

Spelthorne Self-Assessment Against FM Code- Review as at March 2024

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 the medium term financial strategy of ensuring that the Council continues to be financially sustainable, particularly in the context of the expected Fair Funding Review in 2026-27 which is expected to reduce funding the Council receives from Government; the Council is putting renewed focus on transformation, and delivering cashable savings.

The Council has a digital transformation programme underway

Moving forwards, as part of the regular quarterly budget monitoring, councillors will receive reports on progress against delivery of cashable savings targets.

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 and its Investment Assets Strategy which has been approved by Corporate Policy and Resources Committee and Development Sub-Committee.

Spelthorne has delivered below inflation council tax increases for the past 6 years; the increase for 2024-35 is 2.9%, compared to an inflation rate of 4% as measured by the Consumer Prices Index... Taking into account that some districts and boroughs have parishes, Spelthorne at the borough/parish level has the ??? 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. More recently following on from external reviews, and from the departure of a member of the Audit team, the Audit Committee and Council has approved outsourcing the internal audit team to Southern Internal Audit Partnership. This is in order to improve resilience of the internal audit function and give it access to a wider range of specialist skills. 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.

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. This has continued beyond the Pandemic with fortnightly briefings on Monday open to all councillors which is then followed up with a written newsletter to councillors. MAT has also communicated key issues to management and all staff through regular interactive meetings and briefings during this time.

During the pandemic and initially afterwards a Covid-19 Risk Assessment was 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. More recently Audit Committee agreed to incorporate these externalities into a single Corporate Risk Register Report.

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 invests resources in providing regular financial, risk and audit training for councillors. We provide three Budget Briefings per annum which are open to all councillors and are designed to give an informal opportunity for councillors to be briefed on financial issues and to understand the budget challenges and proposals. Treasury Management training for Councillors was provided by our advisers Arlingclose on 17th January 2024. A local government finance training session was provided for all councillors on 25th January 2024. The Council has provided regular training for members of the Audit Committee to assist them in scrutinising the Council's financial arrangements. This includes sessions on the role of the Audit Committee, risk management and understanding local authority financial accounts. Ahead of the statutory cut off for outstanding audited Statement of Accounts the Council will arrange a further session on understanding statements of accounts. 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 has listened to feedback from councillors about the need to make financial reports easier to understand, this was also raised by the LGA Corporate Peer Review, and set up a Members Financial Reporting Working Group. This Group recommended the implementation of a "four square" report summary methodology which has been actioned. We are seeking to make reports more visual. As part of the three year Centros upgrade we are moving towards implementing dashboard reporting for both budget managers and councillors. All councillors receive monthly workflows which enable them to review spend against budget.

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. One practical step being implemented currently, on the back of the upgrade of the financial system from Integra to Centros, is rolling out budget monitoring which enables budget managers to directly review, comment and amend projections on the financial system.

The budget setting process involves members at every stage. SBC has a balanced budget for the coming financial year 2024-25 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.

The Budget process has been made more transparent than ever, with detailed budgets provided to each service committee before Christmas. This year we have also provided a "Below the line" budget report with a detailed breakdown of the corporate below the line budgets.

There have been 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. This led to the Council in October 2023 making the strategic decision to step back from directly seeking to fund and deliver housing and regeneration schemes on its sites and move to a place shaping/joint venture strategy.

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. 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 2024-25 Budget process.

The Independent Living team is working in partnership with Mole Valley District Council continues to explore 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.

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

Financial Management Standard F

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

The Council invited the LGA in November 2020 to undertake an independent Corporate Finance Peer Review. In November 2022 the Council invited the LGA to undertake a Corporate Peer Challenge review.

The Council is a member of the LGA Improve Benchmarking club which provides regular benchmarking of our reserves and capital health against other authorities. This analysis identified that as at 31 March 2023, as a result of the

Council's building up its sinking funds reserves (balance at that point £37.8m) the Council had the highest ratio of revenue reserves to net revenue Budget of any district or borough council in England.

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 external consultants to undertake critical reviews of our approach to managing risk with respect to our commercial assets. Most recently we commissioned JLL to undertake a critical review which was reported to Development Sub-Committee in February and is referenced in the Corporate Risk Register Report on the Audit Committee March 2024 agenda. Under the Committee system the Council has set up the Development Sub-Committee to consider any viability assessment for developments or acquisitions (including the housing part funded by Local Authority Housing Fund. We have also formalised the Assets Portfolio Working Group which has representatives from Corporate Policy and Resources Committee and Development Sub-Committee which meet fortnightly to review collection performance for rental for commercial and retail assets

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 Corporate Policy and Resources Committee every year. For the 2024-25 Budget process, in the context of the risks of funding reductions in 2026-227, with Fair Funding, Business Rates retention/rebasing etc, the Council has sought to take a medium term approach in balancing its budget and in February 2024 (The Council is aware that as a result of the broader impacts of the COVID-19 pandemic, the Cost of Living Crisis, inflationary pressures, and particularly the housing crisis 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.

For its commercial asset acquisitions, the Council models at least 50 years into the future (the 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 2023-24, the balance in sinking funds was approximately £38m. The total cash backed reserves as at end of 23-24 were £72m. However during period 2023-24 to 2025-26 the Council is aware that it needs to use a significant amount of the sinking fund reserves to cover dips in the rental income

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 and additional graphical analysis and colour coding. 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. The Council has reinforced the link between service planning and budget planning, with service plans considered by Committees as the first step in the Budget process

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, and has been continually refined since. 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 £38m)

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 councillors on the long term financial strategy, plan and budget. Officers have brought forward proposals in the past for budget consultation with residents. Under the 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 2024-25 Budget process, additional time is being built into the budget, to allow for the individual service committees to scrutinise their growth and savings proposals

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 externalities.

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 putting 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.