



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 22 March 2022</b>	<b>Matter for Information</b>
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**Report Title:** **Progress of Recommendations arising from the 2021 LGA Financial Health Check**

**Report Author(s):** **Tracy Bingham (Strategic Director, Section 151 Officer)**

<b>Purpose of Report:</b>	To update members in respect of the progress made in implementing the recommendations of the 2021 Local Government Association (LGA) Financial Health Check and set out the timetable for the development of a new Medium Term Financial Strategy.
<b>Report Summary:</b>	The report sets out the recommendations made by the LGA and the progress made against them by Officers and provides a timetable and detail of approach that will be undertaken to develop a new Medium Term Financial Strategy.
<b>Recommendation(s):</b>	<b>That the content of the report be noted.</b>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Tracy Bingham (Director - Section 151 Officer) (0116) 257 2690 <a href="mailto:tracy.bingham@oadby-wigston.gov.uk">tracy.bingham@oadby-wigston.gov.uk</a></p> <p>Comie Campbell (Deputy Section 151 Officer) (0116) 257 2713 <a href="mailto:comie.campbell@oadby-wigston.gov.uk">comie.campbell@oadby-wigston.gov.uk</a></p> <p>Rashpal Sohal (Finance Team Manager) (0116) 257 2705 <a href="mailto:rashpal.sohal@oadby-wigston.gov.uk">rashpal.sohal@oadby-wigston.gov.uk</a></p>
<b>Corporate Objectives:</b>	<p>Providing Excellent Services (CO3) Growing the Borough Economically (CO2) Building, Protecting and Empowering Communities (CO1)</p>
<b>Vision and Values:</b>	<p>"A Stronger Borough Together" (Vision) Accountability (V1) Respect (V2) Innovation (V4) Customer Focus (V5) Click to select vision or value.</p>
<b>Report Implications:-</b>	
Legal:	There are no implications arising from this report.
Financial:	There are no direct financial implications arising from this report, however, the way in which finance resources are organised and delivered underpins the way in which the Council manages its finances.
Corporate Risk	Decreasing Financial Resources / Increasing Financial Pressures (CR1)

Management:	
Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	None.
<b>Appendices:</b>	None.

## **1. Background**

- 1.1 During the Summer of 2021, the Local Government Association (LGA) offered to undertake a Financial Health Check of the Council, after identifying that the Council's capital programme and reserves position presented as an anomaly when compared to councils of a similar size and nature.
- 1.2 Barry Scarr, LGA Financial Improvement and Sustainability Advisor, undertook the review and Mark Edgell, LGA Principal Advisor subsequently presented the outcome of the review and the proposed recommendations to Members. Since this time, officers have been working to take forward the recommendations.
- 1.3 Ensuring financial sustainability both because of, and also in spite of future changes to the Local Government funding regime remains a key challenge for the Council. The Council is aware of this and in response has recently taken steps in order to stabilise the financial position of the organisation. This includes making decisions around new income generation schemes and capital projects that reduce revenue operating costs. Also included are capital projects where, although the primary aim is to regenerate the local economy, there may be additional benefits to the Council in the form of ongoing income.

## **2. Outcome of the LGA Financial Health Check**

- 2.1 As part of the feedback, the Council was praised for welcoming the LGA in to review its finances. In particular, the LGA cited examples of other councils where financial issues persisted and there was a lack of openness to challenge and failure to act.
- 2.2 Additional areas of feedback also included that the Council, had, at that time:
  - a) coped well with the COVID-19 pandemic, but needed to immediately bolster its senior Finance resources;

- b) a low level of expenditure per head of the population, ranking lowest quartile compared to other districts;
- c) low levels of fees and charges when compared to nearest neighbours; and
- d) low reserves when compared to benchmarks and a more risk assessed approach to defining minimum reserve levels should be taken.

