

<b>Report title</b>	<b>Request to use the Service Transformation Reserve for critical spend associated with the Non-Statutory Best Value Notice Response</b>
<b>Report author</b>	Andrew Pritchard
<b>Department</b>	Chief Executive Officer
<b>Exempt?</b>	No
<b>Exemption type</b>	Not applicable
<b>Reasons for exemption</b>	Not applicable

**Purpose of report:**

- To resolve

**Synopsis of report:**

To resolve to allocate funds to enable Runnymede Borough Council to prepare an evidence base of assurance measures to respond to the receipt of a Non-Statutory Best Value Notice from Department for Levelling Up Housing and Communities.

**Recommendation(s):**

- i. To approve the use of the Service Transformation earmarked reserve to fund expenditure arising from the non-statutory Best Value Notice response work programme
- ii. To approve a Supplementary Revenue Estimate in the sum of up to £125,000 in 2024/25 to provide a budget for the expenditure that may be incurred in response to the non-statutory Best Value Notice, to be funded from i) above.
- iii. To note that Officers would seek further Committee approval if further funds are necessary over and above the budget sum.

**1. Context and background of report**

- 1.1 Following engagement with the Department for Levelling Up, Housing and Communities (DLUHC) and the Chartered Institute for Public Finance and Accountancy (CIPFA) during 2023, the Council received a non-statutory Best Value Notice ("Notice") on 19<sup>th</sup> December 2023 from DLUHC.
- 1.2 The Notice requests that the authority engages directly with the Government to provide assurance of improvement. The Notice will normally remain in place for 12 months, after which time, should the Government deem it necessary to continue to seek assurance of the authority's improvement progress, it will be reissued. The Notice may be withdrawn or escalated at any point based on the available evidence.

- 1.3 (Non-statutory) Best Value Notices provide an opportunity for early engagement with an authority that is exhibiting indicators of potential best value failure and where there is confidence that the authority has the capability and capacity to make its own arrangements to secure continuous improvement.

## **2 Report and, where applicable, options considered and recommended.**

- 2.1 The Notice sets out a series of recommendations that the Council needs to deliver and evidence in response to DLUHC.
- 2.2 The Council is expected to continue to improve and, specifically, to commission an external governance review which aims to provide more in-depth assurance on RBC's governance and leadership structures in line with Best Value principles, including a review of:
- The effectiveness and efficiency of internal decision-making and scrutiny processes
  - Culture and leadership, including the Authority's sense of strategic vision and direction, effectiveness of leadership, and attitudes and behaviours towards positive and open relationships.
  - Capacity and capability, including evidence of continuous improvement.
  - Delivery of services.
- 2.3 The Council is also expected to agree plans to address concerns and deliver all recommendations set out in the CIPFA review, at pace. In particular, the Council should:
- Outline what steps they plan to take to reduce and manage the overall debt of the Council.
  - Develop a risk appetite statement, including specific elements for its commercial and regeneration portfolio and divestment opportunities, and formalise a moratorium on commercial investment.
  - Update the MTFP to reflect different scenarios in savings delivery, in the relationship of stock condition findings to MRP, and in commercial income performance.
  - The Finance and the Asset Teams should work together to determine the appropriate scale of the sinking fund to the extent that the sinking fund can cover income and repairs risk.
  - Develop and monitor capacity and capability to support priority areas.
  - Work to elevate the profile of, and focus on, commercial and regeneration priorities in formal decision-making and oversight.
  - Improve reporting on investment performance and expected returns.
- 2.4 To address and deliver the response to the Notice, a programme of work has been developed, wherever possible using existing data, information and resources to produce an evidence base that can support the necessary external governance review and the response to the Notice. However, for some required activities it is likely that the commissioning of external support will be required for instance where specialist skillsets are not available from internal resource, or where work needs to be delivered at pace and there is insufficient resource availability for this to happen.
- 2.5 The workstreams identified that form the work programme to evidence and demonstrate the Council's response to the Notice are:
- Implementation of CIPFA report recommendations.
  - Self-assessment against Best Value Guidance.

