

Spelthorne Self-Assessment Against FM Code- Review as at October 2021

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 transformation programme using digital technologies to create new — or modify existing — business processes, culture, and customer experiences to meet changing business requirements. As part of this programme, and despite the continuing pressures of dealing with COVID-19, the Council invested in a new telephony system for Customer Services which went live in May 2021 and will enable better management of calls and queries. A programme of developments to build on the functionality of the new telephony platform has been defined and a Transformation Programme Manager has been appointed to drive a programme of improvement

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 which has been approved by Corporate Policy and Resources Committee

Spelthorne has delivered below inflation council tax increases for 4 years; the increase for 2020-21 was 1.29%, the lowest in Surrey, whilst there was a nil increase for 2021-22. At the Budget Briefing for all councillors on 8th November it was agreed that moving forward the Council, given the budget pressures it faces, will need to protect its taxbase by setting maximum increase allowed for 2022-23 This has been achieved while at the same time continuing to invest in service resilience and protecting front line services. Taking into account that some districts and boroughs have parishes, Spelthorne at the borough/parish level has the eighth lowest council tax level in Surrey. Move forward however, the Council will need to protect its council taxbase.

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 Corporate Policy Resources Committee receive regular monitoring reports (monthly salaries, income and treasury management for MAT; quarterly revenue and capital monitoring for MAT), and on issues relating to the Corporate Risk Register. The Corporate Risk Register is reported to every Audit Committee meeting. These are reviewed by MAT and reported to Corporate Policy and Resources three times per year, and are used to help target resources. Additionally each service committee receives at each meeting a revenue and capital monitoring report for the services within that committee's remit. A Corporate Debt Group meets regularly to review debt collection performance, and has recently refreshed the Corporate Debt Policy which was approved by Corporate Policy and Resources Committee. MAT and members of Corporate Policy and Resources Committee participate in 3 Budget Briefings per year at which budget issues and strategy are discussed. MAT supports the role of Internal Audit, which was 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 and presented in a more digestible format in response to feedback from Audit Committee. We brought in external support specifically to providing direction in updating the Register in line with modern best practice, with particular focus on those strategic risks limited to no more than ten risk categories) having greatest impact on the delivery of corporate objectives, and to help refresh the Corporate Risk Management Policy. Establishing a Risk Appetite Framework (RAF) is a work in progress and represents an important stage in the Council's risk maturity. It has been agreed with the Leader that when Finance upgrades from Integra to Centros we will make use of the improved reporting functionality to improve reporting including provision of dashboard report. In parallel, officers, the Chairman of Overview and Scrutiny and the Finance Portfolio holder discussed how we can improve the usefulness of reports going to Overview and Scrutiny Committee. The November 2020 Capital Monitoring reports were expanded to report on multi year schemes cumulative spend and variance, as well as the spend and variance in year. Since Paul Taylor's arrival as Chief Accountant he has refreshed the approach to monitoring and ensured that on capital we are capturing multi-year projects full cumulative costs.

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.

A Covid-19 Risk Assessment is periodically monitored and reported to MAT and the Audit Committee, capturing emerging and evolving risk considerations, with more recent focus on the impact of the pandemic and wider issues on the recovery phase.

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 including the annual audit opinion of the internal control environment and adequacy of risk management and governance arrangements. 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 provided 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 have recently been updated. These explain further the Council's strategy to ensure financial sustainability.

The Council provides regular revenue and budget monitoring reports to Corporate Policy and Resources Committee of the overall Budget and Capital Programme position and to Management Team and individual monitoring reports for the service Committees. The Council invited in Peter Robinson, as a Finance lead 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 looking to do

a further exercise to bring in an external perspective to review the usefulness of our monitoring reports.

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 and continues to monitor income and expenditure against it. Moving from a Cabinet and Strong Leader model to a Committee Governance model has required a major rethink of the Budget process. Paul Taylor has brought forward the Budget production process to ensure sufficient time is available for service committees to consider impact of growth and savings relating to their areas. Officers will be working with Committee Chairs as members of Corporate Policy and Resources to have a corporate perspective focusing on how we balance the overall budget as well as supporting the services under their individual committees.

There are currently challenges around helping councillors understand the potential impact on the Council's financial sustainability arising from councillors decisions on progressing residential development schemes potentially increasing pressures on the Council's Revenue Budget.

