

Somerset Council

**Review of financial management using the  
CIPFA Financial Management Model**

February 2026

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## **1 Executive summary**

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Somerset Council commissioned CIPFA in November 2025 to undertake a review of its financial management practices using the CIPFA Financial Management Model (referred to as the FM Model) as a framework for the review. This report sets out the findings of our work.

### **1.1 The CIPFA Financial Management (FM) Model**

The CIPFA FM Model is recognised by HM Treasury (UK) as setting out the fundamentals of best practice financial management within a public sector organisation. It has been chosen by HM Government (HMG UK) Finance Leadership Group (FLG) as the framework to be used for financial management self-assessments. The FM Model uses a scoring system to provide an objective measure of financial management performance including the identification of strengths and areas for improvement. Importantly, the review measures the whole organisation's attitude to financial management not just the performance of the finance team. The assessment is based on a mix of evidence obtained through survey, interview and document review.

The CIPFA FM Model is based on a set of statements of best practice. Each of these statements is supported by a series of questions which both explain the scope of the statement and help evaluate the extent to which the statement applies to the organisation. Survey groups are asked to respond to different statements, depending on their role, with the survey being tailored to each survey group.

While we have commented in this report on some aspects of the Council's financial resilience (as relevant to the issues identified) we have not undertaken a resilience review in addition to the FM Model. This review is not a substitute for an appropriately detailed audit of high-risk areas.

### **1.2 Best practice matrix**

The matrix overleaf aggregates assessments for individual statements of best practice in the FM Model and summarises CIPFA's assessment of the Council's financial management arrangements. Using the matrix, the key findings of the review can be summarised across the three financial management styles and four management dimensions. Details on relevant financial management styles and dimensions can be found in Section 3.3 below.

The scores given in the matrix have been moderated using the responses given by survey participants, our findings from the interviews, our document review, and our knowledge of the Council. As such, they are based on the totality of the moderated evidence available to us.

## FM Model key findings chart for Somerset Council – February 2026

Financial management styles	Management dimensions			
	Leadership (A)	People (B)	Process (C)	Stakeholders (D)
Delivering Accountability (1)	*	*	**	**
Supporting performance (2)	*	*	*	***
Enabling transformation (3)	*	*	*	*
<b>Overall</b>	*			

Whilst there are pockets of good performance against the elements of the model, however, overall, there are several weaknesses that need to be addressed and dealt with as a priority in order to increase the overall score. This is the aim of the Financial Management Improvement Plan that the Council is developing but also requires fundamental consideration of the profile and understanding of good financial management practice across the whole Council.

### 1.3 Strengths and areas for further development

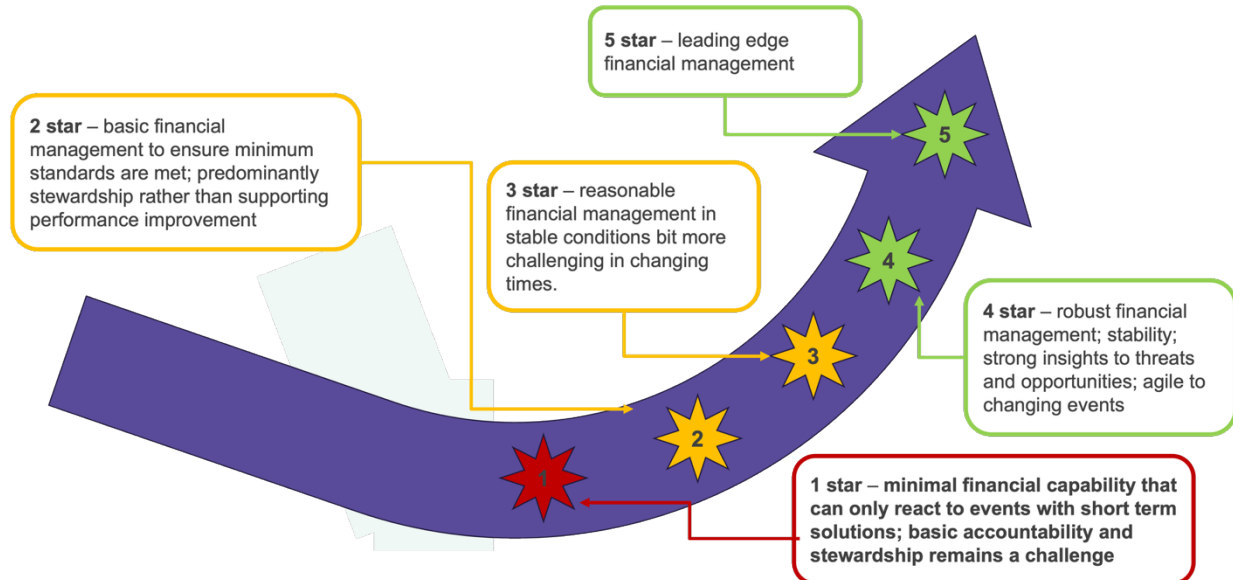
As indicated in the matrix above, financial management in Somerset Council is “weak” with an overall “one star” rating. The Council accepts that there is work to do to stabilise the financial situation and recover from the reliance on Exceptional Financial Support, but more work is needed to translate that into coordinated actions and priorities.

Despite the challenges associated with the implementation and subsequent operation of MS Dynamics, the preparation and audit of the financial statements has been a positive feature and the work of the finance team has been praised by the Auditor. This includes concluding all the financial statement for the predecessor councils and successfully completing the 2024/25 accounts within the backstop. That said, there are areas of internal control and record keeping that have been identified as needing attention to prevent them becoming material to the financial statements.

Moving financial management to a stronger position will rely on the Financial Management Improvement Plan being accepted across the Council, suitably resourced and prioritised alongside the wider Transformation Programme across the Council. It is not just stabilising the finance function that will improve financial management, a whole organisation cultural approach is fundamental, pulling together all the findings of previous reports and action plans into a clearly owned and understood coherent plan. Delivering, at pace, the transformation of the whole organisation needs to be the catalyst for ‘turnaround’ to secure financial stability which in turn will enable capacity for further enhancing the basics of sound

financial management.

In respect of the changes already underway, we think it is reasonable for Somerset to achieve an improved score over a period from 18 to 36 months, but it will require a well resourced plan, organisational focus and proper support and challenge with the likelihood of external support. To illustrate this, it is helpful to consider the criteria for the different scores.



Moving the organisation's score will take time and investment but it should be possible to achieve 2 stars within 12 -18 months then progressing to 3 stars in approximately 36 months. At that point, the organisation can then establish what it can progress further over what period to move the upper levels of the scale.

To score 4 in the FM Model, an organisation must have in place a strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term and is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most of the organisation's investment programmes will be delivered to time and cost. The organisation will also have strong insight into cost drivers with highly evident commercial capabilities with strategic and operational planning.

We have set out a proposed Action Plan in section 1.7 of this report, which will help the Council improve its rating in stages, with an ultimate aim of achieving a 4\* rating and put the Council in a stronger position to face future challenges and implement transformational change. This is quite a step up from where the Council currently sits and will require a significant step up in the ambition and pace of delivery of the transformation programme, the Financial Management Improvement Plan, and effective delivery of the transformation projects. It would be advantageous as part of the Financial Management Improvement Plan to re-run this model with support from a CIPFA at an appropriate time to provide assurance that the criteria have been met.

### 1.3.1 Strengths

In our view, the Council demonstrates an appreciation that its financial situation is challenging and there is scope to make improvements to its approach to financial management and financial stability.

The following key strengths were identified as part of the review:

1. Despite the Statutory Recommendations from the External Auditor relating to the overall financial stability of the Council, the financial statements are up to date and the statements for the legacy councils are complete. This gives a good platform for building a solid improvement programme.
2. The Corporate Plan and Council Vision are underpinned by a commitment to being a “financially sustainable and efficient council” which demonstrates that there is a will to move forward to a sustainable future. Members expressed their confidence in what they termed the calm and clear approach of the interim Chief Finance Officer which has been a sound foundation for bringing about the transformation that is required as the Council transitions to its permanent CFO.
3. There is financial awareness across the Council and an acceptance that there is a need to change and transform to be financially sustainable. Members and Officers expressed a willingness to engage in the transformation being developed which needs to be harnessed into tangible delivery. Officers will need to step up to demonstrate that the programme is delivering to maintain member support.
4. In the meantime, the interim Chief Finance Officer, with support from the Service Director, Finance and Procurement (Deputy S151 Officer), has delivered stronger platform for budget setting and financial management. The interim CFO has had an influential voice at the Executive Leadership Team (ELT) and Director / Head of Service level and has been very clear to Members and colleagues on the challenges facing the authority and the necessity of change. The role has been elevated to be a valued strategic leader within the authority, and this must be further enhanced in the future. The revenue and capital budgets are more closely monitored and there have been several areas, particularly the capital programme, where significant work has been done to ensure that the budget is a reflection of the current situation.
5. The Council has struggled with its role as Accountable Body (leading to an additional Statutory Recommendation) and with its Local Authority Controlled companies (LATCOs) and work is being undertaken to establish a Shareholder Committee and to provide guidance and training to support those involved in such ventures.
6. Some interviewees stated that there is a growing recognition of the need for a cultural change within the Council to ensure that the pace and ambition of transformation spreads and delivers more sustainable changes. The need for effective financial recovery is accepted albeit not consistently expressed or understood at middle manager levels in particular. Members recognise the need for financial stability and many budget holders have commented that they recognise the need to take greater ownership of their budgets. Managers were very supportive of the commitment and dedication shown by the finance business partners despite that fact that the finance system does not operate without significant intervention to support budget

management. The finance business partners we interviewed demonstrated a good understanding of their directorates and the challenges they currently face.

7. There is scope to deliver a meaningful asset disposal programme to address the financial challenges, but this needs an updated and ambitious Asset Management Plan and then gripping and accelerating its delivery to address the continuing challenge of achieving financial stability without the need for EFS.

### 1.3.2 Development areas

Whilst we acknowledge that there is commitment to supporting the Council to become financially stable, and improve the overall financial management capabilities, there remain a number of concerns that have inevitably reduced the scores attributed to the model.

#### **Leadership**

1. The capacity within the Council to build a more robust approach to financial management is not yet proven and Finance needs to be top of the agenda and routinely considered at Leadership team meetings. The 2025 management restructure was necessary but has diminished capacity in a number of key service areas. Until a substantive Chief Finance Officer is in post, it is inevitable that there are limitations to what can be achieved. Although the interim CFO is largely engaged in strategic and complex issues, the Service Director, Finance and Procurement, tends to get drawn into day-to-day operational issues in the Finance Directorate and this restricts their opportunity to influence and support the Council at a strategic level. Furthermore the inevitable focus on budget setting due to the challenge of closing the budget gap which still remains over the period of the MTFs, means that there is limited capacity to effectively tackle other organisational financial management challenges. The finance team and services need to find more capacity to focus on working closely together on effective budget management, financial modelling further into the future based on informed demand and financial assumptions and sound transformation plans. Whilst financial stability is dependent on the transformational change being implemented, there remain a number of critical system and process issues to be addressed and there are many basic controls and processes that need attention to allow finance business partners to be more effective in their roles and move away from manual processing and resolving failure and poor practice.
2. The engagement between finance and budget managers needs to be strengthened to ensure there is a consistent level and mode of supporting and challenging business as usual activities, such as forecasting outturns and planned mitigations. It is important that as well as consistency of approach, this is underpinned by consistent and reliable data for each service area. The relationship between finance and the service varies between directorates. Some directorates and service areas, such as parts of the Adults Directorate, demonstrated reasonable ownership of their budgets. By comparison, ownership and accountability needs to be embedded much further in the Children's Services directorate to bring about grip and control, although it is important to recognise that there are some external pressures which it is more challenging to control. From reviewing a number of documents relating to the Deficit Management Plan to recover the Dedicated Schools Grant, there is no clear demonstration of leadership from the service to move the required actions forward at pace. Even with the most recent announcements regarding mitigations of these

deficits, it is essential that the actions are owned and delivered as part of the overall achievement of financial sustainability.

3. Bringing together the budgets for the current structure to facilitate greater clarity for budget managers is critical to enhance ownership and accountability. To harness the willingness that came out in several interview to do this, removing the difficulties in accessing clear succinct reports, is fundamental.
4. Providing clarity about the priority of the multiple sets of actions that are outstanding from the various reviews including the Corporate Peer Challenge, External Audit's Statutory Recommendations and the interim audit letter, the External Assurance review done by CIPFA previously and the internal audit recommendations would allow focussed effort across the organisation that would enable closing down those actions and ensuring that others are satisfied in a timely manner.
5. Transformation is critical to the longer-term financial stability of the Council. The transformation governance arrangements appear to be in place, but it is very dependent on the engagement and direction of Members and the Executive Leadership Team. There are impending staff changes in some key Chief Officer posts, such as Adult Services, and the Chief Finance Officer and a number of other interims across finance and service department. Stability, continuity and granularity will be critical to maintain the focus and impact of the change programme. It is important that all layers of management are aligned and giving a coherent message. The tone and direction can be established at the most senior level but visible leadership from Heads of Services is equally vital as they directly impact teams delivering services and change.

