

Spelthorne Self-Assessment Against FM Code

Financial Management Standard A

The leadership team is able to demonstrate that the services provided by the authority provide value for money.

The Council has invested in a Root and Branch team to work with services to improve the efficiency and effectiveness of services, and particularly to look at how the customer experience can be improved. We have also looked for external support and challenge from IESE to ensure that what we are doing can maximise the effective delivery of services. In February 2020, our Root and Branch team received a national award from IESE.

Just prior to COVID-19 restrictions, the Council was about to commence a digital transformation programme. As part of this programme, and despite the continuing pressures of dealing with COVID-19, the Council is investing in a new telephony system for Customer Services which will enable better management of calls and queries.

In order to ensure that the Council is maximising value for money from its use of assets, the Council, with some independent support and input, has completed a major refresh of its Asset Management Plan.

Spelthorne has delivered below inflation council tax increases for 4 years; the increase for 2020-21 was 1.29%, the lowest in Surrey. This has been achieved while at the same time continuing to invest in service resilience and protecting front line services.

Financial Management Standard B

The authority complies with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*.

The S151 officer is a member of the Corporate Management Team, which includes the Chief Executive, Deputy CEs, and Group Heads of services. The post of s151 officer as a member of the senior management team as set out in the Council's Constitution, has access to members and has active involvement in strategic decision-making.

Financial Management Standard C

The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

Both Corporate Management Team (MAT) and Cabinet receive regular monitoring reports (monthly salaries, income and treasury management for MAT; quarterly revenue and capital monitoring for MAT and Cabinet), and on issues relating to the Corporate Risk Register. These are reviewed by MAT and reported to Cabinet three times per year, and are used to help target resources. A Corporate Debt Group meets regularly to review debt collection performance, and has recently refreshed the Corporate Debt Policy. MAT and Cabinet participate in 3 Budget Briefings per year at which budget issues and

strategy are discussed. MAT supports the role of Internal Audit, which was recently strengthened by being moved to Corporate Governance, providing the team with more support from the Group Head. MAT critically reviews monitoring reports, seeking clarification from and challenging services (via managers and the finance team), and pursuing actions to mitigate performance issues that arise. MAT seeks to ensure that any new initiatives clearly identify any associated financial implications.

The leadership team seeks to continuously improve the usefulness and effectiveness of financial reporting and monitoring. The Corporate Risk Register has been regularly refined in response to feedback from Audit Committee. We recently brought in external support specifically to update the Register, with particular focus on those risks with greatest impact on the delivery of corporate objectives, and to help refresh the Corporate Risk Policy. The monitoring reports are continuously reviewed and the Leader has set up a Task Group to look at further developing Financial Reporting. In parallel, officers, the Chairman of Overview and Scrutiny and the Finance Portfolio holder have discussed how we can improve the usefulness of reports going to Overview and Scrutiny Committee. The November 2020 Capital Monitoring reports will be expanded to report on multi year schemes cumulative spend and variance, as well as the spend and variance in year.

The Council invested considerable time in producing a clear, well-defined report to an Extraordinary Council Meeting on 21 May 2020, setting out how COVID-19 had impacted the borough and its residents, and how the Council had responded, particularly to support its most vulnerable residents and businesses. The report included 20 pages setting out the financial impacts on the Council and the measures the Council had in place to mitigate financial risks to the Council arising from the impacts of the pandemic. The Council felt it was important to be accountable to residents on how it was responding to the crisis. The report has been highlighted by the LGA as an example of good practice reporting on COVID-19.

During the COVID-19 crisis, MAT and senior officers have provided weekly virtual meetings to all councillors on the impacts, including financial matters, of COVID-19, and on how the Council has been responding. MAT has also communicated key issues to management and all staff through regular interactive meetings and briefings during this time.

Financial Management Standard D

The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).

As part of the annual process of producing the Annual Governance Statement, officers review our compliance with the Framework, together with the Local Code of Corporate Governance, the role of Audit Committee; and compliance with regulations. The Internal Audit role and function is covered in the AGS. Significant issues are set out in the AGS and monitored.

Financial Management Standard E

The financial management style of the authority supports financial sustainability.

The Council provides regular training for members of the Overview and Scrutiny Committee and Audit Committee to assist them in scrutinising the Council's financial arrangements. The Council actively engaged with the Overview and Scrutiny Committee in the process of producing the first Capital Strategy. The Council has put 50 FAQs with respect to its commercial acquisitions on its website. These explain further the Council's strategy to ensure financial sustainability.

