

Meeting: Improvement and Innovation Board

Date: Thursday 15 December

Update on the Finance Support Programme

Purpose of report

To update the Board on the finance support programme within Sector Led Improvement including progress in delivering the expanded programme for 2022/23.

Summary

The finance support programme provides advice and support on financial issues to councils and provides learning opportunities for members in their various financial roles. The report sets out the achievements of the programme in 2021/22, progress to date in delivering for 2022/23 and proposals for delivery in 2023/24.

Is this report confidential? No

Recommendations

That members of the Improvement and Innovation Board comment on the current challenges which may need to be reflected in the programme in future and note the progress to date.

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Update on the Finance Support Programme

Background

1. The Sector Led Improvement offer has included a dedicated finance offer since 2015. Over the years the programme has;
 - Provided support directly to more than 100 authorities via LGA peers, associates and staff.
 - Provided particular support to councils in intervention or facing intervention.
 - Provided training to hundreds of elected members through Leadership Essentials courses at Warwick, online and bespoke offers.
 - Provided financial data analysis to councils and peer teams to support them in assessing their financial position.

2. The current programme can be thought of in three sections, each of which is covered in more detail in the report. These are;
 - Direct Support to Councils
 - Developing Financial Skills
 - Data and Insight

Delivery in 2021/22 and 2022/23 to date

3. Changing Environment

- 3.1. Increased demand for services and mounting economic pressures has meant that councils have faced heightened financial pressures in recent years. Effective financial leadership and sustainable financial management are more critical than ever. The LGA's 2021/22 [finance support programme](#) therefore focused on providing councils with the support and skills to respond to financial challenges, including targeted to support for those councils most in need. Funding provided by Government in response to COVID provided a temporary respite from immediate financial challenges for the majority of authorities, enabling them to focus on COVID response and recovery.

- 3.2. During 2022/23, however, we are seeing a rapidly changing picture, with councils widely impacted by rising prices and higher interest rates. Government interventions both formal and informal, which have increased in number, almost invariably include some financial element even if financial management is not indicated as a cause.

- 3.3. Many of the current challenges have not been seen for several decades. Concerns have been raised, after of several years of real terms funding cuts, about councils' corporate capacity and capability, and Finance teams have been highlighted as an area where funding cuts and the pressure of extra workload has had an impact on

results. Some of that extra workload comes from failings in the external audit market, which has not provided the necessary scale and capability that councils require of their auditors. These challenges in the audit market have brought the important role of council Audit Committees into focus.

- 3.4. It is a testament to councils' flexibility and durability as organisations, and the relative strength of local governance, that only three councils have failed financially in that time and only a further six have needed Exceptional Financial Support in the form of flexibility to capitalise revenue costs. By contrast, over a quarter of NHS Trusts were already in deficit at the end of 2019/20, before the worst impact of the pandemic. This record of relative success for local government should not make us complacent about learning the lessons in councils that have run out of money or have received adverse reports from auditors.
- 3.5. Despite the number of cases of financial failure being relatively small, we have begun to see the government's policy pendulum swing back in favour of greater financial control and regulation over council finances, particularly on borrowing. All of these are challenges we have sought to pick up as part of the developing finance programme and will aim to reflect moving forward.

4. Direct Support to Councils

- 4.1. In 2021/22, more than 50 councils received direct support through the financial resilience programme, including working with a number of councils to achieve capitalisation directions and emergency financial support. A core element of the support offer is provided by financial improvement and sustainability advisors (FISAs), former local authority chief finance officers, who provide advice and insight to councils – in particular, those facing enhanced financial challenges. In 2021/22, 100 per cent of respondents to our follow-up survey confirmed the support had helped their council. Feedback from councils that have drawn on this support underlines the value of the FISA support offer. As commented by one Chief Financial Officer the FISA “provided the right balance of support and challenge, providing valuable information/advice and a solid sounding board for the issues faced and how we can approach these as a council.
- 4.2. In the current year's Grant Determination Letter, we agreed that we would support a smaller number of higher priority authorities. This makes sense from a programme management point of view in terms of targeting support where it is needed rather than 'chasing numbers'. It doesn't rule out the possibility of providing support to more councils dependent on demand. 25 authorities have been supported in 2022/23 to date against an agreed target for the year of 40 facing significant financial challenges.
- 10 English unitaries
 - 8 Shire Districts
 - 3 Shire County
 - 2 Metropolitan Districts
 - 2 London Boroughs

5. Developing Financial Skills

- 5.1. The finance support offer has continued to be shaped in consultation with the sector, including input from a newly established sounding board of chief financial officers, helping to take the pulse of the sector and ensure the support provided was in line with councils' needs.
- 5.2. This included support to build greater skills and capability through training and development programmes. We held a range of webinars and workshops on issues relating to finance and audit – for instance, budget setting workshops to support cabinet members to understand budgetary issues and how to develop financial plans that respond to these.
- 5.3. “Leadership Essentials” are themed member development programmes over two days run at Warwick Business School.