## **People**

6. The existing Finance team at Somerset Council has some a strong skills base in some key areas, especially in the Chief Accountant's and Treasury function. However, there are areas of weakness and a series of single points of competence with specialised technical skills that are not readily available should any replacements be required. This jeopardises future service resilience. There appear to be extensive resources in some areas in spite of a limited number of fully qualified CCAB accountants and experience. This absence of qualified staff is particularly challenging at the senior levels of the overall finance business function given the financial complexities and current challenges facing the organisation. This is in no way a reflection of the commitment shown by the staff across the function. Whilst it not necessary to hold a professional qualification to be an effective business partner, it is a crucial requirement for anyone seeking to become a Director or S151 Officer in future. There is a value in having a strong cohort of CCAB qualified staff as it gives a depth of technical and professional knowledge that can be drawn on to ensure that there is confidence to appropriately challenge and support service departments. Many councils set qualification requirements at different grades in their finance structures to achieve this aim. Having succession plans is critical because of the proven difficulties in recruiting and reliance on interims to provide supernumerary support to the substantive staff. Having the right mix of the skillsets supported by a programme to develop talent is fundamental for the future stability of the finance function and the Council's financial management capability.

7. Budget holders are too reliant on finance business partners to collate and analyse financial data on spreadsheets to flag any issues arising. Consequently, the work focus of the finance business partners appears to be too much towards a management accounting approach and on operational rather than strategic issues. The emphasis of the meetings tends to be on monitoring outturn against budget and explaining any deviations. This is important, but it is largely focused on what has already happened rather than identifying and tackling issues before they arise. Changing this working environment will be a challenge because of the existing arrangements that have been necessary due to the system, its reporting limitations and processes that have not been reviewed since the convergence of the former councils into the new organisation. Both finance and service managers need to be open to using the tools that are currently in place and other new ones that may improve and automate processes as opposed to maintaining older ways of working which may be a comfortable situation and culture for all parties.
8. There is currently little opportunity for career development within the existing structure of the finance team partly due to the system constraints, the financial situation and the structure itself. The limited capacity within the team for job rotation and whilst there are gaps and professional training going on, it is not reasonable to attempt to rotate staff unless it furthers their ability to pass the qualifications. Consequently, it will take some time before that approach can be part of the resilience planning across the finance function and may not be achieved for at least 18 to 24 months until some of the fundamental issues have been progressed.

## **Processes**

9. It is a mixed picture in terms of whether managers are fully involved in setting their budgets with limited contributions to delivering efficiencies and savings. This may also be a consequence of the constraints of the finance system which has already been stated above. Forecasting has consistently been identified as an area that requires improvement including improved explanations for budget variances and mitigating actions.
10. There has been significant feedback regarding the lack of functionality in MS Dynamics which does not have extensive use across the local government sector. There are still numerous spreadsheets being used by both finance staff and service managers to carry out budget monitoring which is both wasteful of staff time and introduces the risk of error. This leads to the potential for incomplete or inconsistent information being held in the core system which may in turn affect the quality of budget monitoring.
11. It is estimated that there are in excess of 50 interfaces into MS Dynamics plus other semi-automated and manual interfaces or uploads which make it difficult to maintain effective control of the system and offers opportunity for errors to be introduced into the core data.
12. Some budget holders do not find the Power BI reports intuitively straightforward to monitor their outturn against budget even though there has been some training provided in using them.
13. There has been a focus on the enforcement of no PO, no Pay, reporting contract breaches and waivers which has focussed attention on greater adherence to

processes and timely review of contracts however there is still more work to be done in this area to improve consistency and compliance. The Chief Finance Officer has introduced procurement pipeline management to provide more 'upstream' visibility of forthcoming procurements. Some interviewees explained that the requisition process is not as streamlined as it should be and not consistently applied by all departments.

14. Whilst there is an understandable focus on the revenue budget to drive financial stability, there is an equal need to focus on the monitoring of the capital programme to ensure that the council does not overstate its capital financing requirement.
15. It is worth noting that several of the supporting strategy documents are currently under review including the financial regulations and the asset management strategy. The revision of the financial regulations is essential to provide a firm foundation for consistent and effective financial management.
16. The integrity of some base data, such as fixed assets, has been singled out by the External Auditors as in need of attention and regular review. Other reconciliations are known to be behind due to resource limitations. These are examples of fundamental internal controls that underpin financial governance and sound financial management. This has also been highlighted by the latest

### **Stakeholders**

17. From the interviews, it is clear that Members are supportive of Officers and recognise that there has been progress made but there is still a long way to go to achieve the commitment to be a financially stable and efficient council. Members are keen to see the detail of the business cases to give them confidence in the transformation programme. There was not a consistent view on the value that pre Scrutiny adds to decision making and the processes that should be followed which creates distrust and misunderstanding. The Audit Committee has been focussed on the financial statements but is now finding capacity to look at risk management and other areas of assurance that will support the future success of the transformation and stability of the council.
18. External Audit have been supportive thus far, despite the Statutory Recommendations, seeing that the Council has accepted those and is keen to act on them. The External Auditor is also keen to see greater pace in the transformation programme.

## **1.4 Direction of travel**

Somerset Council has been through a challenging time since it was vested in April 2023, with the financial emergency being declared before the new authority had been able to completely find its feet. There has been reliance on Exceptional Financial Support and (initially) on reserves which has been applied for again and remains necessary to allow for financial stability to be secured. Flexible use Of Capital Receipts is being used to the full funding by supply of capital receipts from the disposal of its inherited Commercial Investments portfolio. External Audit have, through the Statutory Recommendations, raised clear concerns which are repeated in this report, over the financial stability of the Council.

Inevitably our assessment of financial management must consider these factors, and it has reduced the scores we have attributed accordingly.

We are optimistic that if the transformation moves forward with pace, the finance system becomes a more useful asset and a sound finance team led by a substantive Chief Finance Officer are all in place, progress could gather pace and the situation would improve in the medium term. This does require the full focus and buy in from all key service leaders which may require more work.

There are signs that the desire for financial management to improve are scattered across the council. Service managers have welcomed the leadership of the interim Chief Finance Officer in the finance oversight boards and the understanding of the factors affecting escalating costs are well understood. There is improvement required in terms of the resilience of the finance department, longer term financial planning, budget ownership, finance systems, resolving the outstanding audit issues and the management of the capital programme. There is also an acceptance that there is a need to change and transform to be financially sustainable with a recognition that that this requires effective delivery of the overall transformation to the council as well as the delivery of the Financial Management Improvement Plan.

## **1.5 Overall conclusions**

The Council is facing undoubted challenges and whilst the financial challenges are understood and there is awareness this needs to translate into wider ownership across the Council and its leaders. The delivery of the transformation strategy is vital alongside building and delivery of the Financial Improvement Management Plan which strengthens the fundamental systems and processes for decision making, financial accounting, financial reporting, informed financial decisions and accountability. There is clear acceptance that whilst the finance function can look at its own service area, systems and processes and how it supports the organisation, it must be accepted that effective financial management is embedded in the organisational culture. Statutory Officer leadership and relationships are vital to the successful delivery of this aim with appropriate external and independent support.

## **1.6 Concluding comments**

We would like to take this opportunity to thank all the interviewees and survey participants who contributed to the review. This includes our particular thanks to Sian Kenny for her support with organising the interviews, survey participation and document provision.

## **1.7 Action plan**

Actions arising from the review of financial management using the CIPFA FM Model.

<b>Theme</b>	<b>Issue</b>	<b>Required action(s)</b>	<b>Priority</b>
<b>Resilience of the finance department</b>	<ul style="list-style-type: none"> <li>• The existing Finance team is not the optimum size, shape or skill mix to support the organisation in the medium to long term.</li> <li>• There is insufficient capacity for staff to build experience through job rotation because of the reliance on interim cover and vacancies.</li> <li>• The function has pockets of dependency on a small number of technical staff in some core functions.</li> <li>• Operation of a business partner model has not been embedded in the organisation both in finance and services.</li> </ul>	<p>We recognise that some initial work is already underway at Somerset with the development of the Financial Management Improvement Plan to address a number these issues. This should include the exploration of the following options for building capacity and greater resilience:</p> <ul style="list-style-type: none"> <li>• Designing and implementing a structure that can support the organisation to deliver its vision and be financially sustainable</li> <li>• Building a recruitment programme for trainee accountants or other specialists</li> <li>• Developing a career path for all finance staff that will enable individuals to build experience and provide succession planning across the function and in particular for the technical specialisms.</li> </ul>	<p><b>H</b></p> <p><b>M</b></p> <p><b>M</b></p>
<b>Coaching and Training for service staff and finance staff</b>	<ul style="list-style-type: none"> <li>• Financial regulations are under review which will need to be communicated and embedded consistently across the organisation.</li> <li>• Budget manager need the tools and confidence to manage budgets</li> <li>• Support the finance staff (especially business partnering team) to develop their capability to provide constructive and robust challenge to the service.</li> </ul>	<p>Develop a communications and training plan to role out the regulations and ensure understanding and ownership</p> <p>Encourage finance staff to undertake finance business partner training</p>	<p><b>H</b></p> <p><b>H</b></p>
<b>Finance system implementation and usability</b>	<ul style="list-style-type: none"> <li>• System still has some elements not fully functioning or not used – such as budget profiling and fixed asset register</li> <li>• System users have raised concerns regarding the usability of MS Dynamics.</li> </ul>	<p>As part of the Financial Management Improvement Plan, there should be a stream that is dedicated to getting the system to a place where it better meets the needs of the council and all its users – both finance and in service areas</p> <p>Ensure training is given on use of Power BI reports and reduce the reliance on ancillary spreadsheets</p>	<p><b>H</b></p> <p><b>M</b></p>

<b>The profile of Finance and Medium and long-term financial planning</b>	<ul style="list-style-type: none"> <li>• Ensure clear and priority focus on finance at Leadership team with standing agenda item</li> <li>• Ensure that there is a full consolidation of all base budgets that reflect the current and if changed, the future operating model.</li> <li>• Strengthen medium and long-term financial management informed by a 'transformation' (not cost cutting) lens with improved trend analysis and forecasting.</li> <li>• This is the subject of one of the statutory recommendations so needs urgent attention.</li> <li>• Finance team to develop their trend analysis and forecasting skills.</li> </ul>	<p>Ensure clear and formal attention on the financial challenge at Leadership Team meetings</p> <p>During 2026/27 ensure that budgets are consolidated and coding structure is streamlined ready for 2027/28</p> <p>Mobilise at pace, transformation that focusses on service redesign and optimum operating model</p>	<p><b>H</b></p> <p><b>H</b></p> <p><b>H</b></p>
<b>Legacy from Local Government Reorganisation</b>	<ul style="list-style-type: none"> <li>• Budgets have not all been consolidated from those brought together from the predecessor councils.</li> <li>• Processes have not been fully reviewed and revised to reflect the new system and the needs of the new organisation</li> <li>• Cultural consolidation not fully completed in all areas of the council resulting in perpetuation of individual former council approaches</li> </ul>	<p>Include workstreams in the Financial Management Improvement Plan that focusses on consolidation of budgets to reflect the new organisation and sets a timely programme to review, revise and appropriately document working practices that are efficient and maximise the use of existing (and potential) tools to support appropriate automation.</p> <p>Consider cultural alignment programme across the organisation</p>	<p><b>H</b></p> <p><b>H</b></p>
<b>Service budget management and ownership</b>	<ul style="list-style-type: none"> <li>• Budget holders are very reliant on the finance business partners.</li> <li>• Accountability and ownership of budgets is not consistent across all parts of the organisation</li> </ul>	<p>Ensure that budget management is in the management development programme.</p> <p>Secure a collective understanding of business partnering and the respective roles of fiancé and service managers</p>	<p><b>M</b></p> <p><b>M</b></p>
<b>Capacity and capability of Council to change and transform</b>	<ul style="list-style-type: none"> <li>• There is a perception that Newton Europe will deliver the transformation programme and that is it purely savings led</li> <li>• Some areas feel that savings are imposed on them not worked through with them</li> </ul>	<p>Escalate the ambition and pace of the transformation programme focussing on service and process redesign to deliver efficiency and actively manage demand.</p>	<p><b>H</b></p> <p><b>H</b></p>

	<ul style="list-style-type: none"> <li>There is significant reliance on supernumerary contractors and interims which does not lend itself to embedding transformation unless there is effective skills transfer.</li> </ul>	Review and relaunch communications strategy for the transformation programme.	
<b>Revise role of scrutiny</b>	<ul style="list-style-type: none"> <li>Comments were made about the pre scrutiny approach to all decisions which can disempower the Executive and avoid difficult decisions being taken at pace</li> </ul>	Aware that there is already some work on the scrutiny approach which should consider both the role of effective scrutiny and the role of Audit and Governance	<b>M</b>
<b>Internal Controls</b>	<ul style="list-style-type: none"> <li>There are a number of examples of internal controls that need to be reviewed and strengthened including around fixed assets and timeliness of reconciliations</li> </ul>	Ensure that there is a stream of the Financial Management Improvement Plan that focusses on reviewing and strengthening internal controls, documentation and communication of processes	<b>H</b>
<b>Consolidation of outstanding actions and recommendations</b>	<ul style="list-style-type: none"> <li>There are a plethora of actions from several review, some of which will have been superseded or capable of being closed by taking coordinated action following rationalisation of the actions</li> </ul>	Dedicate resources to the rationalise of actions and prioritising them with clear actions owners and realistic timescales	<b>H</b>

## 2 Introduction

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In December 2025, Somerset Council approached CIPFA to carry out a review against the CIPFA Financial Management Model (CIPFA FM Model) looking at the financial management arrangements within the organisation.

