

LGA Finance Peer Challenge

Maldon District Council

27 February – 1 March 2023

Feedback report



1. Executive summary	3
2. Key recommendations	5
3. Summary of the peer challenge approach	5
4. Feedback	7
5. Next steps	18

1. Executive summary

Maldon District Council is a small district council in Essex. The district covers the Dengie peninsula in the south, as well as the Thurstable Hundred area to the north of the Blackwater Estuary. At the time of writing the report the council has 31 elected members and operates a committee system with a minority Conservative administration. The council has all out elections in May 2023 and the makeup may be different post elections.

The political makeup of the council at the time of the Peer Challenge was as follows;

- Conservative Group - 12
- Independent Group - 11
- Independent (Non-Aligned) - 5
- Conservative (Non-Aligned) - 2
- Liberal Democrats (Non-Aligned) – 1

The council's financial position is challenging and it is important that all members and officers acknowledge this and the urgency with which a realistic and robust plan to deliver the required efficiencies and savings needs to be developed to ensure the financial sustainability of the council. It was clear to the peer team that staff and members understood the headlines around the budget gap but there was a lack of clarity around how the gap was to be met and whose responsibility it was to deliver the savings and efficiencies. Maldon has a number of the building blocks in place to be confident about achieving the desired result but it must keep the urgent challenge and position at the forefront of decision making. It is also imperative that any new members elected in May are briefed on the challenges and any plans that are already in place and are clear on those that need to be developed.

The draft budget for 2023/24 was presented to the Strategy and Resources Committee on 26th January 2023. In 2023/24 high inflation increases the budget significantly, however the removal of previous one-off growth items, new identified

savings and a favourable provisional local government settlement for 2023/24, closes most of the funding gap. The 2023/24 net operating expenditure budget after adjusting for statutory adjustments, but before any non-service specific funding and use of reserves, totals £12.541m and is therefore £2.005m (19.0%) higher than 2022/23 (£10.536m).

The 2023/24 budget relies on a £2m contribution from earmarked reserves, which includes funding for some one-off expenses such as the Local Development Plan Review, and a £0.421m contribution from General Fund Balances. The report acknowledges that this is not sustainable.

A Medium Term Financial Strategy (MTFS) is in place but needs further development in terms of income from projected growth, sensitivity analysis, and associated risks. Once the level of the financial gap is clear plans need to be developed to address the budget gap and associated risks fully understood. The Council's approved MTFS leads to the conclusion that unless action is taken immediately to identify savings the Council will run out of general balances in 2025/26.

The peer team found a slight disconnect between Finance and Strategy at the council with various work being carried out in isolation. Work was needed to join up existing strategies and policies. For the policies and strategies to be successfully utilised there is a need for alignment, buy in and ownership from across the council. Strategy and Finance need to be working together to tackle the budget gap and to enable the delivery of the council's objectives and priorities.

A detailed communications plan (internal and external) to support development and delivery of the savings plan and overall financial position is a key next step for the council. This will help to solidify the urgent financial challenge that the council is facing for staff, new members and for residents when they are consulted on priorities later this summer. This is another example of where the council can align its strategies and resources and work together to support effective decision making.

The peer team noted that the Director of Resources is well respected by senior officers and members. Both staff and members were keen to share how much they valued the Director of Resources and the changes that he had brought to the organisation. The partnership between the Directors was seen as working well, with consistent messaging across the council and examples of providing appropriate

challenge to each other. There was some evidence of confusion around accountability and transparency on how decisions were made and who was ultimately responsible for ownership of key strategies and policies. Corporate Leadership Team (CLT) need to consider how this can be addressed urgently and provide some reassurance and clarity to staff and members.

The peer team found that staff were committed to the council and the district and open to change to ensure that the objectives and vision for the council were delivered and efficiencies were made. The council needs to harness this commitment and work with staff on the challenging decisions that may lay head in terms of scoping options for saving and efficiencies, ensuring that they are empowered and fully understand where the council needs to be to deliver successfully for the district.

