



Date: **13 September 2021**
Our ref: **Cabinet/ Agenda**
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CABINET

23 SEPTEMBER 2021

A meeting of the Cabinet will be held at **6.00 pm on Thursday, 23 September 2021** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Ashbee (Chair); Councillors: Pugh, J Bayford, R Bayford, Kup and D Saunders

AGENDA

Item
No

Subject

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** (Pages 3 - 4)
To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest advice attached to this Agenda. If a Member declares an interest, they should complete the [Declaration of Interest Form](#)
3. **MINUTES OF PREVIOUS MEETING** (Pages 5 - 6)
To approve the summary of recommendations and decisions of the Cabinet meeting held on 31 August 2021, copy attached.
4. **FINANCIAL MANAGEMENT REVIEW** (Pages 7 - 32)
5. **UPDATE ON COSTS OF GRIEVANCE AND DISCIPLINARY PROCEDURES** (Pages 33 - 34)

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Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or
Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
 - exercises functions of a public nature; or
 - is directed to charitable purposes; or
 - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992



If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must:-**

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Committee Services Manager well in advance of the meeting.

If you need to declare an interest then please complete the declaration of [interest form](#).

CABINET

Minutes of the meeting held on 31 August 2021 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Ash Ashbee (Chair); Councillors Pugh, J Bayford, R Bayford, Kup and D Saunders

In Attendance: Councillors Albon, Austin, Bailey, Crittenden, M Saunders, Whitehead, Wing and Yates

751. APOLOGIES FOR ABSENCE

There were no apologies received at the meeting.

752. DECLARATIONS OF INTEREST

There were no declarations of interest.

753. MINUTES OF PREVIOUS MEETING

Councillor Ashbee responded to a question from Councillor Wing and advised that her written request for a response to an issue considered under minute item 750 was forwarded by email by Councillor Ashbee to Mr Gavin Waite and Mr Mike Humber on 11 August 2021 at 2.10pm.

Councillor David Saunders proposed, Councillor Bob Bayford seconded and Members agreed the minutes as a correct record of the meeting held on 29 July 2021.

754. THANET LIFTS PETITION

Members discussed the petition that had been referred to Cabinet by Full Council. The petition with 2,180 signatures was considered by Full Council on 3 June 2021, requesting that seaside lifts in Viking Bay and Ramsgate be reopened. The meeting was given an update on the current situation that covered all aspects of the seaside lifts. Cabinet would be meeting with community groups before they considered a final and more comprehensive report with specific recommendations for decision.

Cabinet received an update regarding the lifts in Ramsgate and Broadstairs that require repairing.

The following Members spoke under Council Procedure 20.1:

Councillor Albon;
Councillor Garner;
Councillor Austin;
Councillor Bailey;
Councillor Wing.

Councillor Pugh proposed, Councillor Bob Bayford seconded and Members agreed to note the report.

755. STATEMENT OF COMMUNITY INVOLVEMENT REVIEW - RESULTS OF PUBLIC CONSULTATION AND ADOPTION

The report explained that the SCI sets out how the Council would consult on planning policy issues, planning applications and neighbourhood plans. The SCI was originally adopted by Council in 2007. A reviewed and updated SCI was adopted by Council in 2012.

The SCI should be reviewed now in line with the forthcoming Local Plan review, and to reflect changes in methods of communication and engagement. There was a requirement under the Town and Country Planning Regulations that SCIs be reviewed every five years. The Council carried out a public consultation on the SCI Review from 25 February to 9 April 2021 and the main issues raised by residents in response to that consultation and any resulting changes to be made to the SCI were now being reported to cabinet for recommendation to Full Council for final approval.

Concerns were raised regarding the proposal to charge an administrative fee for processing lengthy and complex representations to the Local Plan. It was not the intention that this should affect the ability of local people to make representations, and following the consultation, it was recommended that this proposal be not included in the SCI.

The report was also considered by the Overview & Scrutiny Panel on 26 August, and they recommended without further amendments the SCI to Cabinet for onward submission to Full Council.

Councillor Ashbee proposed, Councillor Bob Bayford seconded and Members agreed that the reviewed Statement of Community Involvement be reported to Full Council for adoption.

756. URGENT DECISION - AMENDMENT TO THE CAPITAL PROGRAMME

Cabinet considered the report requesting the approval of adding an additional scheme into the Capital Programme from the Towns Fund. The capital funding within the programme would be no more than the total £22,200,000; this being the maximum award for the delivery of the projects already agreed for the Margate Town Deal. The Council being the accountable body for the Fund, and since 90% of the funding was capital, there was a need to add it to the Council's Capital Programme in order to be spent on capital projects.

Members were advised that all the investment and costs associated with the Margate Town Deal were fully funded from external grants and contributions, and all expenditure relating to the interventions would be managed within the total package of funding provided, to ensure there was no risk of financial exposure to the Council.

Councillor Garner spoke under Council Procedure 20.1.

Councillor Pugh proposed, Councillor Bob Bayford seconded and Cabinet approved the addition of a new scheme into the Capital Programme from external funding (Towns Fund), but recognise the potential need to transfer an element of this funding to Revenue, subject to final approval. The value of the scheme will be no more than the total £22,200,000, this being the maximum award from the Ministry of Housing, Communities and Local Government, for delivery of the pre-agreed projects within the Margate Town Deal.