- General Fund Capital Review.
- Governance Review of Companies.
- Review Company Resilience.
- Review A&R team structure.
- Assess organisational culture and leadership capacity.
- Deliver external governance review.
- Report to DLUHC in response to the Notice.

- 2.6 Attached at Appendix A is a description of each workstream, the expected outcomes and deliverables, the high-level work packages that are likely to be necessary, and the success criteria. This forms part of the Programme Charter (“Charter”) that defines and documents the scope and how the programme will achieve the objectives. The Charter defines the parameters against which progress can be assessed and performance measured. The Charter is a live document that will be refined and updated during programme delivery. Attached at Appendix B is a snapshot as of 30 January 2024. The programme will be captured as part of the project portfolio and general progress updates provided as part of Quarterly reporting. Specific reports may be produced as an outcome of a workstream and these will be taken to the appropriate Committee for review.
- 2.7 Budget provision to support some work streams will be necessary. The working presumption responding to the Notice is not to divert funds away from service delivery. Where expenditure is incurred, it should be to fund something that is a material benefit to the Council, and something that would have been done irrespective of the notice being served.
- 2.8 The governance review of the Council’s company structures is one such example where it is identified that external support will be required. This is an activity that was always intended, but the Notice sharpens focus and brings forward delivery of this necessary review at pace. It is recognised an external independent view working at pace and scale will be needed to deliver this significant piece of work. Therefore, it is proposed to engage an external company with specialist resources to deliver an independent review of the governance of the Council’s company structures. This is estimated at up to £40,000 to include the initial review and formal report of recommendations plus contingency for any follow-up work to support the resulting action plan.
- 2.9 The Notice sets out the requirement to review the Council’s culture and leadership. Whilst this is already a focus area of the Council’s Organisational Development strategy, this will be addressed at pace during 24/25 in a series of work streams within the work programme. Both Culture and Leadership are two of the seven themes described in the Government’s Best Value draft guidance<sup>1</sup> alongside Continuous Improvement, Governance, Use of Resources, Service Delivery, Partnerships & Community Engagement. Senior Officers will conduct a self-assessment against the seven best value themes to identify and highlight success and leading practice whilst identifying areas for improvement. This workstream will also produce an evidence base for both the planned external governance review (LGA CPC) and the response to DLUHC. However, to address and deliver cultural and organisational change, it is recognised that this must go beyond just a narrative and must be embraced by, and embedded within, all levels of the organisation. A second related and interdependent workstream is therefore proposed to deliver a cultural assessment of the organisation, to further explore and identify opportunities

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<sup>1</sup> [Best value standards and intervention - a statutory guide for best value authorities: consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/best-value-standards-and-intervention-a-statutory-guide-for-best-value-authorities)

for improvement and change that may come from the self-assessment and to develop an associated action plan. A budget of up to £15,000 is requested to engage independent organisational change facilitation to support staff workshops and sessions as part of the assessment process.

- 2.10 The Council undertook a Local Government Association (LGA) Corporate Peer Challenge (CPC) in October 2019. It is considered best practice that local authorities arrange and act upon the findings of a corporate or finance peer challenge at least every five years. Therefore, it is timely to arrange a CPC during 2024/25, and this will also meet the Notice's requirement to deliver an external governance review. The workstreams are being scheduled to culminate in the LGA CPC to provide an independent review of evidence of our continuous improvement. Whilst the LGA offers a fully subsidised peer challenge review, a small amount of expenditure is likely during the on-site review period. This is estimated at up to £5,000.
- 2.11 In addition to the known expenditure at 2.8 - 2.10, budget provision for contingency spend associated with internal resource capacity in Finance is also requested as part of the budget amount to be set aside. The drain on resources in Finance to support additional work in response to the Notice cannot be underestimated. Finance support and expert input will be required for all programme workstreams to some degree and will require Finance to lead on three of the nine workstreams identified. This significant additional work is on top of continuing to deliver critical core activity in accountancy and budget management, close out the 2023/24 accounts, deliver measures to address the audit backlog. At the same time, the team are involved in significant transformation projects to implement the new HR/Payroll system and procure and implement a new Finance system. As a result, it is requested that up to £50,000 is set aside for additional finance resource to deliver programme specific requirements regarding review of the sinking fund and further development and refinement of scenarios for commercial assets and the impact on the MTFP.
- 2.12 Finally, an additional contingency amount of £15,000 is requested to address current 'unknowns' yet to be determined. It is probable that internal staffing capacity will be stretched or gaps in capability are identified during the next 11 months to accommodate the work programme. This budget sum would be necessary to seek additional expert advice or to backfill internal resources and mitigate this risk.
- 2.13 The total budget requested is up to £125,000 and an indicative expenditure plan is below.

