

Report Title:	CIPFA Review of Financial Governance July 2019
Contains Confidential or Exempt Information?	No - Part I
Member reporting:	Councillor Hilton, Lead Member for Finance and Ascot
Meeting and Date:	Corporate Overview and Scrutiny Panel 22 October 2019
Responsible Officer(s):	Duncan Sharkey, Managing Director
Wards affected:	"All"

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REPORT SUMMARY

1. The purpose of the report is to share with the Overview and Scrutiny Panel the Chartered Institute of Public Finance and Accountancy (CIPFA) review of Financial Governance undertaken in July 2019 requested by the Portfolio Holder and Managing Director. The report is attached as appendix A and the CIPFA consultants who undertook the review will be available to answer Member questions at the meeting.
2. The report is a summary of an initial six days work and represents the issues raised at the time it was prepared.
3. The Council has accepted the recommendations in the review:
 - A detailed review of the way financial management operates within the Royal Borough is undertaken as a matter of urgency.
 - The Council put in place measures that ensure that they comply with all applicable local government financial legislation, regulations and codes of practice.
 - A fundamental review of the financial resilience of the Council is undertaken that includes both the medium term financial plan and the capital programme.
 - The capital programme is reviewed to ensure all schemes have appropriate and robust business cases, have clear delivery outcomes and that risks are appropriately managed.
 - The role and support to the current s151 Officer is reviewed.
4. CIPFA have been engaged to support the Council to fulfil these objectives and to give further support to the finance team and the Council up to the approval of the 2020/21 budget in February 2020. This has included updating the financial update reports to Cabinet in September and October 2019.
5. CIPFA will produce a final report after their work has been completed.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Corporate Overview and Scrutiny Panel notes the CIPFA report

2. APPENDICES

2.1 This report is supported by appendix A:

- CIPFA Review of Financial Governance

Royal Borough of Windsor and Maidenhead

Review of Financial Governance

Member Summary

July 2019

Contact details

In the first instance please direct all enquiries to:
John O'Halloran, Director Business Advisory and Consultancy – CIPFA
020 7543 5600 / john.o'halloran@cipfa.org



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1. Introduction

- 1.1. CIPFA were asked by the Managing Director and s151 Officer to review the governance, approval and management processes in relation to a £350k capital scheme (Clewer and Dedworth Neighbourhood Improvements) approved in the 2018/19 budget.
- 1.2. The Managing Director was concerned that the scheme did not appear to meet the Council's overall objectives, that it didn't go through a proper prioritisation process, no business case or plan had been produced as to what the scheme would deliver, or a plan of how it would be managed prior to approving the spend.
- 1.3. This issues raised highlighted further concerns about financial monitoring in the Council, as well as the effectiveness of financial governance and the role of the finance function in overseeing the financial governance of the Council.
- 1.4. This report, as well as looking at the processes around the Clewer and Dedworth scheme gives an overview of the Council's financial monitoring processes, governance and the role of finance in comparison to statutory and recommended practice.

2. Conclusions

2.1. Through the course of our work examining the Clewer and Dedworth scheme, CIPFA has identified a number of wider financial and governance issues. We believe the Council needs to address these issues urgently in order to demonstrate that it is managing its finances in a legal, transparent, professional and competent way.

2.2. In summary they include:

- The 2018/19 and 2019/20 budget reports did not include a statement on the robustness of estimates and level of reserves and therefore they did not comply with the requirements of the Local Government Act 2003
- The Medium Term Financial Planning (MTFP) process is limited and does not link to, or reflect the corporate plan in a way that it should in order to reflect best practice. Potential savings of £4.2m are required in 2020/21 based on current assumptions but no explanation is given of how these will be achieved or the plan to deliver them
- The level of reserves held by the Council are low compared to other unitary authorities and represent a risk to ongoing sustainability if unforeseen events occur
- The budget monitoring reports to Members for revenue spend were inadequate in 2018/19 because they did not identify £8m of known service overspends until the end of November 2018
- The Treasury Management Strategy does not comply with the Code of Practice and is inadequate as it does not set out the Council's borrowing intentions and risks clearly
- The spreadsheet that estimates the cost of debt charges in the MTFP has an error in it that could lead to a £700k budget shortfall in 2020/21
- The Council's Capital Strategy is not compliant with CIPFA's Prudential code and the budget report does not reference affordability in relation to its capital plans, a requirement of the 2003 Local Government Act
- The £48k of spending charged to the Clewer and Dedworth Neighbourhoods Capital Improvement scheme appears to be Ultra Vires
- The approval of the Clewer and Dedworth Neighbourhoods Capital Improvement scheme for £350k did not go through an appropriate prioritisation process and the approval process used for the scheme is questionable
- The overall Capital Programme approval and monitoring process has significant weaknesses, the scheme examined, included in the capital programme had not been through a prioritisation process and had no business case.
- It appear to us that Members were able to circumvent the Council's approved policy framework to include additional schemes in the capital programme without appropriate challenge from Officers

- The capital monitoring process does not highlight scheme variances or slippage in year and contains no explanations of either
- Given the weaknesses identified in this report the effectiveness of the role of finance in challenging budgets and supporting departments is questioned
- The role of managers in budget management is not clear based on the interviews carried out. Expenditure on the Clewer and Dedworth scheme was authorised by the manager of the scheme causing it to overspend. This was not questioned by her Manager, Director or the finance team.

3. Recommendations

- 7.1. A detailed review of the way financial management operates within the Royal Borough is undertaken as a matter of urgency.
- 7.2. The Council put in place measures that ensure that they comply with all applicable local government financial legislation, regulations and codes of practice.
- 7.3. A fundamental review of the financial resilience of the Council is undertaken that includes both the medium term financial plan and the capital programme.
- 7.4. The capital programme is reviewed to ensure all schemes have appropriate and robust business cases, have clear delivery outcomes and that risks are appropriately managed.
- 7.5. The role and support to the current s151 Officer is reviewed.

Key Members and Officers Interviewed

Officers

Duncan Sharkey	Managing Director
Rob Stubbs	Head of Finance (s151 Officer)
Mary Severin	Monitoring Officer
Andy Jeffs	Executive Director of Communities
Hilary Hall	Director of Strategy and Commissioning
Ruth Watkins	Corporate Accountant
Zarqa Raja	Group Accountant
Stuart Taylor	Lead Accountant – Adults & Health
Ben Smith	Head of Commissioning
Vikki Roberts	Principal Communities Officer
Catherine Hickman	Lead Specialist, Internal Audit

Members

Councillor Dudley	Leader of the Council
Councillor Hilton	Lead Member for Finance
Councillor Targowski	Chair of Overview and Scrutiny