Meeting concluded: 7.31 pm

FINANCIAL MANAGEMENT REVIEW

Cabinet	23 September 2021
Report Author	Tim Willis, Deputy Chief Executive & S151 Officer
Portfolio Holder	Cllr David Saunders, Cabinet Member Finance
Status	For Information
Classification:	Unrestricted
Key Decision	No
Ward:	All

Executive Summary:

The council's Financial Procedure Rules and Contract Standing Orders are due to be updated. Additionally, the council is in the process of procuring a replacement financial management system to replace our current system. In light of these changes, and in order to improve the quality of financial management across the council, a consultant was employed as a "critical friend" to assess current practice and to make recommendations for the future. The consultant's report is provided in Annex 1. This report sets out a summary of the findings.

Recommendation(s):

To note the report.

Corporate Implications

Financial and Value for Money

The outcome of the work flowing from the action plan is intended to improve the quality of financial management across the council and to enhance accountability.

Legal

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and

(iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

1.0 Introduction and Background

1.1 The rules governing the council's financial management are contained in the Financial Procedure Rules (FPRs). The rules governing the council's procurement are contained in Contract Standing Orders (CSOs). Both of these are incorporated into the council's Constitution. They are due for updating and this report will help provide the background to the updates, which when finalised, will need to be approved by Council.

1.2 The replacement of the council's financial information system has been approved as part of the capital programme. It will take approximately two years to implement, but its specification and implementation will be cognisant of the findings of the FM Review and reflect updated FPRs and CSOs.

2.0 Context

2.1 As has been well documented, there are multiple financial risks facing the council. There is substantial national uncertainty regarding the future structure of local government finance. There is uncertainty regarding the Spending Review, and outstanding reviews regarding Fair Funding (how local authorities are financed) and Business Rates (a major source of local government income).

2.2 Locally, although TDC's financial sustainability has been maintained in recent years by careful management of reserves, it has suffered a series of unexpected financial burdens. Even though, in general, budgets have been managed well, there have been instances of one-off costs and overspends that have undermined financial stewardship and diminished reserves.

2.3 In the past six years, these included the Transeuropa costs, animal export claims, a hand-arm vibration fine and costs and a grant repayment incorrectly claimed, which together amounted to around £9million. More recently, legal costs of around £733,000 (reported to Cabinet on 8 June 2021) and the port berth 4/5 project overspend of £825,000 (reported to Cabinet on 29 July 2021) (current estimates) have further eroded reserves.

- 2.4 These events have an obvious impact on reserves, but they also serve to undermine confidence in the council's financial management - its ability to exercise good stewardship of resources. No matter how robust we claim our financial management to be, as long as these events continue to occur, the evidence suggests we have some way to go. They also restrict the council's ability to think more positively and creatively about the future. Low reserves, that take regular unexpected hits that diminish them further, does not engender a sense of stability and optimism that could enable investment in services and initiatives. Such investment is the very thing that would help the council towards a virtuous circle of service improvement/further investment and growth in reserves.
- 2.5 The Financial Management Review should be seen as a step towards improving financial management not only for its own sake, but critically, to invest in and improve services that are well funded, well run and well regarded by our customers.

3.0 Findings of the Review

- 3.1 The key messages arising from the consultant's report are below, categorised into those related to culture, practical steps and governance/member involvement.

Culture

- 3.2 TDC's reserves are low relative to others and financial challenges are significant.
- 3.3 The finance team is well-regarded and the council's reserves have been well managed, but greater collective ownership of financial management would further enhance the effectiveness of budget management and the control of reserves.
- 3.4 Any changes in Financial Management need to encompass more than just updating or altering policies and rules, they need to be embedded by changing the corporate culture.

Practical steps

- 3.5 A new Financial Management System (replacement to eFin) will contribute towards the positive changes but is not a silver bullet to resolving all the issues.
- 3.6 Moving towards a "manager self-serve" and "business partnering" approach would increase budget ownership and accountability. This will take some time and will require better-quality information to budget holders, more training, and a changed culture.
- 3.7 Financial reports for budget holders should be easier to understand. This will increase the sense of ownership of budgets and improve the dialogue between finance and budget holders.
- 3.8 Simplification of recharging would improve understanding and reduce the resources needed to maintain the current system. There are accounting requirements to

maintain recharges (e.g. between the General Fund and Housing Revenue Account, and for calculating service charges) but they could be simplified.

Governance/member involvement

- 3.9 Finance procedure rules should be updated: delegated authority and decision-making thresholds should be reviewed, to raise delegated authority for budget holders (BHs) and reduce the threshold for Cabinet/Council decisions. This would involve increasing the threshold that requires procurers to obtain three quotes, from the current level of £10k; and reducing the current key decision threshold when decisions are required by Cabinet, from the current level of £250k.
- 3.10 Member-led challenge panels would help internal scrutiny. This could be through informal Cabinet, or Overview & Scrutiny Panel, or a format similar to a Cabinet Advisory Group. This could include a focus on specific services, or on the delivery of budget savings.
- 3.11 Monthly by-exception monitoring reports to informal Cabinet would enhance financial management. These can be relatively simple, to focus attention on key areas of financial risk.
- 3.12 Consideration should be given to a new strategic priority of value for money. Although there are references to resources in the Corporate Statement, there is no direct objective to improve/enhance value for money.
- 3.13 Approval of reserves use, through the S151 Officer, by Cabinet/Council would increase transparency. Greater member scrutiny on the level and use of reserves will help emphasise the adverse consequences of overspending and member involvement in the potential use of available reserves.
- 3.14 Better planning and control of the capital programme will help reduce under-performance. This has manifested in recent years in underspends/slippage but better control would also help avoid overspending. Greater member involvement would also improve accountability.

