

## Appendix E – Self Assessment against Best Value Indicators of Potential Failure for Use of Resources

Description	Indicators of Potential Failure	How we assess ourselves
<p>An authority must have in place and properly deploy an effective internal control environment to safeguard the use of resources, and clear and effective processes to secure value for money. It must have appropriate financial management, reporting and regulation arrangements in place, in accordance with CIPFA's Financial Management Code, to govern the strategic and operational management of its investments, funding, assets and companies. This includes ensuring it has the appropriate skills and capacity in</p>	<p>(A) A weak overall control environment goes beyond the more tangible systems of internal control – it encompasses the tone from the top and how this permeates attitudes, actions, behaviours and control consciousness of all across the Council.</p> <p>(B) Where Managers do not take responsibility for implementing and maintaining adequate systems of internal controls in managing risk, this may lead to poorly designed and functioning systems of internal control that may adversely impact delivery of services, objectives, and priorities. This may also lead to a higher risk of occurrences of erroneous transactions, reduced integrity of information and reporting, financial losses, fraud, impropriety, irregularity and/or weakened governance arrangements/governance failures. It may present in an increased level of adverse internal audit assurance opinions (limited or no assurance).</p>	<p>(A)- An Internal Audit review of workplace Culture has been undertaken previously.</p> <p>-Employee surveys and feedback / - HR may wish to comment</p> <p>(B)Overall assurance framework comprises 3 lines of defence standard industry model. Management represents the first line of defence so are responsible for managing their systems of internal control on an ongoing basis and highlighting/addressing any issues arising. Third line of defence comprises Internal Audit providing independent assurance.</p> <p>(B)Overall audit conclusion provided for internal audit assignment work undertaken (assurance opinion) which will form an important</p>

<p>place, commensurate with the complexity of its finances, using specialist expertise when needed. Authorities must appropriately comply with the Prudential Framework in making investment and borrowing decisions and not take on excessive risk. They should have effective systems for identifying, reporting, addressing and reviewing financial risk and have consideration of CIPFA's Financial Resilience Index. Investment decisions must have a commensurate level of scrutiny, transparency and approval to make sure that officers and members fully understand the risks. Financial management and reporting</p>	<p>(C) Significant delays in implementing agreed audit recommendation aimed to enhance and strengthen internal control in managing risk. This may present ongoing weaknesses in controls operating and therefore increased risk exposure.</p> <p>(D) Poor investment returns</p>	<p>consideration for the annual audit opinion</p> <p>(B) Regular review and reporting of the Council's Constitution and related policies, for example Counter Fraud, Bribery and Corruption Strategy and Whistleblowing Policy (Confidential Reporting Code).</p> <p>(C) Audit recommendations followed up regularly and status reported to Management team and Members.</p> <p>(D) Regular review and reporting of Treasury Management activity and performance reporting , as well as future strategy and application of professional standards.</p> <p>Financial considerations section in Committee reports to embed consideration of financial implications.</p> <p>Risk management section in Committee reports to embed consideration of risk</p>
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<p>should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise when needed.</p> <p>Authorities should respond to audit recommendations and address issues identified in a timely way.</p> <p>Capacity constraints should be identified and recruitment to fill key posts prioritised.</p> <p>Succession planning needs should be considered, with a longer-term view as to when there might be a gap in senior, experienced officers</p>		
	<p>Absence of a deliverable and clear medium-term financial plan, approved by the authority's Cabinet or finance committee (as appropriate) and full council.</p>	<p>Corporate Policy and Resources Committee considers and approve each year Outline Budget report, containing medium term projections and medium term financial strategy. Medium term projections are updated and reported as part of</p>