The CIPFA FM Model sets out the fundamentals of best practice financial management within a public sector organisation and uses a scoring system to provide an objective measure of financial management performance including the identification of strengths and areas for improvement. A more detailed explanation of the CIPFA FM Model is provided in **Appendix 1**

### 2.1 Overview of the organisation

Somerset Council was formed from five predecessor councils on 1 April 2023 following Local Government Reorganisation (LGR). The new unitary council brought together the services previously provided by the four district councils in Somerset (Mendip, Sedgemoor, Somerset West and Taunton, and South Somerset) alongside the services provided by Somerset County Council.

Somerset Council serves a population of over 570,000 residents, with recent estimates placing the figure at approximately 588,328 as of 2024. The area is characterised by a significant rural population (48%) and an aging demographic, with 25.4% of residents aged over 65. This is forecast to grow to 33% by 2040 compared with an England average closer to 25%. At the same time, the working age and school age population is falling. These create a challenging environment for the Council.

Somerset ranks 93<sup>rd</sup> out of 153 upper tier / unitary authorities in terms of the Index of Multiple Deprivation for 2024. 19% of the population are deemed to be economically inactive which is lower than the UK average of 20.8%

Since the Council was formed it has had financial challenges with a financial emergency being declared in November 2023. The latest financial position for the Council is summarised as follows.

*The Council was reliant on Government support to set balanced budgets in both 2024/25 and 2025/26. In 2024/25 £76.884m of Exceptional Financial Support was approved, with £40m allocated to transformation and redundancy costs and £36.884m applied to the revenue budget gap, alongside a one-off drawdown of £36.8m from earmarked reserves. For 2025/26 £20m of transformation support agreed in 2024/25 was carried forward, and a further £43m was approved to support the revenue budget gap. For 2025/26 an above referendum Council Tax increase of 2.5% was approved (7.49% total).*

For 2026/27, the Interim S151 Officer advised Members that after taking account of one-off items that do not affect the budget beyond that year, there remains a structural gap of £40m that needs to be addressed through the Medium-Term Financial Plan. A request was submitted to the Ministry for Housing Communities and Local Government (MHCLG) for a third year of Exceptional Financial Support (EFS) via a Capitalisation Direction. The authority's request for an above referendum increase in Council Tax was rejected

There is a recognition that there needs to be action taken to establish a position in line with the Council's Vision which states the commitment to being a financially sustainable and efficient council. This will require a further permanent reduction in the cost base of the council, a strengthening of its income and the delivery of its ambitious transformation programme.

The Council continues to find itself confronting the growth pressures in several areas namely Adult Social Care, Children's Social Care, Special Educational Needs and Disabilities, School Transport and Waste Services. The Cost-of-Living Crisis, high inflation, rising interest rates, increasing demand for services, workforce challenges and ageing infrastructure are reported as contributory factors to these pressures.

In addition to the structural financial deficit and the pressures outlined above, the Council has a growing Dedicated Schools Grant (DSG) deficit which is forecast to be £107.117m by the end of March 2026 (£116.8m for the High Needs Block). There is greater certainty now about the ending of the current statutory override at the end of 2027/28 and a route to accessing a 90% grant to cover deficits up to 31 March 2026. However, there are no plans announced by MHCLG for 2026/27 and 2027/28 at which point the current level of general fund reserves would be exhausted unless there are other provisions put in place nationally.

In summary, the Council's financial position remains fragile despite the workforce reduction programme and pockets of transformative activities that have been successfully implemented. There are actions that the Council must urgently address to move forward towards a sustainable financial position.

### 3 Key findings

This section outlines findings from the assessment and supports the action plan included in the Executive Summary. It is anticipated that the Council may address and prioritise some of the issues raised within existing plans for the continuing development of financial management within the organisation.

#### 3.1 Applying the CIPFA Financial Management (FM) Model

In applying the CIPFA FM Model evidence was gathered from three main sources:

- document review
- 1:1 interviews of officers, members and relevant stakeholders (internal & external audit)
- online survey

Information from these different sources has been brought together to give an assessment for each of the best practice statements relevant to the Council. Further details of the methodology used are shown in **Appendix 2**. Within this section of the report, direct quotes from interviews and the survey are included but are not attributed to the individuals concerned.

#### 3.2 Summary of CIPFA Financial Model Scores

The matrix below summarises CIPFA’s evaluation of the Council’s financial management arrangements against the best practice in CIPFA’s FM Model, with each area being awarded 1-5 stars (where 1 star indicates that the authority is ‘weak’ or ‘inadequate’ in its performance against the underlying statements of best practice and 5 stars represents a ‘very strong’ or ‘world-class’ performance. The matrix is based upon CIPFA’s scores for each statement, summarised across the three financial management styles and four management dimensions as shown below. It is based on CIPFA’s assessment of the evidence generated through the document review, 1:1 interviews and the online survey completed by participants from the Council.

#### 3.3 Best practice matrix

**FM Model key findings chart for Somerset Council – February 2026**

Financial management styles	Management dimensions			
	Leadership (A)	People (B)	Process (C)	Stakeholders (D)
Delivering Accountability (1)	*	*	**	**
Supporting performance (2)	*	*	*	***
Enabling transformation (3)	*	*	*	*
<b>Overall</b>	*			

The high-level matrix measures Financial Management Styles with Management Dimensions. The styles of financial management are intended to be progressive, with a general expectation that organisations are likely to firstly establish the building blocks of control and adherence to regulations through the 'Delivering Accountability'. This leads on to financial management contributing towards 'Supporting Performance' by assisting decision-making and supporting the delivery of organisational objectives. 'Enabling Transformation' would then be likely to represent the next stage, with financial management supporting the change agenda, innovation and re-engineering of systems and processes, where appropriate.

It is worth noting that establishing the building blocks requires significant investment in business process and system re-engineering to ensure that there is full convergence from the five former councils. Getting the basics right cannot be stressed strongly enough so that the Council can move forward and through transformation embrace the opportunity for new technology, customer self service (such a payment and routine service requests) to remove the need for manual interventions and double handling of transactional activity.

The Model is also organised by four management dimensions of Leadership, People, Processes and Stakeholders. These cover both "hard edged" attributes that can be costed/measured, as well as "softer" features such as communications, motivation, behaviour and cultural change.

### **3.4 Overview – Styles of financial management**

The Council scored reasonably well on some aspects of the Delivering Accountability style of financial management. The senior team in finance understand that gravity of the financial position, its implications and the need for Financial Management Improvement Plan. Budget holders currently find reporting from MS Dynamics difficult to use, and there are some continuing challenges with the system itself meaning that ancillary spreadsheet records are still extensively used. The ability of the finance team to deliver financial statements has been commented on favourably by External Audit and is an example of where there is some real technical capability in the core team. Delivering these achievements has relied on the technical ability of the team but more importantly significant amounts of extra working hours which cannot be sustained over the medium term. Failing to recognise the need to add resources, albeit temporary or time limited, is likely to compromise the ability to rebuild the assurance that will be required to gain an unqualified or disclaimed audit opinion on the accounts. The longer-term sustainability of the finance team and the ability to develop staff is not apparent currently which poses a risk given that permanent recruitment remains challenging.

The scores on the 'supporting performance' are marginally lower than those for 'delivering accountability' as budget ownership remains patchy. It is important to acknowledge that some directors and operational managers demonstrated strong ownership of their budgets and responsibilities, and the finance business partners demonstrated a good understanding of the directorates that they support. Budget holders in Adult Services demonstrated a high degree of ownership and accountability of their budgets and the pressures that have financial impacts. Embedding that same approach and mindset more widely in Children's Services would be a priority in the council's transformation and improvement journey. It is accepted that there are external challenges in some service areas which it is very difficult for the council to influence and alternative models of provision cannot be stood up with time and investment. Whilst there has been funding made available to support

transformation, it will only be effective with clarity of vision, sound business cases, difficult decision and collective tenacity to drive through fundamental changes.

Respondents noted that the financial system was not regularly used by budget holders and that there was reliance on finance business partners to undertake much of the analysis themselves using spreadsheets. Consequently, much of their time is taken up with operational rather than strategic issues and despite the renaming of the posts during the restructure, the business partner roles and how the services play their part in that style of working has not been explored and understood.

Children's Services was regularly identified as a challenging area. We recognise that is partly a reflection of the sector-wide issues that affect most authorities particularly with respect to the escalating cost of placements. It is acknowledged that by appointing Newton Europe as its Transformation Partner, the Council knows that there is work to be done to look at service delivery models and demand management.

Turning to the 'enabling transformation' row, the scores may appear quite low given that there is acceptance of the need for a transformation programme, and a Financial Management Improvement Plan and that a strategic partner, Newton Europe, has been appointed. What is not clear is how quickly the plans can be delivered as there was limited evidence of business cases to support the achievement of the required outcomes and importantly financial savings to reduce and remove the reliance on Exceptional Financial Support. It is essential for the whole organisation to realise that relying on Exceptional Financial Support is simply deferring the changes that are needed to ensure that services can be delivered in a way that fits within the regular income streams that the Council has and without selling all its assets. The relatively low scores reflect two factors:

- The transformation programme is not yet sufficient to fully deliver what is necessary for financial sustainability. There have been some business cases approved and others are still being developed. The projects that have thus far been delivered have been aimed as cost reduction rather than revised service delivery. The Inspiring Innovation Board is in place to oversee the governance arrangements, however without additional pace, there is insufficient evidence at this stage for us to be confident that it will deliver the changes required.
- Furthermore, respondents have raised concerns about the capacity of staff in the Council to accept and implement the changes planned. Several participants observed that there is a reliance on the transformation partner to stimulate the transformation, and some participants felt that changes are imposed on them, and they do not yet feel they are part of what is being planned. Changing this culture and ensuring that non delivery has some consequences will be critical to successful implementation of the transformation plan. It must be accepted that even though the situation inevitably relates to money and funding, it cannot be the finance function in isolation that is responsible for the changes.

There is acceptance from the leadership, both Members and Senior Officers, that transformation is required to build financial resilience, but what was not evidenced was the pace and granularity of plans for delivery at the moment. All aspects of the transformation programme has to focus on reducing the Council's cost base to an affordable level not just based on effective service delivery models. It is critical that everyone in the organisation

is encouraged to embrace the opportunity to be involved and recognise the need to increase the pace of transformation.

### **3.5 Overview – Management dimensions**

Turning to the columns that show management dimensions, the relatively low scores on 'leadership' reflect there is still some instability at the Senior Officer level in the Council and that time is needed before the revised structure has fully settled down.

It is noticeable that the ongoing reliance on an interim Chief Finance Officer (accepting that there has recently been a successful process to appoint a permanent postholder) which was noted by participants as bringing different approaches but with a current strong and helpful focus. With this and the pending change in another Executive Director, this will inevitably change the dynamic of the leadership team. Whilst there has been interim leadership in the S151 role which has brought differing styles, it was noted that there has been consistency in expecting high levels of professional standards in financial management which should prevail irrespective of the postholder. The S151 Officer has certain personal responsibilities however accepting and embedding sound professional financial management practices is an organisational responsibility led collectively by the statutory officers and the leadership of the Council.