4.0 Next Steps

- 4.1 An action plan will be finalised that incorporates all of the above findings. Progress against the plan will be discussed at informal Cabinet meetings and specifically with the Cabinet Member for Finance.

Contact Officer: Tim Willis, Deputy Chief Executive & S151 Officer
Reporting to: Madeline Homer, Chief Executive

Annex List

- Annex 1: FM Review - Consultant's report
- Annex 2: Appendix 1 to the Consultant's report - scope

Annex 3: Appendix 2 to the Consultant's report - arrangements

Corporate Consultation

Finance: N/A

Legal:

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Thanet District Council
Review of Financial Management Governance

Helen Seechurn
Independent Financial Management Adviser
June 2021
Final

1 Introduction

- 1.1 Thanet District Council commissioned consultancy support to provide an independent review of financial management practice. This is intended to be a preliminary piece of work to identify proposals for improvement for consideration by the Council, the underpinning rationale is to ensure arrangements are in place that support the financial sustainability of the Council and where the delivery of value for money is paramount. Following this initial high level review, further work may be commissioned to support its development and implementation.
- 1.2 The Council has requested a focus on a review of key governance arrangements to improve budget management. This includes a review of the current financial regulations around budget management, key financial controls around financial management practice; corporate reporting on financial performance; overview of the recharge mechanism and ways in which budgets are delegated to key officers. In addition, a high level review of capital programme management, controls and governance was undertaken. The scope of the commission is attached at Appendix 1.
- 1.3 The approach adopted is to act as a “critical friend” to bring fresh ideas and insight in a spirit of constructive challenge. It is intended to provide the groundwork for consideration by the Council to bring about improvements in financial management, to identify strengths and good practice; and to suggest areas for improvement particularly to bring up to date and future proof key financial frameworks and arrangements.
- 1.4 The review took place during May and June 2021 over a 5 day period to consider relevant documents, meet key personnel and to report on key findings and recommendations. Given the current pandemic situation, the work was undertaken remotely. A summary of the arrangements for evidence gathering, key documents reviewed and those interviewed as part of this review are contained in Appendix 2. Colleagues provided clear and prompt responses to queries.
- 1.5 This review has been carried out by Helen Seechurn, an independent financial adviser specialising in local government finance. Helen has experience of working both as a statutory finance officer (s.151 officer) and as an independent consultant. As a consequence, this review has focussed on financial management rather than procurement, legal or commercial management.
- 1.6 Every effort has been made to ensure the information is accurate. However, it should be recognised this review is not an audit but instead focusses on key financial arrangements. Reliance has been placed on the information provided and discussions with officers of the Council. Consequently, the author does not make representation that the contents of the analysis are accurate and is not responsible for any errors, omissions or out of date information. The author accepts no responsibility if any person or organisation incurs claims or liabilities or suffers loss or damage because they relied on anything in this report.

2 Thanet District Council

- 2.1 Thanet District Council is one of 12 district councils in Kent. Its Council offices are based at Margate whilst Ramsgate and Broadstairs are also main urban centres in the borough. The current population is estimated at 142,000 and has seen a steady increase from 136,000 in 2012. It is ranked as 34th most deprived borough in England. 21.4% of the district's Local Super Output Areas (LSOA) are amongst the most deprived 10% areas in England.
- 2.2 Thanet District Council is composed of 56 Councillors in total. The political composition is: 25 Conservative; 18 Labour; 6 Thanet Independents; 3 Green 2 Independents and 2 vacant seats, therefore currently is politically No Overall Control and during the course of this review, there was a change in the political administration. It operates a Cabinet model of governance.
- 2.3 The Net Revenue Budget for General Fund 2021/22 is £17.2m. In addition, the Council operate a ringfenced Housing Revenue Account with a turnover of £14.5m. A combined Capital Programme of £42m covering 2021/2- 2024/25.
- 2.4 The Council set a council tax increase, at the maximum permitted without triggering a referendum, in February 2021 of £5 per Band D property to provide for council tax revenues of £10.7m. Council tax currently accounts for 62.5% of the net budget requirement, which is line with the average for district councils.
- 2.5 The No 3 budget monitoring 2020/21 indicates a General Fund forecast outturn overspend position of £1.7m c 10% of budget. This includes the full impact of COVID and anticipated government support, the overspend will be met from General Fund balances. The HRA position is broadly in line with the approved budget. Meanwhile the combined capital programme of £45m in 2020/21 is expected to underspend in year by £21m due to delays to schemes. The general fund revenue position however has recently moved with emerging financial pressures only just coming to light and may differ significantly from the last published report. Whilst not yet finalised the outturn report 2020/21 is to be reported to Cabinet in July 2021.
- 2.6 General Fund reserves stood at £14.5m at 31 March 2020 which represents 75% of the net revenue charge and is below the average for a shire district council of 127%. However, the CIPFA Resilience Index 2021 identifies Thanet as low risk on Reserves Sustainability Measure arising from stability in the rate of change over the last three years. This is an improved position from the prior year's assessment which very much identified Thanet's financial resilience as high risk. The improved position reflects the Council's approach to managing finances tightly and stabilising the reserves position.
- 2.7 The future financial challenges are set out clearly in the Medium Term Financial Strategy which reports a gap of £2.5m to 2024/25, which is about 15% of the current budget. All in all, the size of the future challenge, coupled with low reserves and unexpected pressures suggest the overall financial position continues to be quite fragile and the Council will be faced with tough choices.