2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

- 2.1. Further develop the MTFS linking it to other strategies and plans including sensitivity analysis as soon as reasonably practical.**
- 2.2. Arrange a Top team away day for officers and members post-election to agree priorities and to ensure financial stability**
- 2.3. Provide mentoring support to senior leaders – members and officers**
- 2.4. Clarification of roles for members and officers**
- 2.5. Establish a corporate finance board which will own the corporate plan and finance for authority**
- 2.6. All staff and members to acknowledge the urgency of the financial position. Urgent action to be taken to develop a realistic and robust plan to deliver the required efficiencies and savings to ensure ongoing financial sustainability**

3. Summary of the peer challenge approach

3.1. The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Dawn Garton, Director for Corporate Services, Melton Borough Council
- Councillor Sam Chapman-Allen, Leader of Breckland Council
- Shannon Coleman-Slaughter, Head of Finance and Property, West Berkshire Council
- Ami Beeton, Peer Challenge Manager, LGA

3.2. Scope and focus

The peer team considered the following five themes which form the core components of all Finance Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Financial leadership**
2. **Financial strategy, planning & forecasting**
3. **Decision-making**
4. **Financial outcomes**
5. **Partnership & innovation**

In addition to these questions, the council asked the peer team to provide;

- **A critical friend to look at the council's current budget setting process**
- **A check that the strategic financial processes are robust**

Plus

- **Support in identifying solutions to the council's financial challenges – This was picked up by Andrew Hardingham, Finance Associate**

The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent two and a half days onsite at Maldon District Council, during which they:

- Gathered information and views from more than 25 meetings, in addition to further research and reading.
- Spoke to more than 25 people including a range of council staff together with members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

4. Feedback

4.1. Financial Leadership

The peer team heard from both officers and members about the improvements that the Director of Resources had made since he had been in his role at the council. It was clear that he was valued and respected throughout the organisation and was visible and approachable. There was a recognition from senior officers and members that there were still large steps to be taken and that the improvement journey was nowhere near over. The significance and the scale of the financial situation meant that the pace of improvement needed to be sustained to ensure the council was in a sustainable position going forward. In the short term pressing work is needed to be carried out to fully understand the financial viability of the council and the current and

future cost pressures and associated risks.

The Council has a three-year Medium Term Financial Strategy (MTFS) covering the period up to 2025/26. Net expenditure is projected to increase from a budgeted £8.6m in 2022/23 to £13.5m by 2025/26 – a 56% rise.

The strategy discusses the impact of demography, inflation, external income, business rate retention, the possible impact of the fair funding review and service demand.

The council needs to build on existing financial strategies, developing them further in line with other corporate strategies and then communicating and implementing them with staff, members and stakeholders. The peer team found evidence of strategies and policies in place that were not joined up or followed and therefore lacked the impetus needed to be fully understood and effective and ensure financial stability.

In terms of the MTFS, this needed to be further developed to include projected income from growth such as council tax and business rates, associated risks, a clear communication plan and linked to the commercial strategy. Key projections would benefit from sensitivity analysis with modelling against a worst, middle and best case scenario to understand the implications more fully. This should also be applied to funding assumptions in light of recent finance settlements including funding guarantees, suggesting future losses from New Homes Bonus for example might be mitigated going forward.

The peer team found that majority of staff and members spoken to were aware of the council's financial position and recognised that there were challenges ahead, however not always the urgency or scale of these challenges. There was a recognition that the briefings from CLT had played a part in understanding the challenge for staff and the feedback for CLT connect, which was the briefing from CLT to all staff, was positive. The peer team heard that the three directors were consistent in their messaging and appeared on the same page for key issues. The part that seemed less clear for staff and members was how the budget gap was to be addressed and who was taking responsibility for this. The peer team felt that a detailed communications plan, both internal and external, would go some way to address this and support development of the savings plan and overall financial position. It would also ensure a consistent message and understanding from all about

the urgency of the council's financial situation.

