target set by the Council, although they were broadly in line with the Local Government average.</p>	 <b>Amber</b>

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# Strategic Financial Planning

## Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP 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 MTFP 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 CSR.
- The MTFP 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 MTFP.

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Focus of the MTFP</b>	<p>A Medium Term Financial Plan (MTFP) is in place covering 2013/14 – 2016/17. To date the Council has focused on delivering a significant level of savings from the outsourcing of leisure services and the shared services initiative which saw back office services across seven areas being shared with Stafford Borough Council. Other than that, all other savings have been focused on the taking out of costs and retaining current service delivery.</p> <p>The Council is now at the point where, having stripped out as much as is possible now, including proposed efficiency savings in 2014-15, further significant savings will have to be identified from changes in service delivery. A comprehensive delivering change process was undertaken as part of the 2011/12 budget process to ensure every aspect of the budget and service delivery was subject to review. In light of the savings implemented in 2011/12 and the uncertainties that exist a standstill approach has been adopted for the 2013/14 budget as other aspects of the councils Budget Strategy were developed.</p>	 <b>Green</b>
<b>Scope of the MTFP and links to annual planning</b>	<p>The Council has approved a detailed budget for 2013/14, and indicative budgets for 2014-15 and 2015-16, to underpin the MTFP and is on track to deliver the planned financial position by 31 March 2014. However, due to uncertainties in the funding position, and the potential different scenarios arising from the Business Rates Funding Regime; New Homes Bonus and Revenue Support Grant there is currently limited detail within the MTFP as to how the saving requirement as identified in the 2015-16 indicative budget will be delivered from 2015/16 and beyond. An updated Financial Plan will be presented to members in November. There are also limited links to workforce plans to support delivery of the MTFP.</p>	 <b>Amber</b>
<b>Adequacy of planning assumptions</b>	<p>The Council has a good track record of delivering against its budget and ensuring that savings are delivered where required. The Council has traditionally taken savings from each department according to where they were identified, rather than a general cut applied equally to all budgets. It has also made adequate assumptions on levels of income and expenditure, e.g. grants and inflation, and undertaken scenario planning for variations in these. The Council has ensured that it has worked within the national context when making financial decisions.</p> <p>The Council has established arrangements for adequate planning, control and monitoring of Business Rates, New Homes Funding and Council Tax discounts reflecting the new funding regime for local authorities. A great deal of uncertainty exists in relation to the impact of Appeals on Business rates whereas the potential growth of new businesses and housing developments and their impact on funding will play a key part in the MTFS. Key decisions are also awaited from DCLG on the future of New Burdens Funding for Small Businesses Rates Relief as part of the Business Rates Retention Scheme.</p>	 <b>Green</b>

# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Review processes</b>	<p>The MTFP is kept under regular review to reflect changes in assumptions and corporate strategy. There is still a high level of uncertainty around the level of funding in 2014/15 and beyond and therefore the severity of the cuts which will be required to deliver a balanced budget. It is clear that the Council has to consider service redesign to ensure delivery of its corporate objectives within a significantly reduced budget.</p>	 <b>Green</b>
<b>Responsiveness of the Plan</b>	<p>There has been scenario planning undertaken where balances are unknown to highlight the impact of outcomes at the likely value and then two opposed extremes. This ensures that officers and members can understand how a reduction in funding or increase in expenditure impacts on the Council's financial position. As there is more certainty around funding levels the Council should increase the level of detail in the MTFP to move towards a deliverable and sustainable annual position.</p>	 <b>Green</b>

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# Financial Governance

## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- 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.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement

- There is engagement with stakeholders including budget consultations.

### Monitoring and review

- 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).

# Financial Governance

## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Understanding the Financial Environment</b>	The Council has a good understanding of its financial environment at all levels. The Cabinet and Heads of Service are fully informed to enable effective business planning. Members are kept up to date and are clear on the main objectives of the Council and progress against these.	 <b>Green</b>
<b>Executive and Member Engagement</b>	<p>The Council has strong engagement from the Senior Management Team, Heads of Service and Members. Senior Management are clear what their priorities are and how to achieve these. The s151 officer is part of the leadership team and ensures that decisions are made appropriately and legally. There is evidence of robust and effective challenge throughout the Council. The Council is also in the process of strengthening the budget setting process for 2014/15 which will engage all budget holders more effectively and improve ownership of service redesign where appropriate.</p> <p>The Council's Audit Committee has not undertaken a recent review of its effectiveness. This is recommended by CIPFA to give confidence that the financial stewardship and overall governance arrangements can be relied upon. This assessment will identify any additional skills or further training required by members and how the Committee should be best supported.</p>	 <b>Green</b>
<b>Overview for controls over key cost categories</b>	Revenue budget monitoring is reported to the Cabinet throughout the year. Any variances are questioned and reasons provided. The Council has not had any significant overspends against budget to warrant further action being taken in 2012/13.	 <b>Green</b>
<b>Budget reporting: revenue and capital</b>	Budget reporting is sound for both the revenue and capital programme. The Head of Finance also provides presentations to Cabinet and the Senior Management Team where complex or new initiatives are introduced by Government, so that they understand the national and local implications.	 <b>Green</b>
<b>Adequacy of other Committee/ Cabinet Reporting</b>	The Cabinet receives detailed budget information and also detailed performance management information. This enables them to challenge any overspends or dips in performance, but see service delivery as a whole. They also receive information on sickness levels and are made aware of any weaknesses in control which may also impact on adverse service delivery. This overview is considered effective. However, the Council would benefit from quarterly financial information being reported to the Scrutiny Committee to provide a further level of challenge, alongside reviewing any impact on service performance.	 <b>Amber</b>

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# Financial Control

## Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- 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.

### Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

### Internal Control

- 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 business risks are managed and controlled.

# Financial Control

## Internal arrangements

Area of focus	Summary observations	Assessment
<b>Budget setting and monitoring - revenue and capital</b>	<p>The Council took a pro-active approach in recent years to implement several projects to reduce expenditure and improve efficiencies, for example, the shared services initiative and the outsourcing of leisure services. These were all instigated prior to the Government cuts which has placed the Council in a relatively strong position. Further savings have been delivered through budget reductions as part of the budget setting process. However, the savings required to meet future cuts in Government Funding are too great to rely on this approach going forward.</p> <p>In view of the anticipated savings required for 2014/15 a number of savings strands are currently being worked upon including Efficiency Savings; Asset Management; Fees and Charges reviews; Invest to Save Initiatives; Senior Management Restructure and Policy Options – Changes to service provision.</p> <p>The Council faces a significant challenge in addressing the potential budget gaps identified from 2015/16 onwards but overall we are satisfied that it is taking appropriate action to meeting this challenge and ensuring economy, efficiency and effectiveness in its use of resources.</p>	 <b>Green</b>
<b>Performance against Savings Plans</b>	<p>The Council has traditionally reduced budgets to reflect the savings required and therefore not monitored a separate savings programme. However, in 2012/13, the Council has been clear about the levels of savings required from key projects like the shared services initiative and did deliver all the savings projected. They have delivered a balanced budget in previous years and even produced some surpluses which have been transferred to reserves to support the financial position in future years. Budget monitoring is regularly reported to cabinet as are quarterly performance monitoring reports. Therefore, there is a link between finance and performance.</p> <p>Going forward, the Council will undertake a more root to branch review of services which has recently started. The aim is for this process to provide savings for the 2014/15 budget and beyond. It is a more structured approach to delivering savings and will ensure that an overview is taken which considers the impacts of any reductions made on other services.</p>	 <b>Green</b>
<b>Key Financial Accounting Systems</b>	<p>The Council has generally sound financial systems to deliver effective financial reporting. Where Internal Audit identify weaknesses, recommendations are accepted and acted upon. We did not identify any weaknesses in the key financial accounts systems which we were required to report.</p>	 <b>Green</b>

# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	<p>The Finance department has recently joined with Stafford Borough Council in a shared service initiative. This has been a success and enabled the Council to deliver a significant level of savings whilst still delivering a good support service to the two Councils.</p> <p>In general, the quality of the draft accounts and supporting working papers produced by the Council was good. The processes for preparing the financial statements remain strong and the support provided to external audit throughout the year has ensured an efficient year end audit process.</p>	 <b>Green</b>
<b>Internal audit arrangements</b>	<p>Internal Audit is another service which has joined with Stafford Borough Council as part of the shared services arrangement. There are a number of long standing members of the Internal Audit team which provides continuity and in depth knowledge of the Council as a context to any work undertaken. Work is planned on a risk basis, targeting resource to the areas considered to hold the most risk for the Council.</p> <p>The Internal Audit service at Cannock Chase District Council has delivered work against the agreed plan which was agreed by the Audit &amp; Governance Committee annually. Reports are presented to the Committee in year following agreement with Senior Officers. This work, including reviews of the key financial systems, is completed by 31 March each year to provide assurance to the Council on their overall arrangements in advance of the production of the financial statements.</p>	 <b>Green</b>
<b>External audit arrangements</b>	<p>This is the first year where Grant Thornton are the Council's external auditors. We have been provided with regular updates through meetings with the Chief Executive and other Senior Officers as appropriate. Explanations of the Council's revenue and capital position, together with any emerging risks have been regularly discussed, along with any key business plans and their progression throughout the year. A 'no surprises' culture is in place at the Council which means that no formal reporting actions have needed to be taken by External Audit.</p>	 <b>Green</b>
<b>Assurance framework/risk management</b>	<p>The Council has a risk management strategy in place to monitor the achievement of its objectives. A risk register is reported quarterly and considered by the Audit &amp; Governance Committee. This committee also considers and approves the Annual Governance Statement which reports any key risks the Council has encountered throughout the financial year. It also considers future risks. The 2012/13 Annual Governance Statement reflected fairly the overall assurance framework in place and is produced in line with requirement from CIPFA/SOLACE "Delivering Good Governance in Local Government Framework".</p>	 <b>Green</b>



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