Agenda Item 4

Annex 1

- 2.8 The Council employs c500 Full Time Equivalent (FTE) staff. It directly provides operational services of waste collection and cleansing; and has recently brought in house the arm's length housing management company that manages the housing stock. For shared services, the HR service is in the process of being returned to direct provision whilst IT is considering a similar route though not quite yet in place. Key services provided through partnership include the Revenues and Benefit services through Civica, and Internal Audit through the East Kent Audit Partnership.
- 2.9 External audit issued an unqualified audit opinion in respect of the Statement of Accounts 2019/20. Their opinion in respect of value for money has yet to be concluded in respect to 2018/19 and 2019/20 due to outstanding objections from a number of local electors. For clarity, these matters are not in relation to budget management practice and have not been examined as part of this review. The external auditor is planning to undertake a corporate governance review during the forthcoming financial year.

3 Executive Summary

- 3.1 This report is intended to be helpful to give the Council some fresh ideas to improve financial management governance and practice. The Council is in a financially challenging position. Overall level of reserves are comparatively low when compared to other district councils, coupled with a forecast gap of £2.5m by 2024/25, the Council will be faced with some critical decisions around strategic priorities and the allocation of resource in the near future. Furthermore, any future unexpected financial pressures will be increasingly difficult to contain in the event reserves are further depleted.
- 3.2 The Council recognise this position and are therefore seeking to improve key processes to support its strategic development, ensure financial health and to improve the efficacy of financial management practice. However, whilst changes to financial management practices and policies will act as the foundation for financial health, it is the way the Council embeds and puts these into the heart of the organisation that brings about sustained financial health. The collective and individual roles of members, officers and the CFO all play a part in contributing to an organisational strategy that supports community leadership sustainably.
- 3.3 Consequently, successful implementation of the changes recommended in this report, require a planned programme of activity to ensure the necessary culture change is embedded and practices become part of organisational custom and practice, this is not something that will occur overnight and will require significant collective effort. The implementation of a new system alone may not necessarily result in sustained improvements to practice.
- 3.4 Specific comments on the Budget and Financial Procedure Rules have been provided to the Director of Finance for his review. The approval levels of officers are not clearly set out other than virement rules and the procurement route to follow. The Council key decision threshold at the lower end of £250k is quite high compared to councils of comparable size, whilst the lower limit of £10k in relation to procurement appears to be too low. Some moderation perhaps to improve transparency and local accountability would see the key decision threshold lowered whilst officer threshold could be increased to improve autonomy and timeliness of operational decisions. In addition, the Financial Procedure Rules would benefit from a more succinct guide that sits alongside for easy use in day to day operations for managers.
- 3.5 The financial leadership exercised by the CFO was held in high regard from those interviewed. However, the Council will require collective effort by both members and officers to ensure it responds effectively to future financial challenges and consideration ought to be given to strengthening accountability of individual lead members and directors on those financial matters under their remit. One way of doing this is to consider the role of internal scrutiny or a series of member-led challenge panels with a focus on the financial performance of individual services. The level of understanding this will bring can be used to inform corporate planning, strategic priorities, and the forthcoming budget round.

Agenda Item 4

Annex 1

- 3.6 The corporate finance report considered by CMT provides an opportunity to strengthen collective accountabilities. It is vital the Corporate Management Team consider the collective financial health of the Council in the spirit of “no surprises” and actively assess the forecast position for their area of responsibility, involving and briefing individual lead members as appropriate, and in a timely way. In this regard, the Finance team are committed to providing a risk based monthly report through the Corporate Management team to enable prompt corrective action. In addition, clarity and transparency could be improved by including in year budget changes; progress on the delivery of saving plans (and mitigations where necessary); and a summary of drawdown and future commitments against reserves.
- 3.7 Feedback from managers was highly complementary of the finance team, their availability, skills, and expertise. However, there is a high dependency on key finance experts to understand the budget managers monitoring reports which are largely considered impenetrable. In addition, concerns were expressed around ease of access for detailed information especially workforce structures. Given the financial challenges, it is imperative that managers are able to access information they need in a timely way. The Councils direction of travel is to move towards a self-serve model for finance. To be successful though this will require a number of key enablers: a budget report designed in consultation with budget managers; system functionality to allow access to the necessary systems; training and development on financial management to managers; and developing the role of the finance team through a professionally led finance business partnering approach with a focus on advice and guidance rather than the preparation of reports.
- 3.8 The CFO has a statutory responsibility to ensure the adequacy of reserves and they are in essence the final safeguard protecting financial health. The Council operates good practice in assessing a minimum level of reserves (currently £2m) held in General Fund balances along with a range of earmarked reserves held for specific strategic purposes.
- 3.9 The current financial situation understandably requires a centralised approach to the use of reserves recognising the relatively low level of reserves and the tendency for reserves to be used to contain budget pressures rather than for service investment. Consequently, the Council has in place controls for their utilisation exercised by the CFO. This approach has enabled a broadly stable position in the recent past; a prudent approach given the financial challenges the Council faces. Control could be strengthened further with any use of reserves approved by Cabinet or Council once accepted by the CFO. In particular, the in year use of reserves which were not planned during budget setting should not be seen as virements as these in effect change the spending control total rather than reallocate already approved resource.
- 3.10 Other improvements to strengthen reserve management includes the development of a rolling forecast of reserves factored into the MTFs to improve visibility on the direction of travel of reserves. On a separate note, instances were also cited by budget holders who wished to set aside monies from within their own budgets for

operational purposes and in particular to smooth income and spending over multiple years e.g. selective licensing. If budget managers are able to manage this from within their own resource this should be encouraged, recognising though the CFO has ultimate authority over their management taking into consideration an overall strategic view of affordability.

