

ANNEX A:

ACTION PLAN TO ADDRESS CONTROLS OVER THE PREPARATION OF THE BUDGET AND MTFS

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
1	When the draft budget and MTFS is being prepared, the opening budget baseline should be reconciled to the prior year's approved budget and any variances should be fully reconciled (e.g. to in year virements).	Complete	Agreed. 21/22 Budget as set out in the Council Report (Feb 20) is now reconciled to Agresso budget to ensure both the detailed budget and Budget movements are clearly actioned. Any movements to budget lines in 2021/22 will be reported in monthly finance reports in a virements schedule
2	The current year proposed budget, and future projections in the MTFS, should be subject to analytical review at directorate and cost centre level, to ensure that all movements away from the baseline opening budget reconcile to known adjustments (e.g. savings and pressures).	Complete	Agreed. Budgets as set out in Council Papers are now reconciled to the Agresso budget to ensure both the detailed budget and adjustments (including pressures and savings) are correct
3	Segregation of duties should be re-established between the calculation of all key budget items (such as business rates) with review and approval undertaken by the Chief Finance Officer.	Complete	Agreed. The re-establishment of this segregation was undertaken as part of setting the 21/22 Budget with the secondment of a SCC Officer (Business Partner – Corporate) leading the budget process and the review of all assumptions was undertaken by the CFO
4	The Council should ensure that the finance team includes sufficient skills and capacity to undertake key calculations, including calculation of business rates, to enable the Chief Finance Officer to function effectively in a review and approval role.	Technical validation – complete Skills and Capacity to be included in TFT	Agreed. All assumptions which underpinned the 21/22 Budget setting process were reviewed by the CFO. For technically complex issues (such as business rates) professional support and advice

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		delivered for April 2022	was sought to validate assumptions. Work on bolstering skills and capacity will be undertaken as part of the Tandridge Finance Transformation Programme (TFT) - discussed further below
5	The Council should undertake a skills and training needs assessment of the finance team and provide targeted investment in staff development where it will have most impact. The Council should also consider whether skills gaps are best addressed through targeted recruitment.	To be included in the TFT delivered for April 2022	Agreed. The Council is entering into a Joint Working Agreement with the County. As part of this the Council will be implementing a TFT. This programme includes a number of workstreams one of which is a new Target Operating Model (TOM) for Finance. As part of the new TOM, suitability for new roles will be tested against Behaviour, Skills and Knowledge criteria (including technical capability). This process will also determine key skills gaps which will be picked up by other workstreams within the TFT. Through the TFT and the joint agreement with the County, oversight in key (particularly) technical areas in Corporate Finance will be provided.

THE BUDGET MONITORING PROCESS

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
6	We recommend that the monthly budget monitoring information provided to budget holders is improved to incorporate greater focus on comparison to the prior year budget and the expected profile of the budget throughout the year, with greater focus on documenting and challenging the basis by which budget outturn has been forecast.	To be included in the TFT delivered for April 2022 Programme	Agreed. At Directorate level this detail this can be a helpful indicator. However, in 21/22 there has been significant realignment of posts (eg: Case Workers) across the Council and increased costs due to CV-19 that make comparisons less meaningful when comparing against 20/21 budgets. This will be picked up through the Business Partnering (Insights function) in the TFT as part of monthly budget monitoring for 22/23 (comparison of 22/23 with 21/22)
7	Within the monitoring information, the inclusion of budget lines that have zero budget in the current year but did have budget in the prior year should be considered as a failsafe measure. This could provide a useful reference point to monitor the impact budget changes may be having on current year variances. (Note that this could have highlighted the removal of one half of the £920,500 pensions costs, enabling it to be questioned early in 2020/21).	To be included in the TFT delivered for April 2022 Programme	Agreed. Items which move from a budget to a zero budget in-year will be included in budget monitoring and will not be dealt with on a variance basis. Rethinking monthly reporting; format, contents and key risks and variances will be included as part of the TFT

STRENGTHENING CORPORATE BUDGET RESPONSIBILITY

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
8	The list of cost centres should be reviewed to ensure that each one is assigned a responsible budget holder and Finance Manager, and that these responsibilities are fully communicated and understood by the named	To be included in the TFT delivered for April 2022 Programme	Agreed. We see this work being undertaken in 2 phases