The Council provides regular revenue and budget monitoring reports to Cabinet, Overview and Scrutiny and Management Team. The Council invited in Peter Robinson from the LGA in to review its monitoring reports and make improvement suggestions which were taken on board, for example expanding information about financial impacts of commercial assets.

We are asking service managers to take more responsibility for their budgets to ensure greater ownership. This includes monthly review meetings between service managers and accountancy, regular review of income, variances and better forecasting by the services

The budget setting process involves members at every stage. SBC has a balanced budget for the year 2020/21 and continues to monitor income and expenditure against it.

Managers are encouraged to take ownership of their budget and to be innovative in looking at how they can ensure the financial sustainability of their services. The Group Head for Assets was effectively asked to go back to the beginning and build up a zero based budget for 20/21 looking at what we needed to deliver the service as it looked at that point in time. The objective was to be able to "wash its own face", and this was duly delivered.

The Independent Living team is exploring the use of smart technology and working with health sector partners to lever in additional funding.

The increase in income generation has supported service delivery and staffing provision rather than the service cuts experienced in previous years and by other councils. Additional resource, funded from a slice of the commercial income, has been invested in support services, including the finance team, to ensure that the right skills and aptitudes are in place to help support the organisation in focusing on and delivering financial sustainability and resilience. The finance function has and is being strengthened with new posts in the accountancy and operations teams, along with a new treasury management system. In the Assets service, a property system which deals with rent accounting has been implemented and a property accounts manager appointed.

The Finance team recognises the need to improve further the usefulness of the financial monitoring reports provided to Cabinet and Overview and Scrutiny Committee and the interim Chief Accountant is doing some useful work looking to improve monitoring reports.

Financial Management Standard F

The authority has carried out a credible and transparent financial resilience assessment.

The Council invited the LGA to undertake an independent Corporate Finance Peer Review.

Across a number of service areas managers have been asked effectively to zero-base budget.

We have periodically invited Deloitte to undertake critical reviews of our approach to managing risk with respect to our commercial assets. Since COVID-19 outbreak began senior officers, the Leader, Deputy Leader and Finance Portfolio Holder have met weekly to review collection performance for rental for commercial and retail assets and to review the 10 year worst and expected case scenarios for our sinking funds to ensure that our sinking funds (current balance £20m) are more than sufficient to insulate the Revenue Budget and council taxpayers from any drops in income. Currently we have collected more than 96% of the commercial rent due for first 6 months of 2020-21 with nearly all of the remainder covered by deferral agreements with tenants.

For the COVID-19 report which went to the May 21 ECM, the Council undertook a financial assessment of the potential financial impact of COVID-19 on the Council's revenue budget and setting out a range of scenario figures from best case to worst case. This informed the debate at the ECM which resulted in the approval of a supplementary estimate of up to two million pounds to be funded from revenue reserves if necessary.

Since the start of COVID-19, the Council has been running weekly Rent Collection Review meetings with the Leader, Deputy Leader and Finance Portfolio Holder and relevant officers to review performance of commercial rent and retail rent. Due to the pro-active actions of officers in consultation with key councillors, the Council has maintained good collection rates.

Financial Management Standard G

The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

The Council produces a 4 Year Outline Budget or Medium Term Financial Strategy which is reported to Cabinet every year. For the 2020-21 Budget process, in the context of the risks of funding reductions in 2021-22, with negative grant, Fair Funding, Business Rates retention/rebasing etc, the Council has sought to take a medium term approach in balancing its budget and in February 2020 (prior to COVID-19) not only balanced the 2020-21 Budget without the use of reserves, but on an indicative basis balanced the

2021-22 and 2022-23 Budgets. The Council is aware it faces a budget gap of approx. £1.8m for 2023-24 but it focused on measures to close that gap over the next three years. Measures which will help close this gap include setting up in April 2020 a wholly owned trade waste and environmental services company

For its commercial asset acquisitions, the Council models at least 50 years into the future (the recent Elmsleigh acquisition modelled on 70 years) in order to identify future needs in capital expenditure to periodically refurbish the assets and to bear the risk of rent free and void periods. The Council's sinking funds methodology is designed to build up funds to cover future liabilities. As at the end of 2019-20, the balance in sinking funds was approximately £20m. The total cash backed reserves as at end of 2019-20 were £42.5m.

Financial Management Standard H

The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*.