- 3.11 Recharges were cited as a bug bear. They absorb officers time, and the added value was seen as questionable, being a “necessary evil” of accounting practice. The use of recharges where excessive also blurs accountability and also serves as a distraction to effective budget management from those areas under direct control. It is now perhaps timely to change practices here. This should include a desire to focus on prime costs that are directly under budget manager’s control; a reduction in the number of cost centres and codes thereby reducing the need and volume of recharges; agreeing and completing recharges at budget setting so there are no end of year surprises; and greater transparency where recharges create a genuine cost pressure (as is the case with the HRA, capital charges and “full cost recovery” services).
- 3.12 The performance of the capital programme with 50% underspend in 2020/21 reflects a lack of adequate phasing and profiling of capital spend with due consideration to the capacity to start the scheme and realistic timescale for delivery. Greater consideration ought to be given to capacity to deliver to understand the phasing of individual schemes at the point of inclusion, along with timely approvals for authority to spend. The extent of slippage masks genuine performance and therefore the Council may wish to consider member oversight of the final costs on completion. The extent of slippage on the capital programme will also have a consequential impact on the revenue implications, consequently financing costs may be being factored at too high a level in the revenue budget which adds further pressure onto the saving requirement.

4 Recommendations

Drawing on the findings of this review, the Council may wish to develop a suitably time lined action plan for implementation that enhances collective responsibility and accountability for financial performance; yet leads to greater autonomy in decision making through the following:

Corporate Management

- 4.1 Improve accountability of lead portfolio-holders and directors through member led challenge to in year budget performance, achievement of savings and service delivery; and to inform budget setting;
- 4.2 Consider formal articulation of the respective roles of key players in budget management;
- 4.3 Consider the merits of adopting a formalised assessment of financial management practice such as the CIPFA FM Code or similar;
- 4.4 Consider as part of corporate planning, the addition of a strategic priority to improve value for money. This should include a refreshed OD strategy; an organisational value of spending money wisely; and for incorporation within the corporate performance management framework;
- 4.5 Collectively develop a medium term comprehensive savings plan;
- 4.6 Refresh the medium term reserves policy/strategy;
- 4.7 Consider whether carry forward of budgets between years may promote accountability and improve the financial position;

Governance

- 4.8 Refresh financial procedure rules and bring up to date especially approval limits and thresholds to give greater visibility to members and concurrently greater officer autonomy;
- 4.9 Consider a more succinct quick reference guide of key authorisations for ease of use by budget managers;
- 4.10 Improve the rigour in forecasting and timeliness of financial reports to the CMT and to Cabinet to enable collective responsibility for the delivery of a balanced budget;
- 4.11 Include specific reference within the Financial Procedure Rule to the approval route for the unplanned drawdown of reserves as distinct from

virements with Cabinet/Council approval;

Operations

- 4.12 Develop a new target operating model for the finance service based on manager self-serve and the development of professionally led finance business partnering;
- 4.13 Put in place the key enablers for budget managers to achieve their financial responsibilities especially around access to information, suitable reports, and training;
- 4.14 Streamline the recharge mechanism to reduce to the minimum necessary to meet accounting standards and; by reducing the number of cost codes and subjective codes to reduce the number of transactions and complete them at budget time rather than year-end;
- 4.15 Consider the opportunities to improve capacity in capital programme planning and delivery to reduce slippage and give greater visibility on cost performance;
- 4.16 Consider the merits of improving procurement practices alongside financial management changes (outside the scope of this review).

5 Supporting Information

Current Financial Regulations “Rules”

- 5.1 Having reviewed the Budget and Policy Framework Procedure Rules; Contract Standing Orders and Financial Procedure Rules collectively referred to as the “Rules”, comments have been annotated onto the documents as mark ups and provided to the Director of Finance for his review. There are some general comments to be made worthy of note in this report. It should be noted the documents are significantly out of date. For instance, they refer to the defunct Best Value Performance and capital credit approvals, where references to the corporate plan and prudential framework are now relevant.
- 5.2 More significantly, though the “Rules” were written in a time of pre austerity and the importance of everyone achieving a maximum return for the Thanet pound should be more overt. References should be clearly set out about the imperative of spending money wisely which is the responsibility of everyone. Given the current financial challenges facing the Council, any opportunity to review the “Rules” should seek to put in place arrangements to win “hearts and minds”. Corporate planning, organisational development and performance management arrangements can provide opportunity to embed improvements in financial management practice.
- 5.3 More could be done to enhance the role of members to give greater oversight. The application of the “Rules” may create some additional bureaucracy particularly if call in procedures are exercised regularly. One way to manage this is for budget monitoring to be reported to Full Council, as well as Cabinet, for debate in the council chamber, with any necessary approvals sought at that time.
- 5.4 The allocation of contingencies sits outside the virement rules and again whether the lead member should be consulted may improve due diligence and governance here. There is an absence of separate rules around the management and release of reserves and associated approvals. In addition, the approval of carry forward of under/overspends is delegated to the CFO rather than member approval being required. Furthermore, waivers to contracts appear to be largely delegated to officers and consideration should be given, at least, to the lead member for resources to be consulted.
- 5.5 As holder of the “red card”, the responsibilities assigned to the CFO may also be strengthened particularly around his authority to ensure balances at the minimum level and the setting out of a comprehensive reserve strategy. Approval of submission for external funding for instance should also require CFO sign off prior to submission. In this regard, clarity of expectations of budget holders and project managers around financial management arrangements for grant funded projects ought to be strengthened here to promote accountability.
- 5.6 Those interviewed consistently expressed concerns about the level of thresholds. The key decision threshold is set at a minimum of £250k, above this