The peer team found an over reliance on the Director of Resources across the organisation e.g., he was the main liaison for the budget holders and anything else finance related. This was potentially due to the structure of the wider finance team which the peer team thought lacked capacity and skills in certain areas and therefore resilience and instead relied on key individuals to deliver on all levels. This has caused issues for the council at critical points, for example with producing the statement of accounts and supporting the audit process.

The Director of Resources needs to have enough capacity to focus on the strategic issues rather than being the 'go to' for anything finance related. Greater clarity of roles and responsibilities and more expansive delegation from members to building in efficiencies would go some way to help with this as well as considering the structure, capacity and technical skills within the finance team. Some salaries were lower than other councils and staff progression was felt to be limited. A review of salaries, training and opportunities within the finance team needed to be included alongside an assessment of the delegations, capacity and skills that the council needed going forward.

It was clear that some budget holders did not have an understanding or knowledge of day to day transactions that supported the financial information, this isn't an acceptable culture however they did have good connections with those in their team that did. The peer team felt that financial / budget training would be beneficial for both those with budget responsibility and those operating within the services who were managing the day to day details. Budgets are also not risk assessed meaning all budgets are monitored on the same frequency. Risk assessing the budgets would enable focus to be placed on those at higher risk of variation and time spent on those of lower risk to be reduced accordingly. It was also felt members would benefit from finance and governance training. The peer team suggest that this take place after the elections in May so that new and existing members could benefit as part of a wider Member Development Plan. Planning was underway for onboarding members after the May 2023 elections and it was recommended by the peer team that a session on financial governance be offered to all members as part of this wider corporate offer.

In light of the financial situation and potential change in political makeup of the

council following the May elections, the peer team suggest that the council hold a 'Top Team' away day for officers and members after the elections. This would provide an opportunity to agree priorities with a focus on financial stability and would allow ownership and accountability from existing and potential new elected members of the council.

4.2. Financial strategy, planning & forecasting

The council's Corporate Plan covering 2023 – 2027 has been adopted and well received by members. This was seen as an important step by the council as where there had been a disconnect previously it was seen as evidence of strategy and delivery working closely together. However whilst the Corporate Plan sets out the principles of future working and will be used to prioritise and allocate resources it doesn't identify how the budget gap will be filled.

It was noted that officers who had worked on this had been thanked for the hard work involved and quick turnaround which they completed within 9 days. The concern with the approach taken was the potential lack of understanding and buy in from staff and members. The peer team suggest that some further work needs to be carried out quickly to ensure that stakeholders fully understand the corporate plan and the vision for the district, key priorities and how they will be delivered.

It was felt that budget planning with members needed to start earlier to allow sufficient time for challenge and understanding. The peer team heard from some members that the budget briefings had been well attended and members had felt that they had been able to challenge and ask questions. The Finance working group had been set up to support the process, feeding into Strategy & Resources and then to Council with any recommendations. However the working group had not been able to make any recommendations and this hadn't supported the work to close the budget gap and make decisions. The peer team felt that training and development would help members understand their roles and responsibility and empower them to make recommendations in future. A recommendation from the peer team to strengthen this process was to establish a Corporate Finance Board that would include senior officers to own the corporate plan and finance plans for the authority, make clear

decisions. The Board would be made up of all group leaders and include the Chairs of the Strategy & Resources Committee and the Performance, Governance & Audit Committee, ensuring a no silo approach. The chair of this board would then act as a champion of financial and strategy matters. Members of the peer team agreed to share the terms of reference from similar entities in their own authorities.

As referenced earlier in the report the MTFS needs to be developed and built on further to ensure that it is robust and sound. It is important that there are clear links and alignment between the MTFS and the corporate plan and other key strategic strategies and policies, linking policy, strategy, investment and risk. The council needs to be able to demonstrate that priorities have been set with the level of resources available. The peer team enquired about public consultation and were advised that residents were to be consulted on priorities during Summer 2023 which would help the council to consider the level of services needed and which could be achieved.

