

Finance Support Programme

Purpose of report

For information.

Summary

The report sets out the current finance improvement programme and highlights the changes and enhancements introduced for 2021/22 in response to new ways of working piloted during the COVID outbreak and the increasing focus on assuring financial resilience in councils, collectively and individually.

Recommendations

Members views are sought on the scope and content of the finance programme as described in the report.

Actions

Members to discuss and note.

Contact officer:

Alan Finch

Position:

Principal Adviser – Finance

Phone no:

0207 664 3085

Email:

alan.finck@local.gov.uk

Finance Support Programme

Background

1. Sector Led Improvement (SLI) has always recognised finance as a key component of successful local government. The current programme dates to 2014/15 and it has been developed and evolved over the intervening period in response to the changing needs of councils. It has retained the same four basic elements; expert support to councils by associates and member peers, leadership development, data and diagnostics and, of course, peer challenge. The programme for 2021/22 reflects a number of changes and this report sets out the elements of the existing programme and the changes that have been made.
2. As with other aspects of Sector Led Improvement, the finance programme operated largely online in 2020/21. This has presented barriers but also opportunities, and the programme moving forward sets out to make greater use of remote working and technology to enhance the support offer.

Issues

The changing context for finance improvement

3. Councils face two fundamental financial challenges: financial sustainability and financial resilience. Financial sustainability requires balanced budgets to be set so that expenditure does not outstrip income over a period of years. This is achieved through effective medium-term planning and by councils taking difficult financial decisions and delivering those plans. Being financially resilient (which is the capacity of a council to withstand unforeseen costs and losses) also involves having robust planning and monitoring systems and carefully managing financial risk, among other things by retaining adequate levels of reserves. Failure to achieve financial sustainability leads to councils drawing down reserves and creates issues of financial resilience. Inevitably the costs and losses sustained by COVID and the challenges it presents has focused more attention on resilience rather than sustainability.
4. Financial sustainability and resilience have much to do with effective leadership, governance and management grip as well as having effective financial management systems. Much of finance improvement is therefore consistent with other aspects of the sector led improvement programme. The finance improvement programme has been designed to ensure that finance is seen in this broader context, with the regional teams central to prioritising and commissioning the use of resources within the finance programme.

5. An extended period of real terms funding reductions has tested financial sustainability in councils. Even before the COVID pandemic, this was raising issues of financial resilience in a small number of councils, most notably the former Northamptonshire County Council. COVID has been a particular challenge to financial resilience across a much wider range of councils. Central government has provided funding which has met the majority of costs in most authorities while stopping short of fully funding income deficits and commercial losses.
6. The Government has also devised a programme of ‘exceptional support’, providing in-year capitalisation directions to seven authorities, enabling revenue deficits generated by the COVID response to be capitalised, providing a grant to Redcar & Cleveland Council towards costs incurred in a cyber-attack and giving active consideration to further capitalisation directions for 2021/22. In addition, in the last year, Public Interest Reports have been issued by auditors in a number of authorities and the government has intervened in several places, ordering best value inspections or similar investigations to take place and initiating external supervision of a small number of councils. Such councils are usually already the focus of sector led improvement before the government intervenes, and in relation to ongoing government supervision, we have sought to continue to support councils to navigate the realities of intervention and to meet government’s expectations.

The SLI Finance Programme

7. The essential shape of the finance programme has been in place since 2015 but are reviewed and modified each year to respond to changing circumstances. The challenges of 2020/21 and the impact it has had on council finances as described above called for further changes in 2021/22. The SLI finance programme proposed for 2021/22 provides councils with access to tools and support to achieve greater financial resilience, access to advice and guidance, alongside bespoke targeted support for those facing the most significant challenges. The key elements of the offer are:
 - 7.1. **Financial Improvement and Sustainability Advisers (FISAs)** are LGA associates who work with individual councils to support and improve their financial management arrangements. The eight FISAs are all former local authority Chief Finance Officers with a range of experience in local government finance with different types of councils. The FISA programme provides councils with a credible trusted source of advice and is highly flexible. FISAs are independent advisers, subject to professional codes of practice and ethics, so their insight can be relied upon by councils. Their approach can be tailored to the particular circumstances and needs of each council. Support over the last year has ranged from working with councils seeking capitalisation directions to providing mentoring for newly appointed CFOs. The grant determination requires us to provide support to at least 55 councils in 2021/22, which is an increase from 40 in 2020/21 and much of this will be provided via FISAs. We anticipate that,

as in 2020/21, FISAs will also be commissioned via the programme to support MHCLG in allocating further exceptional support where necessary in 2021/22. Progress in 2021/22 to date, with 15 councils supported in the first quarter, puts in a good position to achieve government targets.