		Detailed Budget approved by Council
	<p>Consistent overspends, frequent use of virements, and no credible plan to reduce unaffordable debt and maintain sustainable finances, and recurrent non-delivery of savings plans</p>	<p>In most years, the Council has had underspends and is currently projected to have an underspend. Limited use made of virements. While the Council has significant debt incurred in period 2016-18, it is at fixed rates of interest (average 2.3%) and is being paid down on an annual basis, and the income associated with the investment assets financed by the borrowing comfortably exceeds the financing costs</p>
	<p>Avoidance of/failure to implement difficult budget decisions.</p>	<p>Council in October 2023 made the decision to step back from financing the housing and regeneration programme and to seek to advance through a new place making and joint venture strategy. The Council will however need to make decisions which achieve viable outcomes on these sites.</p>
	<p>No evidence of transformation to create efficiency savings</p>	<p>Pre-pandemic Council reduced its use of office space by 42% to free up West Wing to convert into affordable housing accommodation. Council is advancing a Digital Transformation Programme and is progressing several</p>

		service collaborations with other councils including the finance partnership with Mole Valley
	Inadequate reserves, savings not achieved and poor benefits realisation.	Over the last seven years the Council has steadily increased its reserves- cash backed reserves (excluding CIL and developer contributions) wer £62m at 31.3.23. LG Improve benchmarking has identified that as at March 2023 Spelthorne had the highest ratio of revenue reserves to net budgeted revenue expenditure of any district or borough council in England
	Consistent reliance on reserves to balance an outturn position.	In most years the Council has not had to use reserves to balance the budget. In 2024-25 due to the £907k housing growth pressures £703.6k of reserves is being used. However the intention is to replenish these reserves in 2025-26
	Unlawful or excessively risky borrowing and investment practices with no adequate risk management strategy in place for financial losses.	Council always seeks legal advice on significant or unusual transactions. Council is focused on effective risk mitigation strategies. We periodically bring external consultants to review our investment portfolio (most recently February 2024). The building up of the sinking funds reserves is a key part of the risk mitigation strategy

	Failure to manage the risks associated with companies.	The Council has studied the lessons from failures elsewhere such as Croydon, and has regard to CIPFA guidance on local authority companies, and Local Partnerships guidance. The Council has appointed two experienced Non-Executive Directors onto the Board of its Housing Management Company. Its Housing company is independently audited and reports annually to Corporate Policy and Resources Committee
	An authority that has issued a Section 114 Notice.	We have never issued a S114 notice
	Significant weaknesses identified in the annual audit report for financial sustainability, and/or statutory recommendations or a public interest report is issued.	Annual audit report for 2022-23 did not identify significant weakness. Key themes drawn out from internal audit activity and wider assurance work were referred to in the annual audit report and Annual Governance Statement  External auditors did issue a public interest report for 2017-2018. Council has in response implemented an action plan
	High dependency on high-risk commercial income for service delivery and balancing budgets.	It is true that that equivalent to a third of the gross cost of total service expenditure is financed from commercial income. This is why there is a

		significant focus on managing and mitigating the associated risk
	Non-compliance with accounting requirements regarding MRP.	We fully comply with both the letter and spirit of MRP requirements
	A finance function that is not fit for purpose owing to capacity or capability issues.	Council had a positive LGA Finance Peer Review in 2021. The Council has invested in growing the Finance team and upgrading the financial software platform. We have created two CIPFA apprentice posts. Looking to further enhance resilience and capacity by the Finance partnership
	Underinvestment in back-office services, which affects capacity and succession planning	Investment in Finance as set out above. We are investing to enhance capacity and resilience in Internal Audit by joining the Southern Internal Audit Partnership
	Inefficient or uncompetitive procurement arrangements that do not deliver value for money	Considerable work has been undertaken to improve the procurement arrangements
	IT that is not capable of doing the job for which it is designed.	Equipment is kept up to date and refreshed regularly. Core infrastructure and end user devices are replaced on a 5 year cycle. Mobiles and tablets are replaced once they are no longer receiving security updates.

		<p>All devices are managed centrally via InTune.</p> <p>The network is PSN accredited annually.</p> <p>The network is securely protected and high levels of logging and alerting are in place to protect against potential vulnerabilities.</p> <p>Microsoft E5 licensing is used for, amongst other things, delivery of security and compliance, emails, and telephony.</p> <p>All staff are equipped with suitable ICT equipment appropriate to their role.</p> <p>Virtual conferencing and communications technology is available to all staff.</p> <p>All staff are given mandatory cyber security training.</p> <p>The ICT team enabled the Council overnight to shift to working virtually during the pandemic.</p> <p>Modern virtual communications technology is used.</p> <p>Digital transformation for public facing interactions is underway. In-house development of forms is facilitating improvements such as report it portal for residents and councillors</p>