2.3 The review also set the scene with regards to the current strategic outlook for the sector – that being that there is ongoing uncertainty around the local government funding system, the changes that are due to be made and the potential impact to OWBC as well as changes to the Councils’ own spending plans because of evolving demand for services, borough demographics and the post covid-19 environment.

2.4 There were four main themed recommendations made by the LGA:

- 1. The Council needs to address resourcing issues and the quality of financial reporting;
- 2. The 2021/22 approved capital programme needs to be reassessed;
- 3. The Council needs to take a more strategic approach to Financial Planning and the delivery of savings; and
- 4. Strengthen the governance around financial decision making.

### **3. Progress made to date and Developing the Council’s Future Financial Plan – The Medium Term Financial Strategy**

3.1 The table at Appendix 1 provides an overview of the actions under each themed recommendation and the progress to date.

3.2 Significant progress has been made, particularly in setting the budget for 2022/23. Moving forward, the Council now needs to develop its strategy and plan for managing its finances.

3.3 Over the course of the coming year, the Strategic Director - S151 Officer will lead the development of a new Medium-Term Financial Strategy (MTFS) document. The MTFS, as a key strategy document, will set out how the organisation will overcome the financial challenges ahead and include a clear, deliverable and member-led sustainability plan for generating income and managing expenditure.

3.4 The MTFS will also redesign the Council’s annual financial cycle, taking on board the LGA's recommendations around strengthening financial governance and in particular engaging Members earlier on in the budget cycle. The MTFS will include the Council’s Medium Term Financial Plan (MTFP), but this will be reviewed over the coming months and the assumptions refined. (The MTFP will continue to be a stand-alone financial forecast that will be updated on a more regular basis going forward, including at budget approval).

3.5 To allow for proper Member engagement in the budget setting process for 2023/24, the draft MTFS (including an updated MTFP) will be reviewed by the PFD Committee on 13 September, following earlier informal member sessions which will be held throughout the Summer (likely July/August, with firm dates yet to be confirmed) . The final MTFS will be approved by Full Council on 27 September 2022. This approach will ensure Members are aware of the likely budget gap for the forthcoming budget year and 5-year MTFP period, based on up-to-date assumptions and provide officers with a Member-mandated budget setting approach ahead of developing budgetary proposals for 2023/24.

3.6 Setting the Council’s financial strategy ahead of the budget for 2023/24 also allows work-streams to mobilise so that new income-generation, savings projects and new ways of delivering services can be worked up - a key area will include the work already underway

on a range of income generation ideas as presented to Council in December 2021.

## Appendix 1

Recommendation	Action	Lead	Notes	Target Date
<b>1: The Council needs to address resourcing issues and the quality of financial reporting:</b>	1a) Immediately engage short term resource to add to senior finance capacity	CEX / HoF	Short-term resource was engaged to assist with the budget and the achievement of items within this action plan. These roles included Interim Senior Finance Strategy Manager and Finance Manager Both of these posts have now ended and permanent officers are now in post in the roles of Finance Manager and Strategic Director - Section 151 Officer.	Complete
	1b) Ensure that budget monitoring reports are prepared for all quarters of the financial year	HoF	Implemented from September 2021 with quarterly budget monitoring reports taken to PFD Committee.	Complete
	1c) Restore the quality of budget and MTFS reports to the previous 2020/21 level	HoF	The 2022/23 budget papers were completed to a more comprehensive level to meet the statutory requirements.	Complete
	Ensure that the Section 25 statement from the S151 Officer addresses the robustness of estimates	HoF	Implemented as part of approving the 2022/23 budget and included as a separate appendix to the budget report.	Complete
<b>2: The 2021/22 approved capital programme needs to be reassessed</b>	2a) The Capital Strategy needs to be developed and approved	HoF	Implemented as part of approving the 2022/23 budget and included as a separate appendix to the budget report.	Complete
	2b) Feasibility and due diligence on costs and revenue impact needs to be carried out	HoF	This was assessed and was one of the criteria for reducing the 2021/22 Capital programme.	Complete