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an Executive decision is required. Anecdotally, this seemed to be relatively higher than similar councils. Maximum officer authority is limited to £50k, which anecdotally seemed to be lower than similar councils. Thresholds are really only set out in relation to virements and the procurement route to follow in the “Rules” and authorisation of spend by different officers is not clearly set out. Some recalibration of the thresholds to encourage officer autonomy and to streamline practice whilst also promoting transparency would greatly assist the financial governance of the Council. In addition, comments were made that the “Rules” were confusing to follow and a ready reckoner, quick reference guide or summary table of authority would be helpful to aid understanding.

- 5.7 It may be useful for the Council to consider a (now very old) discussion paper from the Audit Commission entitled World Class Financial Management to redefine its roles and responsibilities around financial management. Alternatively, assess its position against the CIPFA FM Code which focusses on the collective responsibility of budget management.
- 5.8 At the very least reaffirming roles so that members and officers understand their collective and individual responsibilities for financial management to strengthen accountabilities ought to be clarified and practices be put in place for them to be effectively discharged, if not already established. This should include the development of some type of budget challenge arrangement whereby individual lead members and directors set out their service and financial plans aligned to the corporate strategy.
- 5.9 Feedback indicated there is a lack of take up of procurement through frameworks and the process of procurement through the portal was found to be quite cumbersome. Some instances of approval levels in the financial system being different to the constitution resulting in the need for manual intervention to approve was cited as being particularly unwieldy. Compliance to contract standing orders though is generally good with reasonable assurance being provided by internal audit in 2019. Whilst outside the scope of this review, the Council may benefit from a review of its procurement practices to streamline process and achieve better value for money. Use of existing frameworks for procurement, if the work is well scoped and a capped price agreed, may be more cost effective, than using the portal and seeking three quotes each time. In terms of future proofing the “Rules” further consideration should be given to strengthening social value and ethical procurement.

Control of Reserves

- 5.10 Reserves provide the bedrock for financial health of the Council; they serve as the ultimate safeguard to financial health providing time-limited funds to help act as a buffer and mitigate the impact of unforeseen or emergency items. The requirement for financial reserves is set out in regulation; the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure, when calculating the budget requirement. In addition, the CFO has a personal

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responsibility under s25 Local Government 2003, to report on the robustness of estimates and adequacy of reserves at the time Council is setting the budget for the forthcoming financial year.

- 5.11 It is therefore not surprising that tight controls are in place regarding the use of reserves. Given the overall level of reserves is relatively low at Thanet, a strong control and governance arrangement becomes even more critical. The CFO operates good practice in the way that he assesses and determines the minimum level of balances; and a number of strategic reserves are held for specific purposes. There are a number of observations though to be made around reserve management.
- 5.12 There does not appear to be any distinct “rules” governing approval for the use of reserves. There is an absence of a requirement for specific approval by either Cabinet or Council once the CFO has signed off. Given drawdown of reserves leads to an increase in the spending control total, they require distinct arrangements from the virement protocols which realign already approved spending.
- 5.13 There does not appear to be an up to date reserves policy that sets out for each reserve: its purpose, how and when the reserve is used, how long it is needed; management and control of use. In addition, there does not appear to be rolling forecast of future position aligned to the MTFS.
- 5.14 Feedback indicated that some budget holders would like to create operational reserves set aside from existing budgets to manage peaks and troughs in activity and to smooth annual fluctuations. This is something to be encouraged as it will help support individual service arrangements recognising of course this will be undertaken in the context of corporate responsibility to ensure the financial position is managed overall and is subject to the CFO assessment of overall strategic affordability.

Budget Changes and Virements

- 5.15 The “Rules” allow the CFO to set out the arrangements for carry forward of under or overspending. Comments were made that there is very little consequence in the event a service does not deliver against budget and consideration ought to be given to implementing these arrangements. Whilst not clear in the “Rules” these would be a budget change that ought to be considered by Cabinet.
- 5.16 It is not clear from the published corporate reporting whether the budget has changed since its first approval at Budget Council, a statement showing key changes as an appendix would greatly assist transparency.
- 5.17 Comments were made regarding the financial system and the inability to raise a purchase order where commitments exceed allocated budgets, and a good deal

of time is spent reallocating budgets or allocating resource “just in case” it is needed. This is a good discipline to have in place. However, the practice may benefit from a reduced number of codes to streamline processes. This arrangement also tends to bring out unintended underspends as not all budgets allocated will be spent. Some central assessment of these budgets may improve the in year corporate position.