<b>Indicative Expenditure Summary</b>	<b>FY 24/25</b>
External review of governance of company structures	£40,000
Finance resource	£50,000
LGA CPC expenditure	£5,000
Cultural assessment facilitation support	£15,000
Contingency	£15,000
	<b>£125,000</b>

- 2.14 Every effort will be made to use this budget prudently, only where existing resources cannot be drawn on to deliver, and only where the outcome is of material benefit to the Council. As part of programme management, actual spend will be monitored against budget and reported as part of progress updates during the year. To note that Officers would seek further Committee approval if the situation arises that further funds are necessary over and above the approved budget sum.

### **3. Policy framework implications**

- 3.1 The compliance of the Council's with its obligation to secure continuous improvement and thereby deliver Best Value is evidenced through various decisions the Council makes under its Policy and Financial Framework. Addressing the issues which have been raised will enable the Council to demonstrate that it is delivering Best Value.

### **4 Resource implications/Value for Money**

- 4.1 As described in section 2 above, it is anticipated that a sum of £125,000 will be needed to fund the expenditure required in order to fulfil the requirements of the Notice.
- 4.2 There is currently no budget available to fund these activities, therefore it is proposed to use the previously approved Service Transformation Reserve to fund the programme expenditure up to £125,000 as set out in the report. £1M was earmarked for this reserve to support invest to save initiatives as they come forward through the service review and savings and efficiency programmes. Approved spend against the reserve is currently £70,000. It is anticipated that as in previous financial years, there will be some additional revenue underspends that are currently unaccounted for. It is proposed that this will be used to payback the Reserve with expenditure made for necessary associated costs in meeting the requirements of the Notice. As the year end position has not yet been identified, there may be a shortfall in funding, however, based on historic evidence, it is likely that there should be enough savings available. If this does not prove to be the case, then a further request for funds will be brought back to this committee at the appropriate time.
- 4.3 In order to meet Financial Regulations, it will be necessary to approve a supplementary estimate for this programme of works and the recommendations have been worded accordingly. All expenditure will be funded as set out in paragraph 4.2 above.

### **5. Legal implications**

- 5.1 Any expenditure will be subject to compliance with the Public Contract Regulations 2015 and Contract Standing Orders.

### **6. Equality implications**

- 6.1 None arising directly from this report

### **7. Environmental/Sustainability/Biodiversity implications**

- 7.1 None arising directly from this report

### **8. Risk Implications**

- 8.1 If no funds were made available to support additional activity required in response to the Notice, there is a risk that the work programme is not delivered and continuous improvement is not demonstrated or evidenced. This could result in additional or escalated intervention from DLUHC.

### **9. Other implications**

9.1 Not applicable

## **10. Timetable for Implementation**

- 10.1 The Governance review of the Council company structures is on the critical path for the work programme. This work needs to be initiated as soon as possible. Therefore, this report is seeking approvals to the recommendations at the February meeting of Corporate Management Committee.
- 10.2 The programme plan includes a timetable of activities, milestones and interdependencies and a snapshot is included in the Programme Charter at Appendix B

## **11. Conclusions**

- 11.1 The funds requested will be used prudently to deliver continuous improvement outcomes of material benefit to the Council whilst also supporting the evidence base required to respond to the non-statutory Best Value Notice.

## **12. Background papers**

- 12.1 [Notification of receipt of non-statutory Best Value Notice](#) was reported at Corporate Management Committee on 18 January 2024, Standards and Audit Committee on 23 January 2024 and Full Council on 08 February 2024.

## **13. Appendices**

- Appendix A: Workstream descriptions that make up the non-statutory Best Value Notice response programme
- Appendix B: Programme Charter as of 09 February 2024