The low scores on the 'people' column largely reflects the limited opportunities within the finance function to enable staff development beyond the professional training that is currently happening. The limited capacity and reliance on interims as supernumerary resources which means that there is little or no capacity for staff rotation to build experience. There are pockets in the finance service where the organisation is reliant on individuals, with their individual skillsets, corporate memory and professional knowledge, which could cause single points of failure were those staff no longer available to the Council.

Much of this reflects the difficulty in attracting recruits to work in Somerset and the restructure, which was based on reducing the pay bill and headcount, not based on a fundamental organisational service redesign. There were some areas of finance included in that headcount reduction process even though processes have not been reviewed to exploit the new system which in turn is not fully operational. Senior staff in finance are aware of the issues, and the combination of those factors is the driver for the Financial Management Improvement Plan. Resolving these issues is not straightforward and will rely on properly resourcing and funding the Financial Management Improvement plan, resolving the fundamental issues, transforming processes to enable effective support to be in place to deliver efficiencies across the organisation. It is possible that longer term investment in the right skill set in the finance function will be necessary and that simply restructuring the service will not bring material savings. It is the value that an effective finance function can deliver to the appropriately structured organisation that will deliver overall savings and / or support the ability of the council to deliver services within its financial resources.

The 'people' column also applies to the management skills of non-finance staff. It was encouraging to see that there are managers who want to be able to actively manage their budgets and that it is intended that as part of the management development programme, financial management responsibilities will be built into it. Given the positive scores in the survey, it could be argued that this score should be higher. The concern is that this reflects a comfort with existing working practices and not truly knowing what best practice looks

like when it has been identified that there is a need to change. Creating a more commercially aware and financially responsible culture will take time. It is anticipated that this will take at least 18 months and possibly as long as 36 months depending on the pace of progress.

The scores under the 'processes' column reflect that existing practices have not been comprehensively or consistently revised since vesting and the introduction of the new finance system. This is particularly pertinent to the transactional aspects of finance where there are inconsistencies of processes many of which are also ineffective, lack sound controls and are resource intensive. There have been improvements in the budget setting and monitoring arrangements over the years since the Council was formed with more being made during 2025/26. Estimates for 2026/27 appear more robust given that there has been more work done to look at the capital programme its impact on revenue expenditure than previously. The overall scores are lowered by the following factors:

- The lack of integration of end to end business processes and systems and the reporting tools requiring manual interventions and workarounds;
- The weak internal controls identified by both internal and external audit reviews;
- The need for processes to be standardised, consistently used and complied with across the council; and
- The lack of robustness of record keeping / approvals in relation to third party grants.

Finally, the relatively low scores for 'stakeholders' is partly due to the Statutory Recommendations made by the External Auditor which appear to be taking time to fully address. There are two statutory recommendations outstanding from the 2023/24 audit which remain in place with the third one being added more recently. This situation needs urgent attention from the most senior leadership of the organisation. There are also a series of recommendations outstanding from other reviews including the Corporate Peer Challenge internal audit reviews and the External Assurance Review carried out by in September 2024. Bringing all of those together and adopting a co-ordinated approach would be of substantial benefit. The basis of the Council's Exceptional Financial Support application of £40m for 2024/25 was to deliver transformation, of this only £12m has been used which reinforces the need to increase the pace of activity and focus on the issues that are both urgent and important.

There is room for improvement in the understanding of the right forum for decision making at all levels including better use of the Scrutiny function. The Audit and Governance Committee has been able to change focus now that the financial statements are as up to date as they can be which is a welcome part of the overall assurance. Members may benefit from further support and training to enhance their abilities to understand financial matters, financial management and wider governance issues so that they can play the right role in supporting the council to achieve its stated aim to be financially sustainable and an efficient council.

### **3.6 Statement scoring and assessments**

In this section of the report, we show scores for individual statements and summarise the evidence upon which the assessment is based.

### 3.7 Leadership – Delivering Accountability

For the Delivering Accountability style there are three statements that consider the elements of an effective framework of financial management.

<b>Delivering Accountability</b>	<b>L1</b>	Financial capability is regarded as integral to supporting the delivery of the organisation’s objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	<b>1</b>
	<b>L2</b>	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	<b>1</b>
	<b>L3</b>	Within an annual budget setting process the organisation’s leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation’s financial and activity performance in delivering planned outcomes.	<b>1</b>

The Council has had three S151 Officers since it was vested. Two of the postholders (including the incumbent at the time of the review) have been interim. The recruitment to secure a substantive postholder has resulted in an offer to a preferred candidate with a handover from the current interim whose contract runs until June 2026. There is naturally a variation in style and approach which was noted by a number of those interviewed. A desire for a more settled period was also expressed.

The continuity has been the deputy S151 Officer (Service Director, Finance and Procurement) who has been with the Council since it was vested but who has a wide remit that includes Procurement, Revenues and Benefits. There have been significant pressures and changes in those areas that are not the core finance functions including the convergence of the Revenues and Benefits IT systems from four different systems inherited from the former districts. Once the new Chief Finance Officer is in post, it may be appropriate for them to review the senior leadership structure of the finance function to build in some further resilience.

The role of the S151 Officer is a member of the Executive Leadership Team but is not titled as an Executive Director, which may impact on the way in which it is recognised by the organisation and the profile given to financial matters at the formal leadership team meetings. It is worth reflecting that the *CIPFA Statement on the role of the Chief Financial Officer in Local Government* states the following:

***The chief financial officer (CFO) in a public service organisation:***

- *is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest*
- *must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy*
- *must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

***To deliver these responsibilities the chief financial officer:***

- *must lead and direct a finance function that is resourced to be fit for purpose*
- *must be professionally qualified and suitably experienced.*

There was professional respect expressed for the support given to service departments by the Finance Business Partners. However, there was a recognition by both finance and service departments that it is quite reactive and focussed on the interpretation of budget management information. There is limited capacity to have a business partnering approach where finance actively support decision making and are fully proactively engaged at all stages in the development of proposals and initiatives. This could also reflect the readiness and capability of services and their managers to receive such support too. It is recognised that several staff are undertaking professional training limiting time to focus on other skills such as business partnering. In some cases, the finance support activity has been reliant on interim resources to deliver the business as usual activity, raise the standard of finance business partnering, facilitate knowledge transfer and enhance skills. Despite this additional supernumerary support there have still been gaps which has led to inconsistent levels of business partner support to services. Since the new authority was formed and various structural changes have occurred in the finance function, there has not been a collective or comprehensive understanding reached of the respective roles and responsibilities of budget managers and finance team members. It is accepted that having brought together five different teams, there has been some rationalisation of roles and resources to remove duplication however this review and the Financial Management Improvement Plan are both seeking to move this on again.

Some directorates demonstrated a strong ownership of budgets and others less so. Ownership and understanding appears to be well embedded in Adults Services but this was not replicated in Children's Services. In other services, whilst there was a strong commitment expressed and demonstrated to ownership and accountability, the limitations of the current financial system were seen as a barrier for some budget holders to be as self-sufficient as they would wish to be or that good practice would expect.

In addition to the limitations of the finance system itself, some services stated that base budgets had not been fully aligned since they were amalgamated from the former district areas which makes it harder to understand the financial position. Several interviewees reported that there appeared to be far more finance codes than necessary.

There is widespread acceptance that the financial position remains challenging however the gravity of that is not comprehensively understood in terms of the potential consequences of not addressing the position. The situation has been well documented in:

- Corporate Peer Challenge report dated November 2024;
- the External Assurance Review carried out in September 2024;
- the three written Statutory Recommendations issued in 2024/25 by Grant Thornton, as appointed External Auditors; and
- the Council's risk register set out in ORG009 where the risk of financial failure is set out

A series of action plans follow from all the above however there was limited evidence that these are co-ordinated and actively managed. It is likely that there is duplication of actions which if completed would close out multiple recommendations.

Focusing on L2 above, the Constitution is reported to be up to date however there are issues with the scheme of delegation and consistency. Financial Regulations need updating and were under active review at the time of this work including the recognition that the inconsistencies needed to be addressed. Some interviewees indicated that whilst there were several sources to support understanding of the route to getting approvals, the relevant decision-making routes or the body / officer that has the delegation to make a decision, were not consistently followed.

Consistent tone and collective leadership are essential for sound financial management. The inevitable relaxation of controls after the financial emergency, along with minimal accountability for not achieving savings or transformation projects, has led to a lack of shared responsibility for improving the Council's financial stability.

During the preparation of the budget for 2026/7, the S151 Officer actively engaged with Executive Directors, Service Directors and Heads of Service aiming to give a consistent message about the need to find efficiencies, deliverable savings and options to mitigate cost pressures. Despite this, there are overall growth pressures included in the budget proposed for 2026/27.

In respect of the statement L3, service departments aim to review budgets on a regular basis, some monthly and others less frequently where they are less volatile either in cost or income terms. Monthly Finance Oversight Boards, chaired by the S151 or their designated senior representative, take place with Department Management Teams.

There is a quarterly report prepared for Executive that was until recently subject to pre Scrutiny before it was considered by the Executive. The Executive Leadership Team do not discuss that report in full in advance of it going into the member domain and reports are often visible to members ahead of the Section 151 officer or his team being aware. Financial implications are frequently not written by or agreed with the Finance Team or S151 until the last minute.

The low score for this element of the model indicates that there is a need to refresh the understanding of the financial position, its implication and the collective need to deliver effective sustainable transformation that sets the tone for the Council.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>	<i>I know finance are clear, but I am not sure that other departments are accountable at times</i>	<p><i>My service regularly manages commercial decisions and reports to the relevant sub-committee. The finance function is integral to our work and assessing options on all matters. No sub-committee, Executive of Full Council report progresses even as a draft without finance function review, input and sign-off.</i></p> <p><i>Some finance staff are very responsive and flexible, but the culture means that changes imply a failure of foresight or intelligence, so they're not done positively.</i></p>
<b>Concerns</b>	<p><i>Financial fatigue in the organisation is high. Messages are not always as strong as they need to be.</i></p> <p><i>I suggest things and some get taken onboard and some go higher but is also part of a larger amount of changes and takes forever to get any action.</i></p>	<p><i>Challenges are sometimes not rooted in a good understanding of the service - this can cause long delays in helping finance colleagues understand, which can delay savings and good ideas, and can result in a feeling that the service is not trusted as experts in the field.</i></p> <p><i>Those involved have too many competing demands and cover too many areas to be able to give the time necessary</i></p>

### 3.8 Leadership – Supporting Performance

For the Supporting Performance style there are two statements which consider financial planning, financial management strategy and the way financial management expertise is used in strategic decision-making.

<b>Supporting Performance</b>	<b>L4</b>	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	<b>1</b>
	<b>L5</b>	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	<b>1</b>

The Council Plan 2023-2027 states the vision that “*Somerset Council will build a fairer, greener, resilient, more flourishing somerset that are for the vulnerable and listens to you*”. There are four priorities set out to make the vision clearer which are underpinned by a commitment to being a financially sustainable and efficient council. This fits with statement L4 above however the Medium Term Financial Plan (MTFP) has been prepared with a focus on the underlying systemic gap and the current reliance on EFS. This does accord with the underlying principle set out above and with the Statutory Recommendation relating to the ongoing financial sustainability of the council. This means that a low score for this element is inevitable. The council is clear that transformation of services supported by the Inspiring Innovation Programme and its work in partnership with Newton Europe is critical to delivering financial ability which in turn will allow greater focus on the vision and priorities.

In terms of the second statement (L5), there is significant scope for the council to improve the engagement of finance expertise in strategic service planning, delivering the transformation programme. Creating the time and capacity to operate in that manner is reliant on having a more functional finance system underpinned by sound, suitably refined consistent business processes that are complied with together with a finance service that is the size, shape and collective capability to really add value to the transformation of the council is essential. This is not currently the state of the finance function and is the rationale for the development of the Financial Management Improvement Plan. Reducing the size of the finance function without ensuring that the right skills were retained was sighted as a risk in the External Assurance Review however the overarching workforce reduction / restructure carried out in 2024 did not completely exclude staff in the finance area. As commented before, it is vital that the finance service and its overall operational functionality is rebuilt from solid foundations before there is further resource reduction.

In terms of both statements above, it is important that there is a comprehensive and up to date suite of finance policies. Whilst most policies exist some of them have not been updated as regularly as best practice would expect. There is also work underway on the revision of the financial regulations. Having capacity to keep a grip on these areas is fundamental to the ability to show leadership across the organisation as well as empowering budget holders to follow the consistent and correct processes in managing budgets and making spending decisions.

Finance do engage with Adults and Children’s Services respectively to understand and develop the models that are used to forecast and monitor service demand which in turn drives the cost of services. This is important to understand cost drivers and the potential financial impacts.