The peer team were pleased to see that the council had several key strategies in place such as the commercial strategy and delivery plan. However not all strategies were aligned, cohesive or followed. Support from the communications team in terms of a strategic narrative for the council would help to tighten and align the policies and strategies that were in place. Below are some suggestions for next steps for some of those strategies.

Capital Strategy – further development of the capital strategy is needed with a longer term focus. To provide maximum benefit it should be supported and underpinned by the asset management plan, stock condition surveys and the commercial strategy. It is understood plans are in place to support this with the appointment of a new Asset Manager.

Asset Management plan – further development of the asset management plan to include a review of assets held their usage and required funding and outcomes

Procurement strategy – further development needed on this. Procurement was seen as lacking resilience and depth and collaboration opportunities needed to be explored for upcoming contracts.

Once the key strategies and plans are developed and aligned it is important that they are fully understood and used as a framework by members and officers when proposing and making decisions. For example, the decision to hold planning meetings in Burnham did not meet the council's approach to efficiencies and reducing costs which members had agreed and signed up too. It is important to ensure reports state risks etc.

The peer team found a disconnect between the Strategy and Finance teams at the council and believe that if they worked together, they could form a joint approach to managing the identified budget gap and an associated communications plan. By working together it would strengthen the approach for the gap to be owned by the whole council rather than it being perceived as the responsibility of the Finance team.

4.3. Decision making

Whilst it was clear that many officers and members are aware of the financial challenges that the council was facing, the peer team found some confusion and uncertainty over several issues related to decision making, accountability and transparency. The messages from CLT and the awareness demonstrated by non-financial managers was reassuring, however some key themes surfaced throughout the time the peer team spent on site.

There was recognition that the financial situation, as faced by many councils, is complex and therefore needs to be simplified for officers and members to fully understand the extent of the situation and the solutions. There appears to be a lack of clarity and certainty within the council as to who was accountable for the budget gap and the steps that were being taken to address it and this need addressing. Members noted that the budget briefings that they had received were informative. The next step for the council would be to assess whether the right level of detail was being provided to members to support decisions. The peer team recommend that the Scrutiny Committee is more involved in the budget process to provide an appropriate level of challenge and rigour.

The peer team considered the councils governance arrangements and thought that a

review of constitution and committees would provide an opportunity to simplify, streamline and make the decision-making process more accessible. The peer team thought the current process was being hindered in some cases by a lack of understanding and clarity and as a result strategy was not driving decision making at the council. The Corporate Plan sets out the vision for the council, outlining the corporate priorities which link to the budget setting process, growth and savings bids. As referenced earlier, the council has a number of plans and strategies in place that are not always used or followed. It appeared to the peer team that some members would want to take decisions that would impact their ward or interest rather than taking a strategic approach and considering the whole of the district. This appeared to come down to culture, confusion and politics. The council needed to tighten this process and ensure that members are working together to deliver on the agreed objectives and using the strategies in place to guide decision making which in turn would provide greater transparency and clarity and deliver a balanced budget.

To support the governance process further and make things more efficient, the council should consider expanding the scheme of delegation. If agreed strategies and policies are in place, then officers should be able to operate within these boundaries to deliver on agreed objectives without having to consult members on issues that are clearly laid out in an approved framework. Members need to trust officers to use the frameworks including for financial decisions, but officers who hold budget need appropriate training.

The peer team found that there was limited financial data in some areas to support decision making, including benchmarking and capabilities of the current finance system. This needed to be reviewed and considered to aid the decision-making process and support the council when looking to meet the budget gap that they are facing.

The peer team did find evidence of a project management framework but that further work needed to be done to embed the approach across the council and utilise it to support and track delivery. The role of finance within this process needed to be clearer and adds to the recommendation that strategy and finance need to work closer together.