The unanticipated COVID-19 impact has had major impacts on the Council's financial position and is necessitating a change of approach to balancing the budget as a result of the reduction in sales, fees and charges income and increased inflationary pressures. MAT are working with the political leadership to ensure a clear focus on robustly prioritising and justifying any growth bids and to focus on identifying saving bids. Officers are looking to engage with councillors on strategic steers for the options to be pursued to close the Budget gaps over the Outline Budget period.

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. As part of the process of closing the budget gaps over the medium term we are looking to undertake a zero based budgeting exercise across all services as part of the 2023-24 Budget process.

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 from investment assets supported service delivery and staffing provision rather than the service cuts experienced in previous years and by other councils. However as a result of the impacts of the

pandemic we again need to have a strong focus on how we can do things more efficiently and make savings. Additional resource, funded from a slice of the commercial income, had 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 was 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 was 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 Committees and the interim Chief Accountant is doing some useful work looking to improve monitoring reports.

As the Council has looked through its housing delivery company to provide more affordable and key worker housing for its residents increased focus has been applied on ensuring robust viability analysis of both KGE as a whole and of individual residential developments, with the 50 year viability model covering profit and loss, balance sheet and cashflow being revamped. At the October 2021 Corporate Policy and Resources Committee as a result additional short term cash flow support for KGE was agreed.

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. For 2023-24 budget zero based budgeting will be applied across the board

As highlighted above a very considerable amount of additional work has been done to improve the viability analysis of KGE and individual residential schemes with a clear focus now on the rental viability. This is to ensure that KGE does not get into a similar position as happened with the Croydon housing delivery company.

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 regularly 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 £27m) are more than sufficient to insulate the Revenue Budget and council taxpayers from any drops in income. Currently we have collected more than 99,3% of the investment assets rent due for 2020-21 with nearly all of the remainder covered by deferral agreements with tenants.

For the COVID-19 report which went to the May 2021 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.

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 that as a result of the broader impacts of the COVID-19 pandemic it, like other councils is facing a much more challenging budget position and that it needs to put in place a range of both short and medium term measures to close the gaps and ensure financial sustainability/n

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 2020-21, the balance in sinking funds was approximately £27m. The total cash backed reserves as at end of 2020-21 were £84m (although this is partially distorted by COVID-19 grant monies).

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.

Considerable time was invested by the Council in producing a detailed and easy to follow Capital Strategy supplemented by an Executive Summary. The Council reports on performance against its prudential indicators in both the half year and outturn treasury management reports.

The Council last made a debt for yield acquisition in 2018 and is now focused on managing effectively its existing investment asset portfolio in line with the

Prudential Code and investing in housing delivery, service delivery (particularly the new leisure centre) and regeneration across the Borough

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. In the context of COVID-19 was expanded further for 2021-22. The Council continues to monitor very carefully the adequacy of its sinking fund reserves. Benchmarking suggested Spelthorne had the highest ratio of unallocated revenue reserves to net Budget of any district or borough council in the country. This has arisen as a result of the strategy of building up our sinking fund reserves (currently £27m)

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. Under the Cabinet and Strong Leader model Officers briefed 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. Under the new Committee governance model officers work with the Chairs (who are appointed on a party proportional basis) to ensure all groups and all committees understand the financial position.

For the 2022-24 Budget process, additional time is being built into the budget, to allow for the individual service committees to scrutinise their growth and savings proposals

The Council is undertaking in November 2021 a budget consultation exercise with residents, businesses and staff. This will feed into the Budget process.

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 methodology for asset development projects has been strengthened by the creation of the Development Sub-Committee which reviews and signs off gateway stages. Asset projects now commence with a term sheet to make clear the key assumptions and anticipated deliverables.

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

The Council 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 implemented 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 was 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 Corporate Policy and Resources Committee receive regular revenue, capital monitoring reports and Treasury management reports which flag emerging variances. Individual services also receive their own revenue and capital monitoring reports. 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 have been introduced as part of the refreshed AMP which will help. The Corporate Debt Group is put in place improved monitoring of debtors. Officer 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 investigatory resource and expertise that Reigate and Banstead Council has in counterfraud, This has been particularly beneficial with respect to housing housing and a data matching initiative to target social housing fraud (subletting and illegal tenancy succession) has been approved (subject to funding).

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.

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 Corporate Policy and Resources Committee ensure continuous monitoring before the final outturn figures are produced. In addition to the formal reports, the combined Leadership team (ie MAT and Corporate Policy and Resources consisting of the service committee Chairs and Vice Chairs) meet informally at least three times a year in Budget Briefing to discuss budget implications of outturns, and issues relating to the budget process.