From the interviews, there was a mixed approach regarding the way in which finance (and other support/enabling services) are engaged in the development of proposals that culminate in the development of a report to Members. There were some limited views that trust was lacking in service professionals to know what they should do but this could reflect the time and capacity available to discuss these concerns. Finance comments in those reports are not consistently authored by or agreed at the drafting stage with finance officers which results in reports being held up at the officer approval stage. Some interviewees said that this has been perceived as finance becoming a blockage. There were also examples given of where initiatives have fallen due to insufficient data or fully appraised options. Where finance officers are involved in development of business cases, service departments were said to be supportive.

The area where Finance Business Partners are less skilled is capital schemes. Currently the budget management and reporting against the capital programme is carried out centrally. There are plans to move this into the remit of the business partnering function but it has yet to be fully accepted and embedded.

The selection of quotes in the box below from the finance team and service managers illustrate that the capacity and ability to add value is currently limited.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>	<i>I have observed some very good areas of involvement in annual planning and business case decision making, not in strategic longer term and not in all areas.</i>	
<b>Concerns</b>	<i>Staff within finance are under-represented and lack influence.</i>	<p><i>Capacity is an issue for finance business partners to be able to engage at the level and speed that the organisation needs to move</i></p> <p><i>Finance staff are involved and influential, but do not always know the services well enough - so their input can just cause delays rather than be helpful.</i></p>

### 3.9 Leadership – Enabling Transformation

For the Enabling Transformation style there is one statement covering the integration of financial management approach and resources driving the change agenda.

<b>Enabling Transformation</b>	<b>L6</b>	The organisation’s leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	<b>1</b>
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It was stated by the majority of those interviewed that there is a need to deliver significant and sustainable transformation however there is no consistent view about what this truly means or how it will be achieved. The External Auditors also state in their reports that there is limited confidence in the pace of transformation.

A strategic partner, Newton Europe, was appointed in Autumn 2025 to work with the council to deliver the Inspiring innovation Programme. Several interviewees reported that there was limited confidence in the delivery of the required level of transformation savings because there were very few business cases set out and approved by Members. Those proposals that were on the table were not always truly transformational. Delivering the

programme has been stated as fundamental to reducing the reliance on EFS for future years. A similar comment was made in respect of the Dedicated Schools Grant Deficit reduction plan and the lack of ownership and clarity on how that was being taken forward.

It is noted that the pay bill has been reduced by £33m with a reduction of circa 550 in headcount however, several interviewees reported that this had been done without setting out what the Target Operating Model for the future should be or without refining basic operational processes which would naturally lead to reductions in workforce. A number of interviewees stated that there was scope to streamline processes, maximise use of technology and automate some areas of work. The finance system (MS Dynamics) was sighted as a reason why some processes had not been redesigned. Making the basic system work in order to provide financial accounts was inevitably prioritised over some of the transactional activities such as purchase order raising.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>		
<b>Concerns</b>	<i>Some managers have higher financial acumen than others, some managers remain confused about the difference between budget and actuals.</i>	<p><i>There are services within the council which do have a good record in change management, but I don't believe centrally-run large-scale change has a good record in Somerset.</i></p> <p><i>There is a longstanding inability to amend savings plans which, once established, become fossilised with no established mechanism to revise in light of new information.</i></p>

### 3.10 People – Delivering Accountability

<b>Delivering Accountability</b>	<b>P1</b>	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	<b>1</b>
	<b>P2</b>	The organisation has access to sufficient financial skills to meet its business needs.	<b>1</b>

For the Delivering Accountability style these two statements cover the financial competencies required by the organisation and the skills that match these needs.

The interviews suggest that there is not the financial competency (P1) in place that the council requires. A number of areas are supplemented by interim resources because it has proved difficult to recruit and there have been a number of departures under the workforce restructure which resulted in the loss of valuable corporate knowledge. There are however pockets in the finance function, namely the Corporate Finance and the Pensions and Treasury Management teams in particular, where high degree of technical competency exists. In some cases, there is limited resilience should any of those resources be unavailable or leave. It is acknowledged that the delivery of the numerous sets of financial statements and the external audits could not have been delivered without the expertise and commitment of those teams of officers.

More widely, the level of financial competence across the budget managers is mixed both in terms of expertise to use and understand the content of the Power BI reports that are used for budget management as well as the general ability to manage budgets. This is recognised and some training has been delivered but more is required. Once the financial regulations are revised, there is in intention to deliver more training.

Since the most recent restructure in 2024, a number of post titles in the finance structure were changed to include Business Partner however several people reported that there had not been any formal conversations about what business partnering means for both the role of finance team members and those of budget managers in the service.

Several interviewees reported that there are sometimes inconsistencies between advice given by different finance officers. This can lead to confusion and lack of clarity. It indicates that there is not a consistent approach adopted which was also articulated as officers attempting to get approvals via different governance routes.

On a positive note, the council has recognised that it needs to engage some specialist advisers such as for Treasury Management and VAT advice. This is common practice in many authorities and brings not only specific expertise but adds wider sector comparators of good practice.

It has been reported in the Q2 (2025/26) monitoring report that:

*The Council needs to carefully consider its VAT partial exemption calculation and the risk of breaching the partial exemption threshold. Capital projects represent the bulk of this risk. A breach would likely cost the Council several million pounds per year if in breach. Finance is working closely with departments to ensure that partial exemption risks are considered as part of significant capital projects. Completing the partial exemption calculation annually ensure the authority does not breach the threshold and monitors if we are likely to breach in future years.*

This indicates that while there is a recognition of the need to look at specialist areas, ensuring that there is appropriate compliance is more challenging with the resources that the council currently has in its finance teams.

In terms of resources, some officers in the wider functions stated that resources had been cut, procurement being an example, to a very low level meaning that some aspects of the support offered had become reactive as opposed to proactive which drives good and consistent practice. Budget managers were empathetic towards the finance team reporting that they appear to be stretched and that morale is not high.

The current structure covering Finance and Procurement has approximately 164 FTE and whilst the finance team is regarded as having more FTE than it needs, this was deemed to be a consequence of a number of factors:

- a) **There are only a small number of fully qualified accountants** at the more senior level to support the Service Director, Finance and Procurement (Deputy S151 Officer) and the Chief Finance Officer.
- b) **The finance system is not fully functional** having been introduced at the time of vesting the new authority and not having an extensive user base in local government. This means that some of the functionality that would be expected, including for example budget profiling, are not operational and there is significant reliance on the continued use of spreadsheets.

- c) **There has not been a comprehensive review and rationalisation of all processes** which means that they are different operational practices for the same activity, potential lack of internal controls, duplication and error.
- d) **There has been very limited opportunity to rotate staff** partly as a result of the system limitations, inconsistent business process that have not be re-engineered since vesting and the structure itself. Reliance on interims and supernumerary resources where there is limited opportunity for skills transfer, due to resource constraints, is not a sustainable model.

The overall resilience of the finance team is an issue, and we understand that it is difficult recruit qualified and/or suitably experienced staff there are areas of potential failure due to skills resting with individual officers. Given the extent of the financial challenge, which is unlikely to diminish in the short term, having the right mix of skills in the appropriate quantity is essential. This should not be seen as a short term fix but more the start of a longer term succession planning strategy.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>		<p><i>As a budget holder I have annual Budget Holder training</i></p> <p><i>They have the skills but not always the time to spend with managers</i></p>
<b>Concerns</b>	<p><i>The guidance for responsibilities between Finance and service/programme managers could be clearer and more rigorously enforced</i></p> <p><i>There are too many cases where extensive Agency and Consultant workers are used, which cost more than recruitment and retention of permanent staff long term as the workloads increase per headcount, by staff leaving and the unpredictability of Agency staff remaining in post</i></p>	<p><i>They understand finance elements however do not necessarily understand these in the context of the service area.</i></p> <p><i>Difficult to answer when finance leads change regularly and are require to "start over" with learning and management on a grant that has very specific reporting and management requirements.</i></p>

### 3.11 People – Supporting Performance

<b>Supporting Performance</b>	<b>P3</b>	The organisation manages its finance function to ensure efficiency and effectiveness.	<b>1</b>
	<b>P4</b>	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	<b>1</b>
	<b>P5</b>	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	<b>1</b>

The three Supporting Performance related statements cover the assessment of the effectiveness of the finance function, finance support on key decisions, the enforcement of accountability and the degree of diffused financial management.

As outlined above, there are challenges in the overall finance function in terms of having a settled cohort with the right skillset for the organisation’s needs. Budget Managers were supportive of their colleagues in the finance function however there are inherent inefficient inconsistent working practices resulting from the system limitations and the focus on trying to recover the overall financial situation.

There are some Key Performance Indicators that measure some of the activities in the finance function and it is recognised that there are further indicators which will be developed as part of the Financial Management Improvement Plan. Before too much work is put into developing indicators, it would be appropriate to ensure that the underlying processes have been reviewed and revised so that the indicators used and based on sound processes.

The scores on this element of the model are low because the type of support given to the services is operational rather than strategic. There has been some training given to budget managers on how to manage the budget and the use of the Power BI reports however there is still significant reliance on Business Partners to provide spreadsheets for budget management. This very much limits the capacity of Business Partners to add value to other strategic aspects. Most service Department Management Teams (DMT) do invite the Finance Business Partners to attend to discuss finance however they are not standing members of all DMTs.

Budget ownership, accountability for variances and financial awareness is not consistent across the authority. There were several interviewees who did demonstrate that they owned and were accountable for the budgets in their area. The area of most concern that was raised in a number of discussions was the budget for Children’s and Education (DSG) which many realise is not under control and has the prospect of jeopardising the whole financial stability of the council.

Several budget managers reported that their base budgets were not consolidated so it makes understanding the overall position and with multiple codes for similar expenditure, getting an overview without a lot of effort.

Financial governance and Financial Regulations need to be amending and inconsistencies in their application coupled with some basic internal controls in respect of journals, raising of purchase orders and contract breaches contribute to the low score in respect of P5.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>	<i>Finance system is being worked on so that it is improved</i>	<p><i>Service would struggle without current level of finance support. Do feel we could do more to model financials though on basis of historic data.</i></p> <p><i>I think they have the right technical and interpersonal skills, but a Unitary Council is a complex organisation so business partners who transition from</i></p>

		<p><i>one dept to another can have a steep learning curve when it comes to organisational awareness.</i></p> <p><i>My finance business partner is seen as integral to my team / service but I can't speak for how others are viewed across the rest of the organisation.</i></p>
<b>Concerns</b>	<p><i>An understanding on the offer FBP provides would be beneficial, to help support the skills needed for the role.</i></p> <p><i>It is a little hit and miss. work has progressed with a training plan and some finance staff have been successful on training bids whilst others weren't. Work is needed to bring everyone up to the same level of competency</i></p> <p><i>There is little understanding of best practice or what a world class finance department might look like</i></p>	<p><i>In a pressured environment finance staff can be emotionally unintelligent - however this could be said of some staff in services too. The corporate culture is not yet enabling staff to feel confident they will be supported when stressed or having made an error</i></p> <p><i>Where capacity permits. Since the restructure there is less resource to support our Service. It felt like prior to the restructure we had a dedicated finance business partner and finance officer, but no longer have this</i></p> <p><i>Managers unable to see live granular budget detail in some/most places</i></p> <p><i>The way in which budgets are set up makes it impossible for some managers to 'own' their budgets as they are not in control of the spend from them. When I have requested to restructure budgets to tackle this issue, this has been met with resistance and therefore has not happened.</i></p>

### 3.12 People – Enabling Transformation

<b>Enabling Transformation</b>	<b>P6</b>	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	<b>1</b>
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The recognition that effective financial management with a service of the right skillset, right capacity and right size is driving the investment in developing a Financial Management

Improvement Plan. The financial instability of the authority and the unknown position for the DSG deficit should be the burning platform driving pace into the transformation programme. Delivering the Deficit Management Plan, irrespective of the changes recently announced to support DSG deficits, remains fundamentally essential. Adults Services have engaged with transformation and taken steps to address some of the causes of demand for their services.

There are areas where there has been transformative work carried out including the work done in Revenues and Benefits to bring all accounts onto one single IT system and revising the staffing structures. Implementing Success Factors for HR Management is also a positive example of technology change.

Given the need to deliver some of the basics in terms of financial statements, building the finance system, there has been limited capacity for finance to engage with the transformation programme. The appointment of the strategic transformation partner should also be the catalyst and impetus to the services. This has not yet been evident in bringing business cases forward. The proposed budget for 2026/27 has savings target as part of it which were also considered in determining the application for further EFS. Many of those need lead time, proof of concept and mobilisation however since the cases have not been taken through the governance, it is difficult to understand how the savings will be fully delivered in the next financial year.

