

Appendix C – Self Assessment against Best Value Indicators of Potential Failure for Use of Resources revised May 2024- updated against final Best Value Indicators

Description: 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 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 should be supported by robust financial systems, record keeping and quality assurance, with appropriate use of specialist expertise when needed.

Authorities should respond to audit recommendations and address issues identified in a timely way.

Capacity constraints should be identified and recruitment to fill key posts prioritised. Succession planning needs should be considered, with a longer-term view as to when there might be a gap in senior, experienced officers

Yellow highlighting new indicators in the final guidance compared to the draft guidance.

Ref	Indicators of Potential Failure	How we assess ourselves
1	<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>(C) Significant delays in implementing agreed audit recommendation aimed to enhance and strengthen internal control in managing risk. This may</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 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>present ongoing weaknesses in controls operating and therefore increased risk exposure.</p> <p>(D) Poor investment returns</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>Over the last 10 years the average interest return achieved on the Council's medium term funds has been 4.03% in line with the original objective of achieving a 4% annual return.</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>
2	Absence of a deliverable and clear medium-term financial plan, approved by the authority's	Corporate Policy and Resources Committee considers and approve each year Outline Budget report-

	Cabinet or finance committee (as appropriate) and full council.	most recent Outline Budget report at 27 th November 2023 Corporate Policy and Resources Committee., containing medium term projections and medium term financial strategy. Medium term projections are updated and reported as part of Detailed Budget approved by Council
3	Council staff undertaking part-time work for full-time pay without compelling justification.	The Council is not trialling 4 day working weeks. We do not have staff undertaking part time working for full time pay.
4	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>In most years, the Council has had underspends and achieved a significant outturn underspend for 2023-24 enabling it to protect its reserves. Limited use made of virements. While the Council has significant debt incurred in period 2016-18, it fixed the rates of interest (average 2.3%) and the debt 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>As part of the new Housing Delivery Place Making/Joint Venture strategy the Council is looking on a case by case basis at disposals/joint ventures across its housing regeneration sites.</p> <p>Investment Assets are financing costs, sinking funds set asides, and management costs contributing £10m per annum towards supporting the cost of discretionary services</p>

5	Avoidance of/failure to implement difficult budget decisions.	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.
6	No evidence of transformation to create efficiency savings	<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 service collaborations with other councils including the finance partnership with Mole Valley.</p> <p>The 2024-25 Budget has some transformation savings built in and this will be delivered through an efficiency programme with regular monitoring and reporting on progress. The Council will be undertaking a Zero Based Budgeting exercise to feed into 2024-25 Budget process</p>
7	Lack of a regular review of the adequacy of reserves and the unplanned use of reserves in-year to balance an outturn position.	<p>Each year the Council's Reserves Strategy is taken to Corporate Policy and Resources Committee for review.</p> <p>The Council undertakes reserves benchmarking through LG Improves and this analysis feeds into the Reserves Strategy and Capital Strategy.</p> <p>Most year's there is net underspend and usually use of</p>

		<p>reserves is lower than that provided for in the Budget.</p> <p>Over the last seven years the Council has steadily increased its reserves- cash backed reserves (excluding CIL and developer contributions) were £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</p>
8	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.
9	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. Both its subsidiary companies are independently audited and reports annually to Corporate Policy and Resources Committee
10	An authority that has issued a Section 114 Notice.	We have never issued a S114 notice

11	Significant weaknesses identified in the annual audit report for financial sustainability, and/or statutory recommendations or a public interest report is issued.	<p>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</p> <p>External auditors did issue, in October 2022, a public interest report for 2017-2018. Council has in response implemented an action plan</p> <p>DLUHC Commissioned a Best Value Inspection process to commence in May 2024</p>
12	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
13	Non-compliance with accounting requirements regarding MRP.	We fully comply with both the letter and spirit of MRP requirements. We have always applied MRP to all our investment assests acquisitions. We undertook a review of our MRP compliance.
14	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 with Mole Valley.

	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
15	Inefficient or uncompetitive procurement arrangements that do not deliver value for money	Considerable work has been undertaken to improve the procurement arrangements
16	IT that is not capable of doing the job for which it is designed.	<p>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. All devices are managed centrally via InTune.</p> <p>The network is PSN accredited annually. The network is securely protected and high levels of logging and alerting are in place to protect against potential vulnerabilities. Microsoft E5 licensing is used for, amongst other things, delivery of security and compliance, emails, and telephony. All staff are equipped with suitable ICT equipment appropriate to their role. Virtual conferencing and communications technology is available to all staff. 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. Modern virtual communications technology is used. Digital transformation for public facing interactions is underway. In-house</p>

		development of forms is facilitating improvements such as report it portal for residents and councillors
17	No presentation on financial performance/position to members or proper consideration of the annual financial report.	Outturn report goes to Corporate Policy and Resources Committee. Each year three "Budget Briefings" in July, October and January and provided to all councillors.