Corporate Reporting

- 5.18 The formal corporate budget report is reported to Cabinet each quarter having first been considered by the Corporate Management Team. The latest monitoring (Q3) identifies a variance of £5.2m on services although after bringing into consideration government grant and income compensation for COVID, the overall overspend is reduced to £1.7m. The report also provides details of slippage on the General Fund capital programme of £11m, c50%, with similar slippage expected on HRA capital. Minor variances are reported on the HRA business plan. Since the Q3 report was prepared, a number of additional pressures have come to light which will significantly impact the bottom line.
- 5.19 The report is clear and succinct providing members with key financial information. The report however could be improved by:
- Providing a separate summary of the progress made on approved saving plans.
 - Reporting on any movements to budgets.
 - Providing an update position on the reserves forecast by the end of the year.
 - Assessing the impact of capital slippage on the financing requirement and revenue implications.
 - Outlining risks and uncertainties that may impact the position for the remainder of the year.
- 5.20 The finance team are keen to develop exception monthly reports on key risk areas for CMT, this is good practice as given the current financial uncertainties it enables the officer leadership to collectively maintain oversight on the financial position.
- 5.21 Most importantly, it is how the report is used to support collective responsibility that will enhance the overall financial health of the Council and ensure corporate grip. From those interviewed, many saw their role as quite passive in how the overall financial position was managed, which was seen primarily as the responsibility of the CFO to manage the bottom line. The report is an opportunity to take an overview of the key issues and risks so they can be considered

together and for each Director, in conjunction with their lead member, to develop and contribute to finding a sustainable and workable solution.

- 5.22 The current and forecast financial challenges facing the Council will inevitably lead to a requirement to deliver new savings and the Council will be faced with making some difficult decisions and strategic choices. It is therefore imperative that the development of savings and progress in their deliverability is incorporated within the corporate report to give clarity of accountability.

Delegated Budget Management

- 5.23 Those interviewed held the finance team in high regard and valued the support they offered to individual services around managing their budgets. In addition, there was a general sense that the interface between other systems and the general ledger worked well, was accurate and kept up to date. Meetings are held regularly to review the detailed budgets and to consider major variances, with notes of the meeting and key actions captured in a log for follow up.
- 5.24 Frustrations however were expressed by budget holders of being unable to access finance information in a timely way. In particular, the finance reports are considered as unintelligible and required a finance “eye” to interpret them. Lack of ready access to core financial information such as staffing costs was also cited as an area of frustration resulting in managers feeling as though they were not in control of their staffing plans. Comments were expressed that the process of preparing the budget reports through excel was also quite cumbersome and the finance system ought to be able to produce something as a standard report. Frustration were also expressed that budget holders had to place a great deal of reliance on the finance team rather than being able to prepare their own reports when needed.
- 5.25 Budget holders also felt they required training on budget management and would like to have a say in how the reports are presented as they have not changed in recent years.
- 5.26 Given the financial challenges facing the authority, there may be some merit in further training and developing the financial skill set of budget managers and promoting a self-serve model of financial management with the finance team providing strategic financial advice rather than producing spreadsheets.

Internal Recharges

- 5.27 Nobody likes them. All those interviewed mentioned there are too many recharges. Budget holders were not aware that recharges were set at budget time seeing them as something that happened at year end and took them by surprise. Budget holders did not understand how they were determined and

questioned the value for money of recharged services.

- 5.28 The use of recharges tends to lead to blurring of accountability as attention is diverted away from prime costs that are under the direct control of the budget holder. Budget holders would prefer to focus on prime costs that they can manage and control rather than seeing notional recharges. The practice of recharging should be minimised to the minimum necessary to meet accounting standards perhaps by reducing the number of recharges or reducing the number of cost centres and codes.
- 5.29 Where recharges are required, it may reduce the surprise factor by setting them at budget time with central over/under recoveries at year end to manage end of year variances, so the variance is managed corporately.
- 5.30 Recharges should be treated as either controllable or non-controllable by budget holders. Central support costs recharged to General Fund services would be non-controllable as the prime costs of central support should be managed by the relevant director.
- 5.31 However, clear statements of service provision to give greater visibility for recharges that impact the service bottom line such as HRA, capital and income generating services should be considered.

Capital Programme

- 5.32 The General Fund Capital programme of £22.6m is expected to underspend by £11.1m, whilst the HRA capital programme of £22m is forecast to underspend by a further £10m. This in essence is about a 50% underspend. This significant underspend is due to slippage where schemes have been included in the Programme but have not yet started.
- 5.33 From those interviewed, of significance, slippage is due to the way in which schemes are injected into the capital programme and further work ought to be undertaken to determine appropriate phasing and profiling prior to approval by Cabinet and Council.
- 5.34 Further work perhaps could be undertaken by the Council to consider whether additional capacity in programme management may help with pace and also the development of robust delivery plans to facilitate phasing.
- 5.35 Member oversight of the capital programme may be improved through the preparation of final cost reports that summarise the full cost of the project and key variances from approved allocations.

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- 5.36 Of particular concern, the revenue implications of the Capital Programme will be factored into the Budget Strategy and MTF5. Given the extent of slippage, this will mean the budget for financing costs is at too high a level and will increase the budget gap perhaps unnecessarily. Consequently, there is an imperative to ensure a realistic capital programme position is maintained.

Thanet Borough Council

Terms of Reference

Background

Initially to provide consultancy support to the CFO and his deputy on improving financial management governance and to recommend areas for improvement in financial management practice. This will be a preliminary piece of work to identify proposals for improvement for consideration by the Council, the underpinning rationale to ensure the financial sustainability of the Council with an organisational culture where the delivery of value for money is paramount. Future support for implementation is to be undertaken under a separate commission.