The Inspiring Innovation Board has the overarching governance role for the Transformation Programme with representation from Newton Europe on it. There are a number of other boards that oversee different elements including the Deficit Management Plan for the DSG deficit. There may be some benefit in reviewing the overall governance arrangements to make sure that they are focussed on delivery and hold the right people to account. Any improvement board needs to be seen as independent with the appropriate expertise and credibility with external stakeholders including MHCLG.

In establishing the Financial Management Improvement Plan, it would be beneficial to understand how this will be lead, governed and supported to achieve the outcome required to move the score in terms of this element of the model upwards. It is currently low because good practice looks for a sound, well resourced (with permanent staff) finance function that has the capacity to actively engage in wider transformation across the organisation with capacity to develop its people to ensure that there is succession of skilled staff coming through to senior positions.

### **3.13 Processes – Delivering Accountability**

For the Delivering Accountability style of financial management the score combines nine individual statements. This is typically one of the highest scoring areas of the FM Model across public sector bodies.

As there are so many statements here, they are most easily considered in a series of thematic groups dealing with different aspects of financial management. Each group is introduced by a series of scores.

The first four Delivering Accountability statements deal with foundational requirements across annual budget setting, transactional finance, treasury management arrangements, as well as integrity and performance of financial systems.

<b>Delivering Accountability</b>	<b>PR1</b>	Budgets are accrual-based and robustly calculated	<b>2</b>
	<b>PR2</b>	The organisation operates financial information systems that enable the consistent production of comprehensive, accrual based, accurate and up to date data that fully meets users' needs.	<b>1</b>
	<b>PR3</b>	The organisation operates and maintains accurate, timely and efficient transactional financial services (e.g., creditor payments, income collection, payroll, and pensions' administration).	<b>1</b>
	<b>PR4</b>	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance.	<b>2</b>

With respect to statement PR1, the overall budget setting process operates to deliver a timely proposed budget taking account of the best available forecasts of in year outturn, pressures, growth and potential savings. This has been driven by the available resources, the use of EFS from previous years and the expectation that the request for the 2026/7 financial year will be granted by MHCLG. This situation significantly reduces the authority's ability to develop a budget and MTFP that aligns to the corporate plan and the Council's vision.

Apart from the delivery of the restructure which reduced headcount and pay costs, not many of the other transformation projects have delivered to time and expected savings levels. This does not demonstrate a strong track record that gives the CFO the confidence that there will be timely delivery. This supports the low score in this area.

It is positive in respect of PR1 that Service Directors and Heads of Service were engaged in sessions with the S151 Officer in preparation for the 2026/27 budget to look at budget development with a view to finding savings / income growth to cover pressures and growth. Some budget managers expressed the view that unrealistic saving targets were in effect imposed on them and meeting them was not viable.

FBPs attend DMTs to review budget position with DMT members and are involved with the models used in the people services (Adults and Children's). In addition to reviewing expenditure, FBPs explore whether income expectations and equally being met.

Despite the leadership from the CFO and finance team, spending pressures have not consistently been balanced by savings from the same service areas. This is a key driver for the ongoing need to rely on EFS. In terms of savings projects, there is limited evidence that they will all deliver.

Since the authority was formed, there has not been the opportunity to take each budget back to basics or zero based budgeting due to resource constraints and the limitations of MS Dynamics. As stated in relation to other aspects of the model, some budgets have not been fully consolidated so there may be some areas where further efficiencies could be found.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>		
<b>Concerns</b>		<i>Budgets are robust when they start but often get reduced down without</i>

		<p><i>sufficient rationale, resulting in overspend position</i></p> <p><i>Sometimes savings projections are included within the model before there is enough evidence to demonstrate achievability and this places a pressure on the service.</i></p> <p><i>Budgets within my area haven't been fully reviewed and adjusted/corrected since vesting day as a result of lack of capacity within the Finance service and our Service</i></p> <p><i>Seems somewhat arbitrary cuts/savings imposed</i></p>
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In respect of PR2, whilst MS Dynamics is used to drive both reporting for financial accounts and management accounts, it relies on the use of Power BI rather than integral reporting. This leads to an ongoing reliance on spreadsheets by some managers not being either able or willing to use the Power BI reports. From the interviews, we found that this can mean that there are a lot of unnecessary transactional lines on some of the reports making them hard to read for non finance professional but also mean larger than expected audit samples which increases the work for external audit.

Significant further development is required to get all the functionality of MS Dynamics operating so that it can profile budgets, be used more efficiently and reduce the need for interventions. There is limited documentation to support the system because it is not widely used in the local government sector. The team that supports the system have developed some videos showing how to do a series operations on the system but developing these continue to be resource intensive. Given that there are no plans to move away from SAP as the HR Management system. it is highly unlikely that the systems will be fully integrated. This will mean a continued reliance on some manual or semi automated reconciliation to align the establishment held for budgets with what is held in the SAP system. This principle will apply to the numerous feeder systems that were referenced earlier where there are limited or manual interfaces.

Turning to statement PR3 relating to transactional services, the processes themselves are not as streamlined as they could be with some interviewees indicating that requisitioning seems to be done in different ways in different places. As discussed earlier, the finance system did not come with user guides so it is inevitable that there is not a full suite of process documents.

Some reconciliations are not up to date across a number of transactional activities. This has been referenced by the External Auditors in their annual report with reference to the Fixed Asset Register. We were also advised that there were some legacy issues with some of the legacy balance sheets items (debtors and creditors) not being fully evidenced. There is an expectation that these will net off and that fully resolving them may prove difficult given that the corporate knowledge may have gone with people who have left.

Internal Audit referenced that some of the audits on key financial controls had been delayed as a result of the difficulties with the implementation of the financial systems which means that there could be some gaps in internal controls which have not yet come to light.

Statement PR4 refers to Treasury Management arrangements. Treasury Management refers to the maintenance of sufficient – but not excess cash resources available to meet expenditure commitments, while managing the risks associated investments.

Somerset Council’s external debt was stated for the EFS submission in December 2025 as:

**General Fund**

Maturity structure	PWLB (£m)	Inter LA (£m)	Other (£m)
< 1 year	£50.750	£25.000	£0
2 – 5 years	£43.300	£0	£3.000
Over 5 years	£175.793	£0	£147.500
<b>TOTAL</b>	<b>£269.843</b>	<b>£25.000</b>	<b>£150.500</b>

**HRA**

Maturity structure	PWLB (£m)	Inter LA (£m)	Other (£m)
< 1 year	£68.683	£0	£0
2 – 5 years	£58.852	£0	£0
Over 5 years	£60.500	£0	£3.000
<b>TOTAL</b>	<b>£188.035</b>	<b>£0</b>	<b>£3.000</b>

Interviews confirmed that the Council takes a prudent approach to debt and is not anticipating further borrowing to fund the Capitalisation Direction being requested for 2026/27.

The way in which Treasury Management and Pension activities are managed is sound, structured and well controlled with a high level of technical expertise that has delivered strong performance in these areas.

Arlingclose are retained as the Council’s Treasury Advisers including on investments with counterparties and the limits set by the Council are below the levels recommended by Arlingclose. The Council participates in the benchmarking exercise run by Arlingclose which enables comparison with other unitaries in the client base.

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast. Cashflow management was centralised on to the single system from inception of the Unitary council in 2023, although with a lack of data in certain areas. The team continue to work on improving the accuracy of cashflow production through better data collection and have confidence that they are using solid data from across the Council.

The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Mid-year and Full-year reports on treasury management activity are presented to the Audit Committee, the Executive and Full Council. The Audit Committee is responsible for scrutinising treasury management decisions. Typically, the Audit Committee only ask one or two questions per paper so there

is not in depth interrogation of the content which is not unique to this Council. Training on Treasury Management has been provided to the Committee.

Statements PR5 and PR6 cover critical budget performance monitoring and associated responsive agility, as well as how the balance sheet contributes to the effective management of the organisation’s assets and liabilities.

<b>Delivering Accountability</b>	<b>PR5</b>	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure ‘no surprises’ and trigger responsive action.	<b>1</b>
	<b>PR6</b>	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	<b>2</b>

On Statement PR5, there has been a reviews undertaken of the financial regulations and delegations and there has been a requirement for managers to do a compulsory training session to retain access to ability to raise purchase orders.

Budget managers are provided with their budgets in advance of the new financial year once the budget has been approved by Council in February of each year. Budget Managers have had some training on the Power BI reports that are available once each month has been closed. At the time of this review, it was taking 14-16 days post month end for budget holders and relevant resource from business partnering to meet, however a new process has been mapped out that will bring that discussion forward to the first week of each month which will enable early reaction should mitigate variances should that be required. During the interviews, some budget managers indicated that they maintain their own spreadsheets to manage their budgets rather than rely on reports provided. This could lead to mistakes, inconsistent approaches and is effectively double effort. It underlines that the finance system needs further enhancement to be of better use to the organisation. FBPs attend DMTs to discuss budgets and there are the Spend Control Boards that look at variances and potential mitigating actions.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>	<i>Some managers are fully engaged and work with FBP to review and act promptly, others wait for Finance to highlight issues and concerns, and some occasions variances are not acted on quickly enough to address the issues early.</i>	<i>Quarterly budget reviews in place.</i>
<b>Concerns</b>	<i>The finance business partners monitor budgets regularly. If there are unexpected transactions, they are queried.  Finance try to hold them to account and some Heads of Service do but there is generally a lack of accountability and compliance in the organisation</i>	<i>Since vesting day and due to structure changes, this [budget setting] has been complex and we have yet to start a new financial year where a budget has been provided before it starts  Still got budgets which needs merging, refining so difficult to manage some particular services.</i>

		<i>Decision-making and governance is confused meaning that management of agreed expenditure is continually circumscribed outwith policy</i>
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Not all of those interviewed believed that there was accountability for material deviations from budgets. As examples, from reviewing a sample variance report, some of the explanations for variances can be somewhat vague.

*Transportation is forecasting an overspend of £2.400m. The Fleet Service had proposed an MTFP saving of £1.000m across fleet spend, this saving is currently forecast as unachievable. The savings will need to be mitigated due to delays in implementing the changes that are necessary to reduce costs. It is anticipated that a reduction in spending is still expected, it is likely that these will fall in future financial years, therefore creating a pressure in 2025/26.*

*Traffic Management is forecasting an overspend of £0.475m, this relates to the Parking service and the delay in implementation of the approved business plan agreed in February 2025*

This process culminates in quarterly budget monitoring reports being presented to the Executive. Some Councillors expressed a view that there could be a better understanding across elected members of the basics of local government finance to improve the collection confidence to ask more questions when such reports are presented. Again, this is not unique to Somerset.

On statement PR6, the fixed asset register has been referenced in the External Auditors report with a number of inaccuracies being picked up. These have not been significant enough to meet the materiality threshold that require adjustment to the financial statements. It does however indicate that there is a need for further work to be done to ensure that the register is up to date and subsequently maintained. There was an error picked up in the way the system was treating the classification of assets which was raised with the supplier.

The Council has an Asset Management Strategy that was last updated in 2023 so would benefit from being reviewed. Capital Asset valuations are carried out on a rolling basis and Investment assets are valued annually. The External Auditor have not raised any issues with the quality of the valuations however they do recommend that there are additional controls put in place to make sure that there are validations done on the information provided to valuers.

<b>Delivering Accountability</b>	<b>PR7</b>	Management understands and addresses its risk management and internal control governance responsibilities.	<b>1</b>
	<b>PR8</b>	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	<b>2</b>
	<b>PR9</b>	The organisation's financial accounting and reporting are accrual based and comply with international	<b>2</b>

	standards and meet relevant professional and regulatory standards.	
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The first two statements here address key aspects of critical internal risk management and internal control arrangements together with more independent organisational scrutiny processes. The final statement assesses the effectiveness of financial reporting, including compliance with relevant professional and regulatory standards.

With respect to statement PR8, there was a comprehensive review of the risk management strategy, approach and the corporate risk register that was presented to the Audit Committee in May 2025. It is comprehensive and each corporate risk is well documented. The strategy articulates that the council wants to be risk aware not risk averse.

The corporate risk register has been reported to the Audit Committee regularly since May 2025 however there are views that it needs to be more systematically reviewed at Senior Officer level.

Internal controls and financial regulations are being reviewed as part of the Finance Improvement work. Both the annual report of the Head of Internal Audit and the External Auditors report state that internal controls are not as strong as they need to be and are in fact a current weakness. It was noted that there has been a focus on the raising of purchase orders, contract breaches and contract waivers which has had a positive impact on the compliance in these areas. It is acknowledged that there needs to be further training to ensure understanding which can then be monitored and reported

We have scored this element at 1 however we recognise that improving internal controls features highly as part of the Financial Management Improvement Plan. If the trend of improvement based on the reporting of POs / breaches and waivers was to spread across other areas of compliance this would improve the score in this area.