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Recommendation	Action	Lead	Notes	Target Date
	2c) An assessment of the capacity to deliver the programme and the external resources that may be required needs to be carried out	HoF	This was actioned and the Capital Programme was substantially reduced to mitigate risk to the Council due to the level of financial reserves held.	Complete
	2d) Due diligence in terms of compliance with MHCLG regulations and whether or not a separate delivery vehicle is required under the 2011 Localism Act needs to be carried out	SD-S151	<p>Currently, the capital projects that the Council are taking forward have no requirements around establishing a separate delivery vehicle – this is because the Council is not pursuing the direct delivery of homes outside the HRA.</p> <p>In the event that such projects are considered in the future, professional legal, financial and tax advice will be sought.</p>	N/A
	2e) Prudential indicators and the revenue budget need to be amended to reflect the impact.	HoF	Implemented as part of approving the 2022/23 budget and included as a separate appendix to the budget report.	Complete
<b>3: The Council needs to take a more strategic approach to Financial Planning and the delivery of savings</b>	3a) Rebase the 2022/23 budget to reflect volatility, and the impact of capital and other decisions (e.g. IT infrastructure).	HoF	Implemented as part of approving the 2022/23 budget and included as a separate appendix to the budget report.	Complete
	3b) Develop financial projections and the associated gap over a number of years. This had been previously done for the 2020/21 budget and MTFS.	SD-S151	<p>A Medium Term Financial Plan (MTFP) was presented to Members alongside the 2022/23.</p> <p>Further work is to be now undertaken to develop a comprehensive Medium Term Financial Strategy</p>	September 2022

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			(MTFS) which redefines with Members, the way in which the Council will manage its finances, how it will close projected MTFP budget gaps through the delivery of savings and income generation and how it will bolster its reserves.	
	3c) Examine current strategic plans (ICT investment, office moves, learning from different ways of working) for opportunities for further savings	SD-S151	Whilst plans have been reviewed around the council's ICT investment and its plans in relation to its accommodation provision, further work to develop how the Council will close the projected MTFP budget gaps needs to be determined and set out in a new MTFS, as per 3b) above.	See 3b)
	3d) Use a risk-based assessment of reserves rather than a percentage	SD-S151	Whilst this recommendation was fully considered as part of setting the budget for 2022/23, further work is required to fully define the approach to undertaking this assessment and conveying to members as part of the MTFS and annual budget report.  The approach will be determined as part of the MTFS and therefore consolidated with 3b) above.	See 3b)
	3e) Develop a reserves strategy that prevents further deterioration	SD-S151	A strategy for the maintenance of reserves will be included as part of the MTFS, as per 3b) above.	See 3b)
<b>4: Strengthen the governance around financial</b>	4a) Consider earlier reports to Committees that set out the strategic financial position at a high level and consider options for consultation	SD-S151	As part of developing the new MTFS, a new financial cycle will be adopted to include earlier engagement of Members at the beginning of the budget setting process to review the projected	See 3b)

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Recommendation	Action	Lead	Notes	Target Date
<b>decision making</b>			MTFP forecasts and associated budget gaps. This will enable Members to direct the organisations budget setting approach for the forthcoming year.	
	4b) Ensure that capital decisions that involve borrowing are made at the same time as the approval of the Treasury Management Strategy	HoF  HoF / SD-S151	This has been complied with as the 2022/23 Capital programme and Treasury report were taken to the same meeting for approval.  Future capital decisions considered (in-year or as part of standard budget setting) will include the impact to the council's treasury position and it's prudential indicators as an assessment of the revenue implications of any borrowing and overall affordability.	Completed  Ongoing
	4c) Review the delegation of the Treasury Management Strategy to Policy, Finance and Development Committee	HoF	Completed as part of budget – now approved by Council.	Completed
	4d) Ensure that agreed budget decisions such as car parking are progressed in a timely manner	SLT	Budget decisions such as Car parking and capital programme decisions have been actioned in a timely manner in accordance with consultation with Members	Completed