The Council works closely with its Treasury Management advisers Arlingclose to ensure that it complies. At key stages in past the Council has obtained Counsel's Advice on interpretation. The Council has all the strategies/policies in place as required. Regular reporting to members on capital expenditure takes place. An annual Capital Strategy and an annual Treasury Management/Investment Strategy is produced each year.

Considerable time was invested by the Council in producing a detailed and easy to follow Capital Strategy supplemented by an Executive Summary.

Financial Management Standard I

The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

See response to Standard G above. There is a close link between the Corporate Plan and the Medium Term Financial Strategy

Financial Management Standard J

The authority complies with its statutory obligations in respect of the budget setting process.

The Council sets a balanced budget. The S151 officer has expanded his s25 and s26 sections in the Budget report. The Council consults representatives of the business community on its budget proposals. The Council sets a council tax increase within the council tax referendum limits and a properly recorded vote takes place at Council meetings.

Financial Management Standard K

The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

See Standard J above. This part of the Budget report was significantly expanded for the 2020-21 Budget process. It is anticipated, in the context of COVID-19 this will be expanded further for 2021-22.

Financial Management Standard L

The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

Officers engage with and work closely with Cabinet members on the long term financial strategy, plan and budget. Officers brief the Overview and Scrutiny Committee on plans and brief opposition parties on the budget proposals. Officers have brought forward proposals in the past for budget consultation with residents.

For the 2021-22 Budget process, additional time is being built into the budget, to allow for an additional Overview and Scrutiny session on the draft Budget.

The Council has set up a Residents Forum (with representatives invited from all the local residents associations) this will provide an opportunity in future to discuss budget proposals with residents' representatives.

Financial Management Standard M

The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

The Council has a developed project management methodology designed to ensure that projects achieve deliverables on time and within budget. The Council has a thorough evaluation methodology for evaluation of asset acquisitions and this includes evaluation of financial robustness of tenants.

The Council receives regular benchmarking information on its investment performance from its Treasury Management advisers.

The Council has recently refreshed its Procurement Strategy. It has identified that in terms of spend the biggest area of spending is now its ambitious housing delivery and regeneration programme. In order to ensure that it maximises value for money in this area of spend it has developed and is implementing framework contracts for professional construction related services and construction services.

Similarly robust business cases are prepared with appropriate professional advice for new ventures such as KGE or trade waste. This will also be the case for the new Leisure Centre proposals.

Financial Management Standard N

The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

As commented above MAT and the Cabinet receive regular revenue, capital monitoring reports and Treasury management reports which flag emerging variances. There is also the monthly monitoring with Group Heads. Variances are probed and concerns are followed up and tracked using actions tracking. Budget monitoring has been expanded to focus particularly on the impacts of COVID-19.

As commented above since the outbreak of COVID-19, MAT, the Leader, Deputy Leader, Finance Portfolio holder and senior managers have been reviewing weekly the impact of COVID-19 on its commercial, retail and municipal income streams. The meetings focus on identifying issues with specific tenants and discussing actions for addressing those concerns, which may then lead onto reports going to the Property Investment Committee or to Cabinet.

The MAT and senior officers meet weekly for a Development and Investment Group (DIG) to review performance in its commercial and residential assets and the progress of its residential development and regeneration schemes. The focus is on reporting by exception and identifying issues to be addressed and agreeing actions to be taken to address risks.

Financial Management Standard O

The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

We are focused on some aspects such as value of assets, level of borrowing and level of reserves. A number of new KPIs are being introduced as part of the refreshed AMP which will help. The Corporate Debt Group is putting in place improved monitoring of debtors. Officers also monitor other things that could be on the horizon eg changes in legislation, climate change, new burdens grants for anything. New sources of income are also considered.

The Council has updated its Corporate Debt Policy and has a corporate Debt Group which meets regularly to ensure a holistic and joined up approach is taken to debt recovery. The Council makes good use of additional resource and expertise that Reigate and Banstead Council has in counterfraud, This has been particularly beneficial with respect to housing.

Financial Management Standard P

The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom*.

The s151 officer assumes these responsibilities in accordance with the Constitution, the scheme of delegation, and has responsibility for audit and internal control. Currently an ongoing dialogue with outgoing external auditors with respect to 2017-18 Value for Money Opinion.

Financial Management Standard Q

The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

See above comments.

The monthly monitoring by finance, MAT and the Cabinet ensure continuous monitoring before the final outturn figures are produced. In addition to the formal reports, the combined Leadership team (ie MAT and Cabinet) meet informally at least three times a year in Budget Briefing to discuss budget implications of outturns, and issues relating to the budget process.