
Review of DLUHC finance and governance reports

Committee considering report:	Governance and Ethics Committee
Date of Committee:	25 April 2022
Portfolio Member:	Councillor Howard Woollaston
Date Head of Service agreed report: <i>(for Corporate Board)</i>	5 January 2022
Date Portfolio Member agreed report:	2 February 2022
Report Author:	Joseph Holmes (Executive Director – Resources)

1 Purpose of the Report

- 1.1 The DLUHC (Department for Levelling Up, Housing and Communities) has considered eight requests from Councils for emergency capitalisation funding to support their budget position. The capitalisation request allows a Council to capitalise general revenue costs to fund day to day services, something not allowed under Local Government accounting regulations, due to them having an emergency need for funds to balance their budgets. The Government then undertook a series of external reviews at each Council.
- 1.2 The purpose of this report is to review the key conclusions from the DLUHC reviews and see what impact this could have for West Berkshire.

2 Recommendation

For the Governance and Ethics Committee to note the report.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None
Human Resource:	None

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Legal:	None			
Risk Management:	None			
Property:	None			
Policy:	None			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		x		n/a – to note only and not directly impacting on West Berkshire
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		
Environmental Impact:		X		None
Health Impact:		X		None
ICT Impact:		X		None
Digital Services Impact:		x		None

Council Strategy Priorities:		x		none
Core Business:	x			Improved reporting and strategy development
Data Impact:		x		
Consultation and Engagement:	Finance And Governance Group			

4 Executive Summary

- 4.1 This paper sets out the conclusions following eight Government commissioned financial (and governance in the case of three Councils) reviews of separate Councils who requested exceptional capitalisation funding to support their budgets.
- 4.2 The reviews have been considered and some of the conclusions summarised in the tables contained within the report. On review of the different reviews there were two key themes that have a stronger level of applicability to West Berkshire:
- (a) Clarity in documentation to members over what is being requested in reports and what is being approved
 - (b) The need for an understood overall plan for priorities across the Council.
- 4.3 These two areas are well developed in many areas of the Council; reports are generally well presented and the Council Strategy is understood at a Strategic level. However, there have been recent reports to Corporate Board that have required significant amendment and this should be an area that we focus on improving. In respect of the Council Strategy, a new one is due to be produced for 2023-27, and this is an opportunity to shape this to provide greater clarity. In the recent Employee Attitude Survey (EAS) in 2021, the lowest scoring individual question compared to other similar organisations was “I am aware of the Council's long term goals” with a 17% lower score than comparators.

5 Supporting Information

- 5.1 The purposes of the report is to summarise the key items raised through these respective reviews and for the Operations Board to reflect upon these and potentially raise anything further through to the Governance and Ethics committee, and to consider these issues might impact West Berkshire Council in light of any external audit led work as part of their Value For Money review.
- 5.2 In recent weeks the DLUHC (Department for Levelling Up, Housing and Communities) have published a variety of governance reports from those Councils who have requested capitalisation funding. As part of the setting budgets for the 2021-22 financial

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year, eight Councils applied for a capitalisation direction (the ability to fund revenue costs by using capital funds) from the MHCLG (now DLUHC) and as part of granting any direction, DLUHC have undertaken a financial and a governance review of the respective Council, generally led by an ex Chief Executive from a Local Council.

6 Background

- 6.1 As highlighted above, the DLUHC have undertaken reviews of Councils who requested a capitalisation direction. All have been completed, and for three exceptional cases there is also a governance review; these are for Slough BC, Peterborough City Council and the Wirral Metropolitan Borough Council.
- 6.2 The five further reports on finance only were for Copeland BC, Eastbourne BC, Luton BC, LB of Bexley and Redcar & Cleveland BC.
- 6.3 Given that budgets have been set expecting a capitalisation directive for 2021-22, and these reports are only just being finalised, it shows how much risk those Councils, who are in a financial position that they require a directive, hold i.e. that 8 months into the financial year, they do not have confirmation of their underlying funding position. Recent reports have highlighted two of the eight Councils requesting not to use the capitalisation amounts originally requested as their financial position has improved.
- 6.4 Each of the Councils have received separate reports; one for governance (led by an ex-Local Government Chief Executive) and one for finance (Led by CIPFA). In the tables below, a summary has been provided of the types of issues that have been raised by both types of review. There is overlap between the two sets of the reviews and this has been reflected in the tables below.

