

TANDRIDGE DISTRICT COUNCIL

STRATEGY & RESOURCES COMMITTEE

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 14th September 2021 at 7.00pm.

PRESENT: Councillors Bourne (Chair), Langton (Vice-Chair), Bloore, Botten, Caulcott, Cooper, Groves* (substitute in place of Black), Elias, Gillman, Sayer (substitute in place of Davies) and Stamp

* Councillor Groves joined the meeting via Zoom and was, therefore, unable to vote

ALSO PRESENT: Councillors Farr, Gaffney, Lockwood, Mills, Moore, Ridge, Steeds, Swann and N.White

APOLOGIES FOR ABSENCE: Councillors Black, Davies and Pursehouse

105. MINUTES OF THE MEETING HELD ON THE 6TH JULY 2021

These minutes were approved and signed by the Chair.

106. QUESTIONS SUBMITTED UNDER STANDING ORDER 30

Questions had been submitted by Councillors Cooper and Sayer. The questions and responses are provided at **Appendix A** to these minutes.

107. FORENSIC REVIEW AND FACT-FINDING INVESTIGATION INTO A POTENTIAL BUDGET GAP FOR 2020/21 AND IMPLICATIONS FOR 2021/22

In accordance with the Committee's decision of 8th June 2021, Grant Thornton LLP UK had been commissioned to undertake this review following the discovery of a potential £920,000 budget gap in 2020/21. Grant Thornton had since completed its investigation and had made 15 recommendations for the Council to consider. Its report and presentation confirmed that:

“there was an unfunded revenue deficit of £920,500 within the 2020/21 outturn position that was not detected during the year. The implications of this are that the Council's outturn position is £920,500 less favourable than had been expected ... It also appears that this error was not identified during the 2021/22 budget setting process and was therefore rolled forward as part of the baseline budget for 2021/22 that was approved by Council in February 2021. This means that its impact will continue to be relevant for the General Fund in each financial year until it is resolved.”

The deficit arose from a reduction in notional pension costs which should have been offset to zero without any budgetary affect. Grant Thornton's report set out the relevant chronology of events, together with key learning points and recommendations.

Grant Thornton were represented at the meeting (via Zoom) by Guy Clifton, Thomas Foster and Rob Hampton who presented their findings and responded to Members' questions. Discussion took place regarding the sequence of events which culminated in the 2020/21 budget being approved. This included communications from the Interim Chief Finance Officer (who was in post at that time) to Members regarding the above-mentioned pension cost adjustment prior to the Full Council meeting on 13th February 2020.

A range of views were expressed regarding the role of Members in such situations and the extent to which they should scrutinise and challenge information presented by professionally qualified Officers and advisers. This prompted suggestions that Strategy & Resources Committee members should be required to undergo training to provide them with a better understanding of the Council's finances and to enable them to identify potential weaknesses.

The Chief Finance Officer presented her report in response to Grant Thornton's findings which contained an action plan to implement all 15 recommendations. Her report confirmed that:

- a detailed review of all 2021/22 budget lines for Month 6 (September 2021) would be undertaken to determine those which could be permanently reduced within the year to help form the basis of the 2022/23 budget setting
- the balance of the funding gap would be met from General Fund reserves
- any non-delivery of savings targets during 2021/22 would require a larger draw down of reserves
- a simultaneous twin track approach to budget setting for 2022/23 would be undertaken; the '2nd track' being a more innovative way of making savings through a Council wide strategic improvement programme aimed at providing financial sustainability and resilience in the medium term through different delivery models and shared service opportunities
- the planning service had not been given a budget target for 2022/23.

The Chief Finance Officer also advised that a fundamental review of internal accounting practices and procedures would be undertaken to ensure that the finance transformation programme could proceed on a stable footing. In response to the debate, she acknowledged the need to prioritise the implementation of Grant Thornton's recommendations and to assign timescales and ownership, at least for the more critical actions.

The debate returned to the question of training for Strategy & Resources Committee members and Councillor Caulcott proposed that this matter be referred to Group Leaders and the Chief Executive and Chief Finance Officer to consider. Upon being put to the vote, this was agreed.