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	<p>individuals. This can be augmented by asking budget holders to sign a written declaration that they have agreed and accept responsibility for their assigned cost centres.</p>		<p>Phase 1 – Roles & Responsibilities and Training Clarifying roles and responsibilities of budget holders and ensure they understand their responsibilities and are fully trained to manage their budgets</p> <p>Phase 2 - Budget Accountability Statements (BAS). Produce BAS for 22/23 whereby budget holders agree and sign that they take responsibility for living within their budget envelope for both Revenue and Capital</p>
9	<p>The Council should make sure that the ownership of and responsibility for budgets, is fully enshrined in the Council's Constitution and Scheme of Delegation, so that individuals can clearly and directly be held accountable for budget management. To support this, the Council should consider the establishment of a separate Scheme of Financial Delegation that sets out the respective financial responsibilities of roles and grades in detail.</p>	<p>To be included in the TFT delivered for April 2022 Programme</p>	<p>Agreed. As part of the TFT the Council will be reviewing its Scheme of Delegation and Financial Regulations which will be cascaded to all budget holders. This will be complete by end of March 2022 for monitoring against the 2022/23 budget</p>
10	<p>All budget holders and supporting finance business partners should review all the list of cost centres they are responsible for and ensure that the purpose and relevance of these is fully understood. Council policy should make clear that the onus is on the individual to make sure they have the level of understanding required.</p>	<p>To be included in the TFT delivered for April 2022 Programme</p>	<p>Agreed. See responses under (8) with the following additions:</p> <p>Phase 1 – a mapping of cost centres to budget holders will be undertaken. In parallel with this a budget holder survey will be used to gauge budget holders current level of understanding and to inform training needs. Appropriate targeted education and training will be undertaken as part of the TFT.</p>

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			Council policy will be updated to make clear budget holders' roles and responsibilities.
11	There are a number of ways that adjustments to the draft budget could have been subject to tighter financial control, where segregation of duties is difficult to maintain (for example, in regard to corporate items adjusted only at year end). We recommend, the implementation of a schedule of adjustments that requires the dual signature of both Chief Finance Officer and Deputy Chief Finance Officer to confirm that all adjustments have been reviewed independently of the author.	To be included in the TFT delivered for April 2022 Programme	Agreed. The current monitoring of Corporate Items ensures these items are subject to similar rigours as other Directorate/Committee budget lines. For the M6 all budget lines will be reviewed including Corporate Items and all adjustments to budget lines will be reported through monthly Finance Reports via a Budget Virements schedule. Virements will be reported in the same way whenever there is a change to budgets in-year.
12	The Council should review its chart of accounts to make sure it properly reflects current operations and desired approach to financial control. In particular, we recommend that the list of cost centres is reviewed and unused or unnecessary cost centres are removed or rationalised as part of the 2022/23 budget setting process.	To be included in the TFT delivered for April 2022 Programme	Agreed. A review of the entire Chart of Accounts and Financial Statement mapping is required to strengthen reporting and segregation between management and statutory/technical accounting. This will be undertaken as part of the TFT and implemented for 22/23.
13	We recommend that within the next two years, the Council undertakes a targeted zero-based budgeting exercise to fully refresh the budget and its cost centres, to ensure they align to current needs and services, and to strengthen the ownership and responsibility among budget holders and responsible management accountants. This should initially focus on Strategy and Resources and Corporate budgets.	To be implemented for 2023/24 Budget setting process	Agreed. Although we do agree that this will be a useful exercise to understand the true cost of services, this is a substantial piece of work. For 22/23 the TFT will focus on having a tighter grip on financial controls, reporting, roles/ responsibilities/ accountabilities, improved end-to-end processes (including automation where possible), capacity and capability. A zero-based budgeting exercise can be

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			undertaken as part of the 23/24 budget setting process. In the meantime, a line-by-line review has been undertaken for all pay related cost centres for S&R and a full review of all 21/22 budgets will be undertaken for M6 reporting. This will form the basis for the roll-over of budgets for 22/23.

DEVELOPING A STONG FINANCIAL CULTURE

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
14	The Council should consider how it can strengthen the Council's financial culture, building characteristics such as professional scepticism, self-review and empowerment to challenge management, starting with the finance team.	To be included in the TFT delivered for April 2022 Programme	Agreed. This culture change will take some time but will be embodied as part of the Joint Working Agreement with the County and new TOM, ensuring that professional scepticism and curiosity and self-review, proactivity and peer challenge are encouraged and embraced. The TFT contains an Organisational Development workstream to build stronger financial management and accountability both within and outside of Finance.
15	The Council should review and update its Financial Regulations, with particular focus on embedding the control improvements recommended in this report . This should be supplemented by detailed documented financial procedures where appropriate.	To be included in the TFT delivered for April 2022 Programme	Agreed. We see this work being undertaken in 2 phases Phase 1: As part of the TFT the Council will be reviewing its Scheme of Delegation and Financial Regulations which will be cascaded to all budget

			<p>holders. This will be complete by end of March 2022 for monitoring against the 2022/23 budget</p> <p>Phase 2: Review of all financial procedures and communicated through but published is in one location. This would have to align to the Regulations and be completed after the Regulations have been approved</p> <p>All recommendations in this report will be taken into the TFT to ensure they are implemented.</p>
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Note – the detailed activities and therefore timelines associated with the TFT are currently in development. The actions identified above which form part of the TFT will be monitored through the TFT Programme governance to ensure delivery.