Finally, the council should consider appointing an independent person to the Performance, Governance and Audit Committee. This could provide the council with additional skills and support the Performance, Governance and Audit committee in carrying out their role. It was noted by the peer team that at some point it would be a requirement to have an independent member on the Performance, Governance and Audit Committee and the council should want to take the opportunity of additional skills sooner rather than later. It would also be welcomed by the chair of the Performance, Governance and Audit committee.

4.4. Financial outcomes

The peer team heard that the capital programme had been underspent for the past 2 years. At the start of 2022/23 the council had capital reserves totalling £2.0m. £0.9m is scheduled to be used to support the 2022/23 capital programme, which will leave £1.1m to support future programmes for 2023/24 and beyond. There are no revenue implications for the proposed future capital programme for 2023/24 so any revenue implications beyond that will need to be built in. The council noted that there had been a resource issue in terms of the capital programme and that this key post had now been filled.

The council's commercial strategy appeared to be on track but it was still early days. Greater alignment with the new Corporate Plan and MTFS would strengthen its position. It was noted that the Performance, Governance and Audit Committee received an update on commercial outcome and active projects via the Corporate Performance update but these do not help inform decisions.

The peer team found evidence of performance management, and corporate project outcomes at the council although questioned the visibility, connectedness and how embedded they were within the council's processes and ways of working.

The Performance, Governance and Audit Committee is supported by an internal audit service run under contract by BDO LLP. The Committee reviews Corporate Performance, Risk Management, Health and Safety and progress against the Annual Governance Statements on a quarterly basis. The Committee is currently chaired by

a non-aligned councillor with a Conservative vice-Chairman. As mentioned earlier in the report there are no independent expert members of the Committee. BDO concluded that they were able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. Whilst the Performance, Governance and Audit committee is working well there has been no independently reviewed self-assessment of the Performance, Governance and Audit Committee recently. This needs to happen every 5 years and is something the council has to consider organising soonest to provide extra reassurance. Again bench marking against other councils would help Maldon District Council to have a better sense of their performance and capability. It is an opportunity to learn and to share learning.

The Financial Accounts remain open from 20/21 and beyond and it was acknowledged that this was a national issue and beyond the control of the council. However due to the small size of the finance team it is a challenge to complete the Statement of Accounts in line with the deadline and to the required standard. The almost constant state of audit caused by the national position is adding to the burden on the already stretched resources. It was noted that the audit of Council accounts had commenced in January 2022 and had aimed originally for completion in April 2022. An accountancy issue had been raised around infrastructure assets and changes to accountancy guidance were due to be issued to address this therefore auditors needed to wait for this to be introduced. The last meeting Committee attended by Deloitte appears to have been in July 2021 when they presented plans for the 2020/21 external audit. The Council has published its unaudited accounts for both 2020/21 and 2021/22 by the deadline, however the audits remain ongoing.

4.5. Partnership & Innovation

The peer team notes that a transformation programme was carried out by the council and was completed in 2018 which resulted in the council becoming quite lean. Subsequent savings and efficiency programmes had meant that many services felt 'cut to the bone' and members were cautious of more transformation, seeing it as cutting already depleted services.

The peer team understood that there was a commercial team in place at the council who were looking at opportunities and had put in place appropriate plans for delivery of the commercial strategy but as mentioned earlier in the report it was not synonymous with the MTFs or embedded across the council. Further work needed to be carried out on this to ensure that the opportunities were understood and supported across the council and the contributions that might be made towards the budget gap.

The peer team heard that the council were answering 89% of queries that they received online which was seen as a great achievement. The council also offered face to face services for those that were not able to access the online service. There was an opportunity for the council to share its learning with others who were looking to increase their digital offer and uptake and also to make further savings from this achievement through streamlining face to face and telephony support

The council was working closely with the County Council in terms of a literary festival with a number of events taking place in Maldon. The peer team also heard that the Director of Strategy attended regular meetings with other council chief executives across the county and was looking for other opportunities for partnership working.

The peer team felt that the council needed to quickly take stock of all the opportunities that it had and come up with a succinct and clear plan on what they want a future transformation programme / savings strategy to be. The financial situation of the council was urgent, and some thought out options needed to be discussed and shared with members post elections in May. The peer team heard about some different options that the council had started considering and also suggested other actions that the council could consider under the new Corporate Finance Board.