RESOLVED – that:

- A. the response to the Grant Thornton report be noted and the proposals to close the budget gap for the financial years 2020/21 to 2022/23 and action plan (at **Appendix B** to these minutes) to take forward Grant Thornton's recommendations be approved; and
- B. Group Leaders, the Chief Executive and the Chief Finance Officer be asked to submit proposals for ensuring that Strategy & Resources Committee members are able to best fulfil their roles.

108. ANY OTHER BUSINESS - USE OF SOCIAL MEDIA BY COUNCILLORS

The Chair raised this issue as an urgent business item in light of a recent social media post which contained inaccurate information. He sought the Committee's views on this matter. Various views were expressed, following which the Chair proposed that the need for a relevant policy should be referred to Group Leaders. This was agreed.

RESOLVED – that the need for a policy regarding the use of social media by Councillors be referred to Group Leaders.

Rising 8.58 pm

Strategy & Resources Committee – 14.09.21

Agenda item 4 – Standing Order 30 questions

Questions from Councillor Cooper

- 1. To deal with a climate change situation it seems that TDC Officers have spent much time in considering the installation of Electric Vehicle charging points in Tandridge. How many of these charging points have TDC actually installed since the declaration of a Climate Change Emergency at the Council Meeting on Thursday 13th February 2020?**

Response from Councillor Bourne:

Zero.

Supplementary question:

Is that correct?

Response from Councillor Bourne:

At this point in time, yes. As per the report to the Committee in July, the answer was zero and that's still the case. The situation won't change until the Climate Change Working Group meets to access options.

- 2. What is the estimated cost and charging structure which would be adopted by TDC to provide a viable financial return?**

Response from Councillor Bourne:

Multiple funding options were presented in the report to the Committee in July. The Climate Change Working Group will review these options and make a recommendation to the committee.

Supplementary question:

So no decisions have been made yet?

Response from Councillor Bourne:

The Climate Change Working Group will be meeting soon to consider the options.

3. **In considering the installation of EV charging points in Tandridge, can we be informed of how many charging points have been established in Tandridge by organisations other than TDC? Also, given that EV charging points are available 24/7, can we know what use is made of them as a percentage of the available time i.e. of the 168 hours each week?**

Response from Councillor Bourne:

According to an on-line chargepoint mapping App, there are eight in the District. They are not ours and we have no information about them.

Supplementary question:

If we are going to be making decisions, don't we need some information about how the current charging points function?

Response from Councillor Bourne:

Quite possibly – this will be a matter for the Climate Change Working Group who will be looking at this soon.

4. **The UK Government is now looking very seriously at the use of hydrogen as a power source for motor vehicles. This being a better/more realistic option for larger vehicles. I understand that there are a very limited number of garages in the UK where one can 'fill' a hydrogen powered car. Do we know how many such garages exist in Tandridge?**

Response from Councillor Bourne:

Zero

5. **Have TDC officers identified sites in Tandridge which would enable TDC to support the use of hydrogen powered vehicles? Also, what the cost and financial return might be?**

Response from Councillor Bourne:

As much as those in the motor industry believe that hydrogen is the better way forward out of the alternatives for green vehicles, the fact remains that it is behind the curve with infrastructure in the UK at this point. In fact, the Government's strategy was only published last month. So not much has happened, even though hydrogen is considered to be the better way forward.

Supplementary question:

It is disappointing we don't know a bit more. When will we do something about it?

Response from Councillor Bourne:

This will be up to the Climate Change Working Group to decide. Perhaps you could refer your question to them by e-mail.

6. **At the last Council meeting on Thursday 22nd July 2021, it was mentioned, in answer to one of my questions, that TDC were looking to convert council properties to use more 'climate friendly' heating systems such as ground source heat pumps. Can you please state the number of TDC owned properties which have been converted to use ground source heat pumps since TDC proclaimed a Climate Change Emergency on Thursday 13th February 2020?**

Response from Councillor Bourne:

The answer is zero in terms of conversions but new build council properties will be built to a net zero operational standard. The position with existing properties is more complex and I refer you to the [11th March 2021] Housing Committee report [scope for replacing gas boilers with low carbon heating systems in Council owned properties] and discussion.

Supplementary question:

You say net zero – under what circumstances would you make that statement?

Response from Councillor Bourne:

That was the decision made by the Housing Committee and that is what the building requirements are for all new properties we are in the process of building.