Scope

The commission will review key governance arrangements in the following areas

- The current financial regulations covering budget management.
- Financial controls underpinning budget management (e.g., use of reserves, virements etc).
- In year financial reporting to members and officers (corporate reporting).
- Delegated budget management arrangements
- Capital programme management
- Internal Recharges

This review will cover revenue and capital for both the general fund and the Housing Revenue Account.

Deliverable Output

A report which covers strengths and areas of weakness in financial management controls and practices; and sets out a financial management improvement plan covering

- Overarching budget management framework
- The budget management control environment
- Budget monitoring and reporting arrangements
- Appropriateness of the recharge framework for cost allocation
- Member and Officer development
- Future proofing e.g., social value procurement, climate change.

Timescale

It is anticipated the initial review work will take 5 days.

Stakeholders

This review will require regular contact with the CFO and Finance team. In addition, discussions may take place with senior directors, budget holders, internal and external audit. Members views especially the finance portfolio holders opinion of current practice may also be sought.

Activity

- Confirm the scope and agree dates
- Review of documents
 - Budget Financial Regulations
 - Approval levels
 - Reserves policy
 - Governance around capital programme
 - Business cases
 - Budget monitoring process arrangements (revenue and capital)
 - Corporate Budget monitoring reports (revenue and capital both GF and HRA)
 - External audit or internal audit reports on budget management
 - Example(s) of budget holder reports to directors, head of service etc
 - Recharge methodology and working papers
 -
- 1-1 meetings with key personnel
- Initial findings feedback to CFO and/or deputy
- Draft report
- Finalise

H SEECHURN

APRIL 2021

Review Arrangements

Discussion Meetings

Meetings took place virtually on the 27th May, 3 and 10 June. Contributions were invited from:

Madeline Homer	Chief Executive Officer
Tim Willis	Deputy Chief executive and s151 officer
Gavin Waite	Corporate Director for Communities
Chris Blundell	Director of Finance
Mike Humber	Director of Operations
Bob Porter	Director of Housing and Planning
Penny Button	Director of Neighbourhoods
Estelle Culligan	Director of Law and Democracy
Matthew Sanham	Financial services manager
Sarah Ironmonger	External Auditor, Grant Thornton
Nick Halliwell	External Auditor, Grant Thornton
Simon Webb	Deputy Head of Internal Auditor, East Kent Audit Partnership

Review Arrangements

Documents Reviewed

Budget and Policy Framework Procedures

Financial Procedure Rules

Contract Standing Orders

Audit Findings Report 2018/19 and 2019/20

Statement of Accounts 2019/20

CIPFA Resilience Index 2019/20

Internal Audit reports – Contract Standing Orders, Budget Control 2017, Capital 2019/20

Examples of Budget Monitoring Meeting templates

External Funding Protocol

Members Budget Briefing July 2020

Budget Gap assessment – 2021

Budget Strategy 2021/22 – Cabinet November 2020, Council January 2021

Medium Term Financial Strategy 2021-2025, Cabinet January 2021

Budget Monitoring report no 3 – Cabinet January 2021

Council Tax Resolution Council February 2021

Council Website

Index of Multiple Deprivation 2019

ONS Mid-year population estimates 2019

Individual local authority returns RS 2019/20

Update on Costs of Grievance and Disciplinary Procedures

Cabinet	23 September 2021
Report Author	Estelle Culligan (Director of Law and Democracy)
Portfolio Holder	Cllr Ash Ashbee, Leader of the Council
Status	For information
Classification:	Unrestricted
Previously Considered by	Cabinet 8 June 2021, GPC 25 August 2021

Executive Summary:

An update report on the costs of current grievance and disciplinary procedures.

Recommendation(s):

1. To note the report

Corporate Implications

Financial and Value for Money

When Cabinet met on 8 June it was agreed that a provision in the 2020-21 accounts be set up, to recognise the financial implications associated with ongoing Disciplinary and Grievance matters.

As agreed at that meeting, this report identifies additional costs incurred since then by way of an update to Cabinet. It should be noted that these costs currently remain within the amounts provided within the accounts.

Legal

The Legal implications are set out in the body of this report.

Corporate

The Council faces ongoing financial and reputational risks from the continuation of these proceedings and the amount of costs incurred in dealing with them.

Equality Act 2010 & Public Sector Equality Duty

No implications

1.0 Introduction and Background

- 1.1 Cabinet received a report on 8 June 2021 setting out the costs to date and the future anticipated costs of the ongoing disciplinary and grievance investigations/procedures. The report and minutes can be found at the following link:

<https://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=151&MId=5965>

- 1.2 During the discussion, members requested that regular updates should be presented to General Purposes Committee and or IDSC about the ongoing costs of the proceedings. Is appropriate to report only to GPC as it is the overarching committee with oversight of the processes and is the appointing committee for IDSC.
- 1.3 The matter was reported to GPC on 25 August. Members noted the report and asked for a similar update to be given to Cabinet.

2.0 The Current Situation

- 2.1 Since the last report (8 June), when current costs of £247,000 were reported, based on costs to early May 2021. Additional costs as follows have been incurred:

Solicitor's costs: £76,406 (Paid June, July and August)
Investigator's costs: £7,050 (Billed July), £650 (Billed 27/8/21)
Total: £84,106

Future anticipated costs remain unchanged.

Contact Officer: *Estelle Culligan (Director of Law and Democracy)*
Reporting to: *Madeline Homer (Chief Executive)*

Corporate Consultation

Finance: *Chris Blundell (Director of Finance)*
Legal: *N/A*