- Shared Services – It was noted that the Director of Strategy has started looking at Shared Services and was in the process of identifying potential opportunities. An investigation into the feasibility of the different shared services needed to be carried out so relationships could be developed, and options explored further. The council needed to establish some clarity on whether it was looking for savings or to provide resilience and be realistic

about what each opportunity could provide.

- Consider empowering Parish and Town Councils to take on more responsibility for example delegating appropriate powers, including asset transfers e.g. parks and toilets.
- Carry out a review of grant payments and outcomes to partners. It was imperative that the grant payments linked to the Corporate Objectives and that the right and proportionate outcomes were linked to these payments.
- Does the council need to revisit what it is doing around health integration. Was there an opportunity here for greater partnership working through ICP/ICB and health funding
- What opportunities did the council have linked to its asset holdings. Had this been explored?
- Review the council's contracts to see if there were any opportunities to create efficiencies or savings or join with other councils where contracts were due to be relet.
- Review of section 106 money to see if it is currently supporting innovation and if not, what scope could there be going forward to support innovation and the council's capital activity.
- Use of the council building – was there greater scope to share with partners?

4.6. Additional asks posed by Maldon District Council

- A critical friend to look at the council's current budget setting process
- A check that the strategic financial processes are robust
- Support in identifying solutions to the council's financial challenges – these will be addressed by Andrew Hardingham in a separate paper.

Budget setting process

The peer team looked at the current budget setting processes and made the following observations

- The council tended to have a system of historic budget rolling over, meaning that all previous items were included again for the current year, some of which would have been non-recurring. A review of this should be carried out to ensure the budget was based on actual need and priorities for the current year and past items that were no longer needed were not included.
- The budget setting process should be developed to enable greater budget manager ownership. Currently there was a lack of ownership and clarity on budgets.
- The level and depth of budget monitoring should be linked to a risk assessment of budgets so resources are targeted in the right area. High risks or more complex budgets should be supported by the underlying data that drives costs/income.
- A clear transparent process on the rationale and prioritisation of growth bids was needed. Some staff were unclear about how decisions were made and the prioritisation process between some statutory and discretionary growth bids.
- As mentioned earlier in the report, a Corporate Finance board should be established whose focus is on the budget to give greater focus and accountability to delivering on services, project and programmes and managing the budget gap.

- The council needed to have a conversation, potentially as part of the top team away day, to discuss what type of council they wanted to be and what service standards were appropriate for the district and within the budget constraints that were being faced.

A check that the strategic financial processes are robust

- The peer team felt that the council needed to have enough capacity to enable training and continuing professional development for the finance team. This would not only support the team having the right amount of different financial and technical skills but also demonstrate investment in staff which was important when promotion and increasing salaries was not always an option.
- It was important that finance training was available for budget holders and other staff so that they could understand the financial processes within the council, the financial challenges and context and their role in supporting and providing a solution.
- The peer team found a lack of understanding from some members around the financial processes and responsibility that they had within their roles. Continuous training of Members with options of refreshers was important so that members were able to make the best decisions for the council. It was clear that some work needed to be carried to ensure that any new members and existing members were supported and confident in their roles. This included training for chairs as well as understanding financial governance.
- The peer team recommended that mentoring be offered to senior officers and members within the council to ensure that they felt supported, had an opportunity to test and challenge their ideas and decisions for the future.

- A further review against the CIPFA Financial Management Code, at a more granular level, and against the guidance notes that were published after the original code would help identify where further improvements could be made. An action plan could be produced and reviewed by the appropriate committee to maintain any oversight of required actions.

5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge and further support can be discussed.

In the meantime, Gary Hughes, Principal Adviser for EE, is the main contact between your authority and the Local Government Association. Gary Hughes is available to discuss any further support the council requires. gary.hughes@local.gov.uk.