Turning to statement PR8, which we have scored at 2. The Audit Committee has sound terms of references covering the core functions expected including internal audit, risk management, treasury management and financial statements.

Internal Audit is provided by the South West Audit Partnership (SWAP) and Grant Thornton are the appointed External Auditor under the Public Sector Audit Arrangements. Both of those report to and attend Audit Committees on a regular basis. The Audit Committee receive reports on the implementation of audit recommendations however the pace and timeliness of resolving these is not in line with good practice. Some high priority internal audit actions have been outstanding for more than 365 days.

The role of the Statutory Officer Board could be enhanced to drive forward resolution of audit actions with other actions from external reviews that have taken place in a co-ordinated way. This would increase the score on this element of the model.

On Statement PR9, there has been a focus on preparing the outstanding statutory accounts and meeting the backstop dates for external audit. This has been a significant achievement which is why a score of 2 has been achieved. The existence of statutory recommendations has been taken into account and the disclaimed opinion which is commonplace currently due to the national situation with the recovery of external audit.

Turning to the next group of statements, the first Supporting Performance statement addresses the critical area of medium-term financial planning and how financial strategy is underpinned by key funding assumptions, strategic service planning and analysis. The second statement tests the effectiveness of forecasting and the influence of such processes upon decision making.

<b>Supporting Performance</b>	<b>PR10</b>	The organisation’s medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	<b>1</b>
	<b>PR11</b>	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	<b>1</b>

Looking at statement PR10, the Council’s MTFP is set out for 5 years however given the financial crisis, it has been focused on achieving financial sustainability which will address one of the current Statutory Regulations, meet the underpinning expectation of the Council’s own vision and reduce the reliance on EFS. This does of course assume that the DSG deficit will not fall onto the Council’s reserves.

The S151 Officer’s S25 statement that has been prepared for the 2026/27 budget states that:

*The financial position of the Council remains deeply fragile. The 2026/27 budget includes a funding gap before Exceptional Financial Support (EFS) of £25.000m, increasing to £88.368m across the medium term, reflecting sustained demand and cost pressures across key statutory services, particularly children’s social care, adult social care and Special Education Needs and Disabilities (SEND). The budget for 2026/27 has been balanced only through the use of one-off resources, including Exceptional Financial Support (EFS) and an unplanned Collection Fund surplus. This approach does not provide a sustainable solution and increases financial risk in future years*

The MTFP includes ambitious transformation targets including working with Newton Europe and it recognises that there are demand pressures and cost pressures especially in Children’s Services both of which need to be addressed to change the financial trajectory of the council. There have been some initiatives to change the way in which services are provided such as Homes For Somerset. There are other examples of work done such as to rationalise the systems used for the administration of Revenues and Benefits that show progress to consolidating services post vesting, the introduction of Success Factors for HR administration and management that need to be built on together with the work supported by Newton Europe to increase the ambition and pace of transformation across the organisation to ensure effective financial recovery.

In preparing the budget papers for 2026/27 the interim S151 Officer states that

*The seriousness of the Council’s financial position cannot be under-estimated. The Council’s operating model and spending plans are forecast to cost £25.000m more than it has sustainable income streams in 2026/27 and £58.098m more in 2027/28. Unless urgent management action is taken to develop further transformation and savings plans at pace during 2026/27 for Member approval and implementation in 2027/28 and beyond the Council will not be able to address its structural deficit of £88.368m by 2030/31. It is essential that financial discipline is maintained and strengthened to ensure that Service Directorates contain expenditure within or below their approved budget for the remainder of 2025/26, into 2026/27 and indefinitely to reduce the call upon Exceptional Financial Support – Capitalisation Direction and Reserves which are one off funding streams. These measures are merely bridging the funding gap, to allow time for the ELT to develop further plans to achieve Financial Sustainability.*

On statement PR11, forecasting processes and reporting has not been identified by anyone in either finance or the service as a strength, in fact it has been universally identified as an area that requires improvement or an area that budget managers state they are not involved in. The introduction of Power BI dashboards has been welcomed by some budget manager, but they are not consistently used. Some budget managers rely on finance to give them spreadsheets or keep their own spreadsheets to monitor budgets.

Forecasts are not universally owned by budget managers and as stated earlier, some comments relating to variances are vague and do not identify clear mitigations. There are some supporting models to forecast demand in the people-based services however the ongoing demand pressures appear to be exceeding forecasts. When this is overlaid with the escalating costs especially in placements for children this makes managing budgets very challenging.

The overarching view is that there are improvements that can be made to budget management for revenue expenditure. In terms of monitoring capital spend and the capital programme, this is very much done within finance so FBPs are less experienced in dealing with this. The Interim Chief Finance Officer is introducing member-led capital Board arrangements to enhance governance and oversight of capital spending proposals, capital funding and asset disposals. Integrating this would be a positive step to increase the overall integrity of monitoring, ownership and accountability.

### **3.14 Processes – supporting performance**

The Supporting Performance statement covers the extent to which arrangements to secure value for money are embedded within the organisation.

<b>Supporting Performance</b>	<b>PR12</b>	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	<b>1</b>
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The Council has used comparative information to inform its own service models. This has been more successful in the Adults Service working with Newton Europe. There has been limited capacity so far to fully look at alternative service delivery models across the piece. The appointment of Newton Europe to look more widely at how services are delivered

should be the opportunity to look more radically at the future service delivery models taking account of need, demand management, partnerships and available funding.

Some of those interviewed stated that there was more that could be done internally to streamline operating processes, the key example that was drawn out being the purchase requisitioning process. While such change may not deliver huge financial savings, it would represent a mindset and cultural shift to using streamlined processes, maximising the use of technology and in due course embracing the possibilities of AI to deliver routine processing allowing human resources to be dedicated to the added value across a range of services especially finance.

	<b>Comments from Finance</b>	<b>Comments from Budget Holders</b>
<b>Strengths</b>		<i>It recently reviewed it's staffing structure but this was not linked to service priorities</i>
<b>Concerns</b>	<p><i>This is not done widely - there are pockets of cost and performance analysis but not much</i></p> <p><i>This could be done more often, there are more efficiencies within these processes which could be found. There seems to be more occasions of duplication of work with some new processes - Establishment Control</i></p> <p><i>A substantial transformation project is required to address this across the whole unitary - system, process and operating model.</i></p>	<i>The Council used to do this but I haven't seen any recent benchmarking</i>

**3.15 Processes – enabling transformation**

The Enabling Transformation statements test the extent to which financial processes contributes to improved outcomes through transformational change.

<b>Enabling Transformation</b>	<b>PR14</b>	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	<b>1</b>
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It has been drawn out of several of the interviews that there are still cumbersome processes attached to routine operational finance activities that would benefit from re-engineering. Notwithstanding the system limitations, as set out under PR13, there are opportunities that could be embraced to reduce the need for operational processes in finance and for others across the organisation that generate finance focussed activities (payments / orders for example).

This has been recognised by the drafting of the Financial Management Improvement Plan and processes should be a key strand of that plan.

**3.16 Stakeholders management dimension**

The CIPFA FM Model combines several stakeholder elements here, including the views of external stakeholders, on value for money, financial integrity, compliance with statutory and regulatory obligations and the ability to influence decisions on resource allocation.

<b>All</b>	<b>S1</b>	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	<b>2</b>
	<b>S2</b>	The organisation demonstrates that it achieves value for money in the use of its resources.	<b>1</b>
	<b>S3</b>	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	<b>3</b>

The first statement (S1) examines the degree to which external stakeholders receive assurance on financial integrity from a number of sources including processes and publications. Financial impacts and factors that influence stakeholder confidence are key to this dimension. The second statement (S2) seeks to test the assurance provided to external stakeholders on the delivery of value for money. The final statement (S3) explores stakeholder engagement and the degree to which this relationship influences financial strategy and organisational priorities.

Somerset Council has delivered several sets of accounts including those relating to the final year of the predecessor councils which is a substantial achievement reflected in the score for S1. External Audit work has been ongoing to reach the position where the interim External Audit report for 2024/25 was presented to the Audit Committee in January 2026. This achievement is reflected in the report as follows.

*We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive, hence the disclaimer of opinion for 2024/25. As noted on page 6, the return to the timely production of financial statements is a key part of the regaining of assurance on the Council’s financial reporting. However, due to the complexity involved, the return to full assurance will not be achieved in the short term.*

Some of the delay in returning to full assurance is the legacy from the national position relating to local audit which has been extensively covered and continues to be progressed. It does not detract from the fact that there are specific matters related to Somerset that to be of concern to the External Auditors.

*We have completed our Value for Money work and our detailed commentary is set out in the separate interim Auditor's Annual Report. We presented our interim Auditor's Annual Report to an extraordinary meeting of the Audit Committee on 9 December 2025 and will finalise this report on completion of our financial statements audit. We identified significant weaknesses in the Authority's arrangements in each of the three criteria specified by the National Audit Office.*

*We also made three statutory recommendations in two of these criteria as follows:*

- *Financial Sustainability (two statutory recommendations); and*
- *Improving economy, efficiency and effectiveness (one statutory recommendation).*

*We are therefore not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.*

Given the Statutory Recommendations which the Council has accepted and has an agreed action plan, statement S2 cannot currently be marked any higher.

Turning to statement S3; the Council has done resident surveys to seek views on service provision as well as seeking views on the budget proposals, including increasing Council Tax above the referendum percentage for a further year. This is positive that despite the challenging financial situation, the Council is continuing to engage with residents.

Service delivery levels are however cause for some concern with the number of complaints being upheld by the Local Government Ombudsman increasing. The latest published report on the LGO website is for 2023/24 showing that there were 23 complaints of which 20 were upheld. the LGO also reports that 100% of the recommendations were implemented therefore there appears to be a sound mechanism to follow through recommendations. The 2024/25 statistics have not yet been published by the LGO or by the Housing Ombudsman. From the Housing Ombudsman perspective, there were 6 investigations in 2024/25 of which two were deemed as no maladministration, two maladministration, one severe maladministration and one service failure. The Council has reported that it expects to see an increase in investigations over 2025/26.

### **3.17 Commercial**

<b>Commercial</b>	<b>C1</b>	Are the organisation's commercial interests, commercial strategy and investments underpinned by a clear set of purpose statements?	1
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Statement C1 relates to the overall commercial strategy of the Council. There is more work to do to address some of the legacy challenges in respect of company operations and meetings with property, investment and the commercial teams highlight that there are reasonable opportunities to realise sales from investment assets and there is dedicated resource in this area which provides healthy capacity. However, there is more opportunity to bring together the different commercial activities and integrate them further with forthcoming and recent changes in leadership in these areas. A comprehensive strategy would ensure business cases and opportunities to maximise commercial activity and income are considered appropriately by Members and perhaps mitigate the risk experienced recently when taking proposals to Members that decisions can be made in isolation or indeed, not be supported by appropriate analysis and justification to support member decision making.

<b>Commercial</b>	<b>C2</b>	Does the organisation demonstrate long-term financial resilience?	1
	<b>C3</b>	Can the financial and legal commitments of the organisation be demonstrated in the organisation's corporate plans and medium term financial strategies and plans?	1

In respect of statements C2 and C3, there are concerns over the long term financial resilience of the Council which is well documented by the MTFs report, the S151 Officer's S25 statement, the external auditors Statutory Recommendations and the ongoing EFS requests.

There has been a decision to divest, at the appropriate pace, of some of the commercial investment portfolio that was acquired by the predecessor district councils. Some of the investments would no longer be prudent or appropriate in light of the tightening of the prudential code and updated MHCLG and CIPFA borrowing and investment guidance and appropriate asset disposals present an opportunity to provide some greater financial stability.

<b>Commercial</b>	<b>C4</b>	Can the organisation demonstrate value for money for the commercial investments and borrowing commitments that it has made?	1
	<b>C5</b>	Can the organisation demonstrate that it has undertaken due process with regard to not exposing the organisation to undue risk?	1
	<b>C6</b>	Does the organisation have sufficient capacity and capability to manage, service and oversee the commercial interests it has undertake?	1

With regard to this set of statements, the council has lost the skills that were in the districts that managed the commercial properties and there is a view that this is not the core business of this (or any) council. Property investments are not as good as they once were unless a council is in a position to fund ongoing maintenance and proactively manage tenants. This is part of the rationale for the disposals that are being progressed.

