
Financial Emergency Governance

Lead Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources and Performance

Local Member(s) and Division: All

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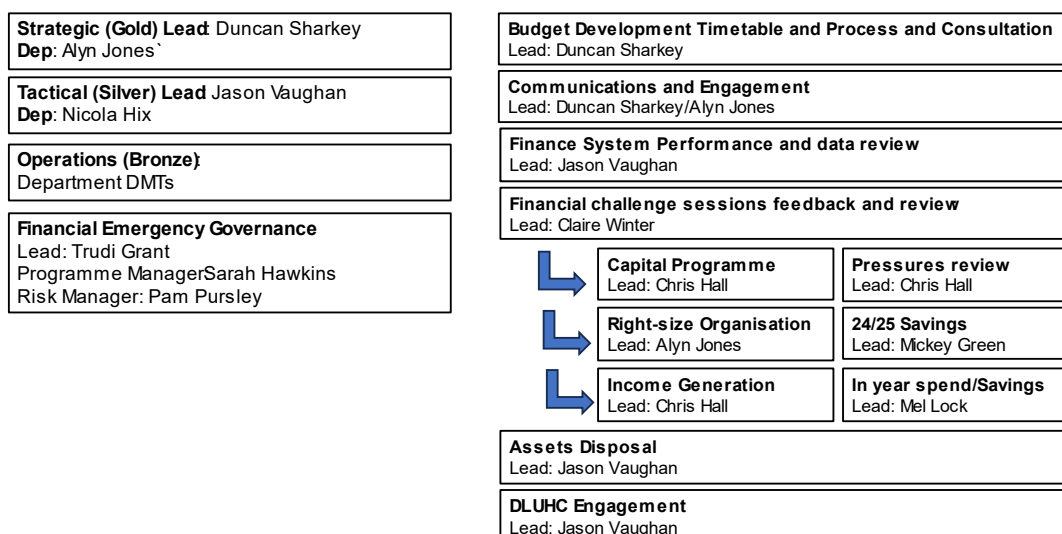
Summary

1. Local authorities are accountable to their communities for the money they spend. They are required under law to ensure they provide value for money, and to achieve this they have a governance framework that supports a culture of transparent decision making.
2. While governance does not look identical across all organisations, it is critical that proper arrangements are in place to ensure that an organisation can achieve its strategically agreed objectives and remain financially sustainable. These two elements are interdependent, and an organisation facing financial stress is at far greater risk when its governance is poor.
3. The reasons why governance can be weak are complex and include cultural failings, poor leadership and ineffective policies and procedures. The financial pressures faced by local authorities have also been a factor.
4. The last eighteen months have seen the publication of several public interest reports (PIRs), including Nottingham City Council, two at the London Borough of Croydon, Northampton Borough Council and Pembrokeshire County Council.

5. Reports in the public interest are issued under the Local Audit and Accountability Act 2014. Schedule 7 places a duty on a local auditor to consider whether, in the public interest, they should make a report on any matter coming to their attention during the audit and relating to the Council, so that the recommendation can be considered by the relevant Council and brought to the attention of the public.
6. The content of those PIR reports has been varied, but the common theme running through each one of significant weaknesses in governance.
7. The Annual Governance Statement is a key document for any organisation, and when completed correctly and with rigour, it can be used to identify failings of governance and provide an opportunity internally to improve and thereby reduce risk. It should normally be approved at the same time or no later than the statement of accounts and should be regarded as a vital tool by those charged with governance and the leadership team. The Audit Committee receive the AGS as part of its consideration of the Council’s Statement of Accounts.
9. In November 2023, the Council declared a ‘Financial Emergency’ and has since taken a number of actions to address the forecast overspend in the current year and the budget gap for 2024/25. A senior management structure, in a similar way to a major flooding incident was established, called “Gold Command” and Senior Responsible Officers identified to lead on various workstreams. The structure is set out in Chart 1 below:

Chart 1: Financial Emergency workstreams structure

Financial Emergency– Workstreams and SROs



SRO – senior responsible officer
DMT – directorate management team

8. Alongside the monthly reporting of the budget monitoring position to Scrutiny and the Executive, a number of daily and weekly control boards and panels have been established as the council adopts an approach of operating as if a section 114 had been issued. The actions have seen the in-year forecast overspend reduce from £28.6m down to £18.3m. The five boards and panels are:
- Establishment & Recruitment Control Board - to assess all workforce requests and changes.
 - Commercial & Procurement Control Board – to review and challenge all new commissions, annual uplifts in contract and contract renewals.
 - Spend Control Board – ensuring that all purchases over £100 are reviewed and challenged to avoid any non-essential spend.
 - Adult Social Care Panel – to review and challenge placements.
 - Childrens Care Panels – various panels to review and challenge placements.
9. Accompanying this report is a presentation from officers which sets out an overview of the Council’s governance arrangements for the Financial Emergency. The Audit Committee is asked to review this and identify any key lines of enquiry or where further assurance is required.

Recommendations

10. That the Audit Committee:

- 1) Reviews the Council’s Financial Emergency governance arrangements summarised in this report; and
- 2) Identifies any key lines of enquiry or where further assurance is required.

Financial and Risk Implications

- 3) It is clear that the scale of financial challenges facing the Council are significant. There is also more risk and uncertainty for the new Council until all the external audits of the 2022/23 accounts from the predecessor councils are finalised. Given the size of the updated budget gap, Strategic Risk ORG0057 Sustainable MTFP has the highest score possible.

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|------------|---|--------|---|------------|----|
| Likelihood | 5 | Impact | 5 | Risk Score | 25 |
|------------|---|--------|---|------------|----|

- 4) There have been regular all member monthly briefings on the budget, and these will continue until the February 2024 Council meeting.

Legal Implications

- 5) Section 31 of the Local Government Finance Act 1992 requires the Council to set a balanced budget at the start of each financial year. Section 28 of the Local Government Act 2003 requires all local authorities to review actual expenditure against this budget on a regular basis during the year. Where it appears that there has been a deterioration in the financial position, the local authority must take such action as is necessary to deal with the situation.
- 6) The Council's best value duty requires it to keep under review its services to ensure continuous improvement. This includes having a financial strategy and budgets which are clearly aligned with strategic priorities and a robust process for reviewing and setting the budget. There should be a robust system of financial controls and reporting to ensure clear accountability and a clear strategy to maintain adequate reserves. There should be collective accountability for the budget and MTFP both at officer and political level. Regular financial reporting to Executive and Scrutiny ensures members are aware of the issues during the year and the mitigating measures in place, as well as providing for public accountability.
- 7) The Accounts and Audit (Amendment) (England) Regulations 2015 require the Council as proper practice to produce an Annual Governance Statement to sit alongside the Council's Statement of Accounts.

Background Papers

Council's Constitution

Audit Committee terms of reference

Revenue Budget Monitoring Reports 2023/24

Financial Strategy 2024/25 – reports to Executive November and December 2023

Strategic Risk Register

Annual Governance Statement's of legacy councils

CIPFA/Solace – Delivering Good Governance in Local Government Framework

Appendices

Appendix 1 – presentation to the Committee on the Council's Finance Emergency Governance Arrangements