Leadership Essentials: Finance is aimed particularly at Leaders and Finance or Resources Portfolio Holders and is a largely interactive event facilitated by experienced trainers and finance officers, with input also from member peers.

Three programmes are scheduled for 2022/23. The first programme in September was cancelled due to the death of HM The Queen but was rearranged for late November. Programmes in October and November catered for about 60 members in all. This is the 9th year that Leadership Essentials: Finance has been run and close to 500 elected members have benefited in that time.

Leadership Essentials: Audit is aimed primarily at Audit Committee Chairs and two programmes are planned, for January and February 2023.

A new Leadership Essentials programme has been created for non-finance portfolio holders which meets a recognised demand and supports members to understand their responsibilities for finance as part of their service delivery portfolio.

- 5.4. We established, and continue to support, regional forums for audit committee chairs across all regions (while further support was provided to the existing forum in London). These forums provided opportunities to discuss wider audit issues and share learning and best practice in 2021/22 and will remain in place to identify effective audit measures into the future.
- 5.5. The Finance Improvement Offer for 2022/23 includes two new member development programmes. The first is an induction for new members on the basics of local government finance - Finance without numbers. This is a 90 min session focussing on roles and responsibilities, key terminology and processes. Whilst it is aimed at new members we are also welcoming those members who would like a refresh. We ran the webinar twice to give as much opportunity as we can for people to attend – the first on 21 October and the second on 31 October, with over 120 delegates in attendance.

The second programme is an online seminar series focussed on financial governance and covers the following topics on a modular basis:

- Principles, rules and processes
- Decision Making
- Monitoring performance and outcomes
- Audit & Scrutiny

These are planned for January and February 2023 and is targeted at all elected members.

6. **Data and Insight**

6.1. LG Inform

LG Inform continues to provide data insight and analysis tools that use the financial returns councils provide to government alongside performance data to all councils to compare their costs with others and assess their financial sustainability and resilience.

6.2. Support for CFOs

By agreement with the CFO Sounding Board which provides advice in developing the finance offer, we are working to establish a national mentoring scheme for Chief Finance Officers. This will focus on newly appointed CFOs but will be open to all. The scheme should be in place by March 2023. We are also continuing our series of online Collaborative Panels, which any local authority CFO can join to discuss points of current practice and mutual concern on a 'Chatham House' basis.

6.3. Capability and capacity

In partnership with Local Partnerships, we have facilitated two roundtables with CFOs and with other stakeholders, to consider the question of the capacity and capability of Finance teams; is there a problem, how does it arise and what solutions might there be? We have found a high level of agreement across the sector and its partners that there is a problem to be addressed and will work with LP to produce a report later in the year setting out practical things the sector and authorities can do to address this issue.

6.4. Learning the lessons

We are commissioning research to analyse published materials on the three councils in receipt of section 114 reports thus far, identifying common themes and addressing how to tackle such issues. At the time of writing the delivery partner is undertaking research.

Proposed enhanced delivery for 2023/34

7. Current thinking about next year's programme follows the same three essential categories; support, skills and insight.
8. We envisage that direct support will continue to evolve to meet councils' changing needs, with more of a focus on the most challenged authorities. Higher than normal

rates of inflation will put pressure on councils' financial planning systems, while inflation plus rising interest rates is expected to create a demand for capital strategy reviews.

9. The skills agenda will continue to develop to embrace audit as well as financial decision making and we will look for ways of reaching a larger audience by making more use of formats other than face to face training or online webinars.
10. We anticipate another two new research pieces at least, with one likely to emerge from our work on the capability and capacity of finance teams and another related to good practice in dealing with financial uncertainty.
11. With growing number of Combined Authorities (CAs) and the advent of County Combined Authorities, we will enhance our offer to them across all three areas. CAs have been left largely to determine their own local arrangements around markedly different devo deals but with growing maturity of these arrangements in some CAs, there is now scope for national debate on which approaches work best.
12. Members comments would be very welcome.

Implications for Wales

13. The finance programme delivered under sector led improvement does not directly provide resources for Wales. We have worked with WLGA and Welsh authorities and members in the past to provide commissioned support outside the Government funded programme.

Financial Implications

14. The cost of the finance programme is met from the DLUHC grant provided to the IDeA.

Equalities implications

15. The finance programme reflects the equalities, diversity and inclusion policies of the LGA.

Next steps

16. The team will continue delivery of the 2022/23 programme reflecting changing circumstances as part of the flexible offer and will continue discussions with the sector on the 2023/24 programme.