There are some emerging issues with regard to some of the investments with partners in companies that may expose the council to further financial risk or even financial losses which the interim S151 was addressing at the time of this review. Not only would there potentially be adverse financial implications, there could also be some adverse public relations comments about the situation. The challenge of managing these risks alongside the pressures identified earlier in the report do create strains on the capacity and capability of managing commercial interests and it will be important that as long standing managers in these areas return, opportunities are seized to reassess the best way of bringing together property, commercial and income generating opportunities.

<b>Commercial</b>	<b>C7</b>	Does the organisation's chief finance officer (S151) have sufficient knowledge, training, capacity and experience to provide effective oversight and leadership of the organisation's commercial interests?	2
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It is clear that both interim S151 officers have had expertise in this area (C7) which has been of benefit to the council. Ensuring that there is continuation of this type of expertise will be important to continue to manage the risks associated with some of the former investments until the divestment programme is completed.

## **Appendix 1 - CIPFA FM Model - Summary**

The CIPFA FM Model was originally released in July 2004 and describes a model for best practice in financial management within the public sector. This is the fourth iteration of the FM Model. Version 4 has been specifically developed to incorporate the very latest best practice initiatives as well as the emerging financial management issues associated with the current financial environment. The Model recognises that using money well leads to more and better front-line services and that effective financial management in the public sector now requires financial responsibilities to be more widely diffused throughout the whole of the organisation.

Budget holders/managers therefore need to be financially literate and finance professionals need to contribute through challenge, interpretation and advice. Good financial management is no longer just about accounting for expenditure and demonstrating probity, but finance must be placed in the wider organisational context, in terms of how it supports the delivery of the organisation's strategic objectives.

The CIPFA FM Model is structured around three styles of financial management:

- **Delivering Accountability** – an emphasis on control, probity, meeting regulatory requirements and accountability.
- **Supporting Performance** – responsive to customers, efficient and effective, and with a commitment to improving performance.
- **Enabling Transformation** – strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

The styles are intended to be progressive and it is expected that all three styles will be present in an organisation exhibiting best practice financial management characteristics. For example, accountability alone is not sufficient to enable an organisation to drive performance and to develop its transformational capacity and, conversely, performance or transformation programmes that are not founded in a robust approach to controlling and accounting for resources are unlikely to succeed.

The CIPFA FM Model is also organised by four management dimensions. These cover both hard edged attributes that can be costed or measured, as well as softer features such as communications, motivation, behaviour and cultural change. These are:

- **Leadership** – focuses upon strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.
- **People** – includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.
- **Processes** – examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.
- **Stakeholders** – deals with the relationships between the organisation and those with an interest in its financial health, whether Treasury, inspectors, auditors, taxpayers, suppliers, customers or partners. It also deals with customer relationships within the organisation, between finance services and its internal users.

A matrix approach is therefore used in the Model, combining the three styles of financial management and four management dimensions. The organisation's current financial

management position is assessed through comparing its arrangements against 30 statements of best practice, with a set of supporting questions sitting behind each statement. The table below shows how the 30 statements fit into the Best Practice Matrix.

**Table 1 – Management styles/dimensions matrix**

Financial Management Styles	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Delivering Accountability	L1 – L3	P1 - P2	PR1 – PR9	S1
Supporting Performance	L4 – L5	P3 – P5	PR10 - PR13	S2
Enabling Transformation	L6	P6	PR14 - PR15	S3

Each statement is scored from 0-4 with half point increments, to establish an overall picture of strengths and weaknesses in terms of financial management, as shown in the following table.

**Table 2 – How far does the best practice statement apply?**

Score	How far does the best practice statement apply?
0 / 0.5 / 1	Hardly
1.5 / 2	Somewhat
2.5 / 3	Mostly
3.5 / 4	Strongly

The methodology used to undertake the review of financial management is described in **Appendix 2**.

## **Appendix 2 – Review methodology**

### **Introduction**

The aim of the review is to form a view on the extent to which the statements of best practice in financial management apply to the organisation and the approach aims to gather evidence for this in the most economical way.

The high-level stages involved in the review are set out in further detail below.

### **Application of best practice statements**

Assessment methodology requires contributors to the electronic survey to approach the scoring for their relevant best practice statements and supporting questions by allocating scores from 0-4 to each of the statements.

The approach includes the categorisation of five survey groups as follows:

**Table 1 – Survey groups**

Group	Survey group	Description
SG1	Strategic finance	This group would comprise senior finance staff at the core of the corporate strategic finance function and include deputy/assistant CFOs, chief accountants, senior corporate financial performance specialists, long term finance and funding specialists, special project investment specialists, technical financial reporting specialists, etc.
SG2	Operational finance	This group is generally made up from the corporate core finance function but can include finance specialists from devolved arrangements with operational departments/functions. Members would typically include group accountants, budget monitoring teams, departmental business partners and corporate transactional finance staff.
SG3	Service directors	This group is aimed at service directors/heads of service – the objective is to capture evidence on strategic financial capability from an operational non-Finance perspective at the most senior operational level. Such contributors would typically be members of the organisational corporate management team/senior management team.
SG4	Operational managers	Typically, but not exclusively, budget Holders. This group would include any operational manager that is empowered to make decisions consuming organisational resources that have financial implications. Such decisions are typically taken supported by management information or decision support advice provided by finance colleagues.
SG5	Board, Stakeholders and external contributors	The senior stakeholders group comprises the chief finance officer, Chief Executive/Permanent Secretary, board non-executives, Audit Committee chairs and members, other external stakeholders or partner organisations, external audit representation and external supervisory representation – e.g., external auditor.

For the survey, participants were drawn from SG1, SG3, SG4 and SG5. A selection of the most relevant statements and questions for each of the survey groups were determined and tailored accordingly. This “culling” process produces the most relevant application of

the best practice statements designed to extract the optimal information from each specialised survey group. Benefits include relevancy and the minimisation of time exposure for participants and allowed a categorisation of evidence capture between:

- Document review/evidence.
- Interviews.
- Electronic survey.

### **Document review/evidence**

An integral aspect of the review was the assessment of a number of key documents for the Council (including material specifically made available as part of this assessment process, as well as publicly available material). This served two main purposes; to enable the assessor to familiarise him/herself with the structure, processes and culture of the Council, and to confirm factual information relating to the best practice statements and supporting questions e.g., whether or not a specific policy was in existence.

### **Interviews**

Interviews with 62 contributors were used to supplement the document review as well as substantiating the evidence generated from the survey.

Interviewees were largely from within the Council (with a sample of staff with financial management responsibilities, including Executive Directors and Budget Managers), both officers and members.

**Table 2 – List of interviewees****Finance Directorate**

Nicola Hix	Service Director Finance (deputy s151)
Ben Bryant	Head of Corporate Finance
Emily Collacott	Head of Financial Strategy
Christian Evans	Head of Finance Business Partnering
Paul Skuse	Head of Procurement
Shaun Warren	Head of Revenues and Benefits
Sian Kenny	Financial Governance & Policy Lead
Debbie Middleton	Interim Finance and Governance Improvement Lead
Parm Phipps	Interim Transformation Programme – Finance Lead
Paul Griffin	Chief Accountant
Kerry Hepple	Strategic Finance Business Partner – Place, Communities & Economy
Kerry Prisco	Strategic Finance Business Partner – HRA and Corporate Services
Siobhan Cleverly	Strategic Finance Business Partner – Children’s and Public Health
Jo Currie	Strategic Finance Business Partner – Education & Schools
Penny Gower	Strategic Finance Business Partner – Adult Social Care and Housing

**Audit**

Alastair Woodland	Internal Audit (South West Audit Partnership)
Barrie Morris	External Audit (Grant Thornton LLP)

**Leadership and Heads of Service**

Duncan Sharkey	Chief Executive
Alyn Jones	Exec Director Resources, Strategy and Transformation (and Monitoring Officer)
Clive Heaphy	Interim Chief Finance Officer (s151)
Claire Winter	Executive Director Children’s Families and Education (DCS)
Mel Lock	Executive Director Adults & Health (DASS)
Chris Hall	Executive Director Communities, Place & Economy
Elizabeth Dawson	Head of Chief Executives Office
Scott Wooldridge	Head of Democratic Services & Governance
Kehinde Awojobi	Head of Legal Services
Dawn Bettridge	Service Director HR & OD
Alison Bell	Service Director – Public Health
Sara Cretney	Service Director Strategy, Performance, Communications (lead on Transformation Programme)
Andy Kennell	Service Director ICT Services
Robert Orrett	Head of Service Commercial & Investment
Simon Lewis	Head of Housing
Sarah Hawkins	Head of Performance Assurance and Risk
John Kulasek	Head of Service – Property (interim)

## Other budget holders

Amelia Walker	Service Director Education
Jayne Shelborn-Barrow	Service Director Children's & Families
Richard Selwyn	Service Director Commissioning & Performance (Children's)
Emily Fulbrook	Service Director Adults and Health Operations
Kirsty Larkin	Service Director Housing
Mike O'Dowd Jones	Service Director Infrastructure & Transport
Paul Hickson	Service Director Economic Development Skills & Climate
Nigel Loxton	Capital Programme Manager
Angela King	HOS Neighbourhoods, MH & LD
Lisa Walker	SM Operations & Fostering
Iona Brimson	HOS-Commissioning Older Adults
Phil Curd	Head of Education Places
Jane Sprague	SM Quality Partnerships
Tim Cockerill	Head of SEND assessment & review
Sunita (Sam) Mills	Head of Transportation
Nick Chisnall	Strategic Manager Learning Disability
Sarah Skeet	Neighbourhoods
Matthew Ward	Head of ICT - Infrastructure
Toffer Beattie	Head of ICT - Service Delivery
Karen Johnson	Strategic Manager Mental Health
Carl Haggerty	Head of Transformation and Digital

## Elected Members

Councillor Bill Revans	Leader of the Council and Lead Member for Governance & Communications
Councillor Liz Leyshon	Deputy Leader of the Council and Lead Member for Finance, Procurement and Performance
Councillor Diogo Rodrigues	Leader of the Opposition & Opposition Lead for Governance and Communications
Councillor Dawn Denton	Deputy Leader of the Opposition & Lead Member for Finance, Procurement and Performance
Councillor Mike Hewitson	Chair of Audit Committee
Councillor Steven Pugsley	Chair of Corporate & Resources Scrutiny Committee

## Electronic Survey

A powerful component of the CIPFA FM Model is the electronic survey. Across a range of staff with differing financial management roles the electronic survey is used to test best practice statements against the actual prevailing conditions and practice within the organisation. Such scope would include e.g., the robustness of budget setting, the integration of business and financial planning, financial management competencies, the extent to which finance supports strategic decision making etc.

Contributors complete the electronic survey and submit their results online over a prescribed period of time. In addition to scoring the statements, contributors were given the facility to record observations and evidence which provide valuable insight as well as substantiating their scoring.

The overall response rate for the electronic survey was 193 out of 380 participants. The minimum level acceptable as evidence is normally 50% for each survey group. Response rates for each of the survey groups are set out in the chart below:

**Table 3 – Survey groups**

Group	Survey Groups	Invited	Completed	Percentage
SG1	Finance	264	130	49%
SG3	Senior service leads	24	13	54%
SG4	Service leads	86	45	52%
SG5	Board, Stakeholders and external contributors	6	5	83%
	<b>Total</b>	<b>380</b>	<b>193</b>	<b>51%</b>

### Appendix 3 – Star rating key criteria and characteristics

Rating	Assessment
*****	The organisation has in place leading edge financial management capability that allows it to anticipate both challenges and key opportunities, driving transformational change in order to optimise its performance and deliver optimal outcomes. Financial strategy is robust and covers medium to longer term and the organisation is fully agile in adapting to unforeseen events without impacting key outcomes. Investment programme management including commercial capabilities are fully integrated with operational requirements and highly effective with significant returns being achieved on improved service delivery. Financial management capability meets global best practice standards.
****	The organisation has in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term, is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most investment programmes are delivered to time and cost. The organisation has strong insight into cost drivers and commercial capabilities are highly evident with strategic and operational planning.
***	The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop but is not sufficient for challenging times or driving transformational change. There is a medium term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. Commercial capabilities exist but are only partially developed.
**	The organisation has basic financial management capability. Financial management arrangements are in place that allows the organisation to meet the minimum of practice standards and provides functional capability in the short term, a minimum level of support in the delivery organisational outcomes but does not support organisational transformational change. Financial management style is predominantly stewardship in nature rather than supporting effective decision support. Investment Programme management is rudimentary and there is a disconnect between operational and financial strategies.
*	The organisation has some financial management arrangement in place, but they are inadequate and provide only minimal financial management capability with reactive short term solutions. Basic accountability obligations are minimally covered, and financial management does not meaningfully support effective organisational outcomes of transformational change. Basic stewardship responsibilities are a challenge and financial management capability is not fully embedded within basic decision support.