7.2 Finance Peer Challenge. The Finance Peer Challenge is a specialist financial peer challenge that dovetails closely with the Corporate Peer Challenge. Peer teams comprise officer and member peers from other authorities with relevant experience supported by an LGA Peer Challenge Manager. The principle is that the finance peer challenge looks at how financial management supports the council to plan for and deliver financial sustainability and resilience and it is therefore as much concerned with corporate leadership as it is with the finance team. The peer challenge is conducted on-site at a council over a period of a few days and looks at how councils are setting strategy, making the decisions required and implementing changes that will give them the best chance of balancing their books in the medium and long term. The review involves financially experienced peers and focuses on five areas including leadership, strategy, decision-making, outcomes and finance's role in supporting innovation. While peer challenges can only run effectively on site, it is anticipated that online forms of challenge will continue to be utilised where appropriate to the needs of the council concerned.

7.3. Collaborative Finance Panels - The Collaborative Finance Panel was invented during COVID lockdown as a way of bringing together Chief Finance Officers virtually to discuss best practice and improvement around issues of common concern. It is also a learning network where issues and concerns are discussed in a supportive and constructive environment. This is a quarterly platform for chief finance officers which has the flexibility of bringing together CFOs from different parts of the country for relatively short discussions that can be fitted around their busy schedules. Meeting such as this would simply not happen if they involved travel to a physical space and it is the intention to make them a permanent part of the Finance support offer. There were six panel sessions in 2020/21 involving CFOs from more than 50 authorities and a further series of panels ran in May/June 2021 with equally encouraging uptake.

7.4. As with other elements of SLI, **member peer support** is vital to the offer and all the political groups provides members with experience of finance who can deliver support both formally and informally to help councils address financial issues. Member peers commonly assist in the delivery of workshops to councillors to help them get to grips with the financial challenges they face and can be deployed less formally in circumstances where political factors stand in the way of setting balanced budgets, such as assisting negotiations between political groups in circumstances of no overall control. Member peers have worked in tandem with FISAs at times and this is an area which we can see developing further in the future, especially in supporting the most challenged councils.

7.5. Leadership Essentials – Finance/ Audit. The Board will be familiar with the ‘Leadership Essentials’ brand which takes leadership development into specialist areas. Finance Leadership Essentials (aimed at leaders and finance portfolio holders) has been running since 2014/15 and Audit (aimed at Audit Committee Chairs) started in 2019/20 in response to emerging issues relating to audit. The content of the courses is under review to ensure it remains relevant in changing times. The sessions run over two days either at the Warwick Business School just outside Coventry or online. In 2020/21 a full programme was provided but only one Finance Leadership Essentials event took place at Warwick. In 2021/22 the programme will continue to deliver some sessions online and some sessions face to face. Three face-to-face LE Finance events are planned for September, October and November 2021.

7.6. Finance Diagnostics. LGInform, our open access data hub publishes over 600 data sets of data about local authority finance and performance and provides tools for comparing councils and mapping trends over time. LGInform includes the ‘Key Financial Indicators’ report which summarises key elements of councils financial position with a narrative that places the data in context. Users with “.gov.uk” email addresses can register for additional functionality that includes bespoke report building.

7.7. Other needs that arise from time to time Using this basis framework, the flexibility of SLI enables the LGA to adapt the offer to support individual council needs. The network of peers, associates and suppliers is vital to this.

Chief Finance Officers Sounding Board

8 A further development for 2021/22 is the formation of a Chief Finance Officers Sounding Board to support the development and delivery of the Finance Programme. This is particularly important since most direct contact with council officers about SLI is with Chief Executives and where CFOs are involved it tends to be in relation to policy issues such as grant distribution.

The Terms of reference of the Board are:

- Support the development of the sector led improvement finance programme by advising the LGA on current issues.
- Discuss the landscape of financial improvement including local audit.
- Support the development and design of the Finance programme.
- Promote best practice sharing through events and publications.
- Publicise the benefits of the sector led improvement programme in the community of CFOs with a view to:
 - Promoting take up
 - Encouraging volunteering of peers

- 9 The Sounding Board will comprise CFO representatives from the Treasurer societies representatives and Finance Programme users, and a representative from CIPFA. There will be three meetings a year. The inaugural meeting took place at the end of May with the next timed for September. CIPFA's Associate Director for Local Government, Andrew Burns, has agreed to Chair the Sounding Board going forward.
- 10 Alongside the CFO Sounding Board we will seek to develop ways in which we can bring the views of elected members, especially Finance Portfolio Holders, more directly to bear in the development of the offer.

Implications for Wales

- 11 Although MHCLG funding only covers councils in England, the LGA works closely with the Welsh LGA in relation to our positions on SLI and occasionally provides access to its finance programme resources to support provision of sector led improvement to Welsh Councils.

Financial Implications

- 12 The finance support programme for 2021/22 is funded by the UK Government under the Grant Determination made by the Minister for Local Government in April 2021.

Next steps

- 13 Officers will work to deliver the programme as set out above and report back to the Board on progress as part of the overall monitoring of the SLI programme at appropriate intervals throughout the year.