Governance reviews

Theme	Issue	Commentary	Applicability to WBC
Corporate capacity	Lack of clear plan, nor being clear on the scale of the financial challenge	Recently moved to the committee system and clear issues between policy committee and others Lack of report writing skills and ability to put clear messages across on what members are being asked to approve Lack of member focus on the financial challenge	n/a An area to review and ensure effective gateways are in place Rec 1 Significant focus on finance and challenge (formally and informally)

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		<p>Officers spending time on non-core activities e.g. Community Bank</p> <p>Report writing not articulating key issues quickly enough e.g. s151 assumptions report was appendix 10.</p> <p>All reports not including risks, especially financial implications</p>	<p>Strategy Boards support areas of focus</p> <p>Risk section of reports are up front – s151 statement is an appendix to the budget paper</p> <p>See above</p>
Financial governance	Sufficient business cases / consideration of scheme	Late in the budget process, £2m of savings were rejected by members but replacement savings were not robust	Late amendments generally do not take place (beyond the LG finance settlement amendments) – having Executive system assists in this
	Incomplete corporate risk register	Lack of review of the audit committee	Recent internal audit paper on review of the audit committee taken to G&E. Risk register taken to G&E at least twice a year.
	Overall governance	<p>Lack of risk register reflecting the qualified VfM conclusion by external auditors, and this not being reported to the policy committee</p> <p>Need to move to a 4 year election cycle</p>	<p>n/a VfM opinion unqualified</p> <p>n/a</p>
Prioritisation	Need to consolidate the priorities	Need to have project/programme management in place to give assurance on projects,	PMO increasing its activity and provide greater assurance over the past 24

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		especially transformation projects Need a single plan for priorities	months; investment into the service Council Strategy and Corporate Programme Board – Rec 2 to be reviewed for next Council Strategy
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Finance review

Theme	Issue	Commentary	Applicability to WBC
Financial Resilience	Low level of General Fund reserves ¹	Repeat finding in the reviews	GF reserve has grown in recent years and is above the minimum level, though is budgeted to decline in 2021-22
	Failure to deliver savings ²	Raised in various reviews that there was lack of review of system in place for monitoring these	RAG system in place quarterly and reported to Executive
	Lack of clarity on savings	Savings not understood or supported by members and instead 'service reviews' are undertaken with no clear savings plan. A Council made savings through increased income when that was available.	All savings have a clear summary that is approved by members with supporting information and is routinely monitored quarterly.
	No medium term planning	Savings are tactical and short term focussed on only the year ahead	OBB process has identified savings for the 4 years ahead at @70-80% of requirement

¹ Wirral BC GF reserve dropped from 8% of net revenue expenditure in 2018 to 3% in 2022

² Wirral BC has failed to deliver over 25% of its savings in the past 2 years

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	MTFS is overly optimistic	Not clear of the future savings requirement, nor different impact/scenarios	Different scenario planning included in the MTFS with upside and downside risks
	Over-reliance on one area e.g. income from car parking/tourism	Some Councils have high income targets due to being in a tourist location / historic area / commercial property acquisitions.	WBC has quite a balanced income budget – this is both a strength (e.g. during c-19) and weakness (has lower income in areas than others)
Capital planning	Large focus on regeneration and associated costs	Strategy not long term enough so costs not clear Lack of long term costs for capital maintenance / disposals	Strategy moving to 5 years to highlight longer term costs
	Complex company structures	Figures in a number of review – some material and large numbers involved and risks highlighted by reviews that they are too complicated	One JV at present at WBC
	Short timescales	Some Councils have only a 3 year horizon for capital planning	Moving to a 5 year then 10 year planning horizon
Corporate capacity	Having sufficient capacity within finance	Recommended to have s151 focus solely on finance and remove other schemes e.g. community bank, CMI, companies. Most of the reviews focus on lack of finance team capacity and s151 officer having to juggle many different priorities.	Though finance capacity has remaining consistent in the past three years, there is a need for workforce planning that the service has taken on with the LGA and HR

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	Lack of governance	Need for training of members and senior managers on the financial position Develop peer mechanisms for finance and companies oversight Need for effective risk management of key schemes	Highlights need for more effective member training on finance and governance in what is becoming an increasingly complex area
	Financial statements	Number of the authorities have not had recent (2019-20) financial statements signed off by external audit	19-20 signed off and making progress for 20-21. Chief Accountant has implemented improvements for 20-21 with further proposals going forward to CFPG for enhancing Agresso.

7 Other options considered

7.1 None

8 Conclusion

8.1 There are two areas from the various reviews that need further consideration. Firstly, the report writing skills of officers and the ability to be clear on recommendations and risks within committee reports. Secondly, the need to continually ensure prioritisation of projects within resources across the Council; the upcoming Council Strategy 2023-27 provides an opportunity to redefine priorities utilising the results of the residents' survey.

9 Appendices

None

Background Papers:

Summary of exceptional capitalisation requests
<https://www.gov.uk/government/collections/external-assurance-reviews-for-local-authorities>

Subject to Call-In:

Yes: No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

Wards affected: All

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