Questions from Councillor Sayer

1. **As the Grant Thornton report makes clear, Councillor Bourne correctly flagged up the problems with the 2020/21 Budget on several occasions.**

At the Strategy & Resources Committee of 3 February 2020, Councillor Bourne questioned why the budget figure for business rate income had increased substantially from the previous year and he set out his worries that the restatement of the Medium Term Financial Strategy had not been correctly carried out.

On investigation, it was found that Councillor Bourne was right and the error was corrected, reducing the business rate income by £705,000. That, however, created a funding gap in the budget which was problematic because the budget was being presented to the full Council for approval ten days later on 13 February 2020.

A reduction in pension costs of £920,500 was then made in the budget and Members were informed this was due to a reduction in pension strain liabilities which had come to light following a fortuitously timed letter received from Surrey County Council pension fund.

At the meeting of 13 February, Councillor Bourne questioned whether this was correct. Grant Thornton has now found that it was not correct and Councillor Bourne was right.

My concern is that a Councillor was able to correctly identify the problems with the budget but was not listened to by anyone. The then administration ignored him but carried out no proper scrutiny of their own. No one seemed able to understand the budget sufficiently to know that Councillor Bourne was right all along.

My question is how did we get to this place where a perfectly well reasoned and ultimately correct challenge was ignored and how can we make sure this never happens again?

Response from Councillor Bourne:

There is a legal requirement for us to sign off the budget on time every year and that creates a time pressure. It is often presented to us at the last minute with little time for scrutiny and double checking. People, or groups of people, don't want to be shown up as having made mistakes so they can be tempted to defend the indefensible. This Chamber can be a confrontational place at times - politics is confrontational. That is all true and I don't necessarily see how that's going to change unless we all decide that we're going to change. To me, the biggest problem comes from years and years of Councillors believing that they didn't need to know the detail or understand the depth of the accounts and budgets and it wouldn't matter. But that's not correct. We need better quality Councillors who take the time to learn and understand how these things work so they can question it or, when someone else questions it, they've got enough understanding to say whether that's right or wrong and are willing to say so. Unless we as a group decide to change and be more honest, the same thing may happen again. That's down to us.

2. **At the 3rd February 2020 Strategy & Resources meeting, Councillor Bourne also questioned the financial reserves statement because the opening balance figure for financial reserves was re-stated to be £20.3m when it should have been the same as the closing balance figure from the previous year which was £16.5m.**

Has this discrepancy ever been investigated, and also how can we be sure that there are no other errors in our budget finance assumptions?

Response from the Chief Finance Officer

I recognise that we have to do a piece of work around reserves. I need to have comfort that we have a correct, albeit historic, starting position so we know what our ending position is. We're aware of a potential discrepancy that we need to investigate and it's certainly on my list of things to do. In terms of how we ensure this doesn't happen again, you'll also see in my report that what this has thrown to light (due to a number of issues) is that we need to do a root and branch review of the fundamentals of finance to ensure that the transformation programme that we are embarking on is on a strong footing and not built on sand.

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

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
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 delivered for April 2022	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 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	<p>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.</p>	<p>To be included in the TFT delivered for April 2022 Programme</p>	<p>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)</p>
7	<p>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).</p>	<p>To be included in the TFT delivered for April 2022 Programme</p>	<p>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</p>

STRENGTHENING CORPORATE BUDGET RESPONSIBILITY

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
8	<p>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 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>To be included in the TFT delivered for April 2022 Programme</p>	<p>Agreed. We see this work being undertaken in 2 phases</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>

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
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. Council policy will be updated to make clear budget holders' roles and responsibilities.</p>
11	<p>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.</p>	<p>To be included in the TFT delivered for April 2022 Programme</p>	<p>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.</p>

No.	Recommendation	Officer Responsible & Target Date	Mitigating Action
12	<p>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.</p>	<p>To be included in the TFT delivered for April 2022 Programme</p>	<p>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.</p>
13	<p>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.</p>	<p>To be implemented for 2023/24 Budget setting process</p>	<p>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 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.</p>

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	<p>Agreed. We see this work being undertaken in 2 phases</p> <p>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 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 All recommendations in this report will be taken into the TFT to ensure they are implemented.</p>