

Report Title:	<b>CIPFA Review of Governance Action Plan – Quarterly Progress Update</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Hilton, Lead Member for Finance and Ascot
Meeting and Date:	Corporate Overview and Scrutiny Panel 19 April 2021
Responsible Officer(s):	Adele Taylor – Director of Resources
Wards affected:	None

## **REPORT SUMMARY**

1. In response to the review of governance undertaken by CIPFA (Chartered Institute of Public Finance and Accountancy) and presented to Cabinet in June 2020, an action plan was developed which identified appropriate actions to resolve the remaining, outstanding issues.
2. Corporate Overview and Scrutiny Panel reviewed that draft action plan in July 2020 and agreed that quarterly progress reports should be presented to the Panel going forward.
3. This report provides the second of these updates, following the first update at the meeting in November. It sets out progress made against the actions identified in the plan.

## **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That Corporate Overview and Scrutiny Panel reviews the report and:

- i) **Notes the actions already taken in respect of the objectives set out, and those planned for the next quarter.**

## **2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

### **Options**

**Table 1: Options arising from this report**

<b>Option</b>	<b>Comments</b>
Note the contents of the progress report. <b>This is the recommended option</b>	This will allow the Council to continue to make improvements and learn lessons from the CIPFA review.
Provide no commentary on the report and action plan.	Not recommended. The Panel will have failed to undertake its role in scrutinising the actions of the Council.

### **3. KEY IMPLICATIONS**

- 3.1 The CIPFA Governance Review identified a number of areas for improvement which were therefore included in the Action Plan. This report updates on the action taken to address these issues.
- 3.2 The Action Plan sets out six areas for improvement and these are summarised below:
- Medium Term Financial Strategy (MTFS) and development of budget proposals for 2021/22
  - Transformation
  - Capital Programme Management
  - Financial Management Improvements including reconciliations, debt management and collection fund management
  - Management of Partnership Arrangements
  - Member Oversight
- 3.3 Medium Term Financial Strategy (MTFS) and development of budget proposals for 2021/22 - a clear understanding is required of what resources the Council has to manage its services and address its priorities. A legal, balanced budget should be proposed and agreed to statutory deadlines.
- 3.4 Transformation - a dynamic approach to identifying potential opportunities to transform services should be developed, with clearly defined benefits identified and delivered. Savings identified should form part of actions to close the budget gap.
- 3.5 Capital Programme Management - management of the whole of the capital programme must be improved, including a greater understanding of the impact of decisions on the financial sustainability and wider aims of the Council. Improved reporting should be integrated as part of the budget monitoring process, ensuring there is a good understanding of the impact of the progress of the overall capital programme.
- 3.6 Financial Management Improvements including reconciliations, debt management and collection fund management - budget managers should be clear about their roles and responsibilities and therefore should be able to manage the resources they have to deliver their services successfully. Sound underlying processes should be in place to ensure that our resources are clearly understood, managed and processes are efficiently managed. Roles and responsibilities for all officers involved in the financial management process should be defined, understood and appropriate checks, balances and verifications should be in place to minimise fraud and error. All officers of the council should have a sound understanding of the financial resources of the council and of how to support decision-making appropriately.

- 3.7 Management of Partnership Arrangements – a clear shared agreement and understanding should be defined with our partners and joint owners of what we wish to achieve through delivering services through these arrangements.
- 3.8 Member Oversight – a clear understanding should be established of the respective roles and responsibilities of members and officers and clarity for decision-making purposes. Both members and officers should receive up-to-date training on governance issues that impact on their ability to undertake their roles successfully, so that they feel confident in how they make decisions. Full scrutiny should be undertaken, through separate committees/panels, relevant to the roles and responsibilities of the two entities.
- 3.9 An internal officer group has been established and last met on 10th February to ensure that progress continues to be made and plans are in place for the next quarter.
- 3.10 Appendix A sets out the progress made so far against each of these objectives. It is important that delivery of the action plan remains transparent and officers recommend that Corporate Overview & Scrutiny Panel continue to review progress against the action plan on a quarterly basis. If any concerns are raised about non-delivery or if it does not feel adequate progress has been made it could then refer the matter on to Cabinet.

#### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 There are no direct financial implications of the actions taken to progress delivery of the action plan. It is expected that any such actions will be contained within existing resources.

#### **5. LEGAL IMPLICATIONS**

- 5.1 The Authority is a creature of statute and must obey legislation, act within the guidance and regulations issued, and ensure probity and compliance with ethical behaviour. The CIPFA report highlighted a number of issues of governance that demonstrate the Authority has not lived up to the standards required. Progress against this action plan seeks to rectify this position.

#### **6. RISK MANAGEMENT**

- 6.1 There are no known risks associated with the delivery of this action plan to date.

#### **7. POTENTIAL IMPACTS**

- 7.1 This is not a decision-making report so there are no direct impacts as a result of noting the report.
- 7.2 Equalities.

There are no implications arising from the recommendation.

### 7.3 Climate change/sustainability

There are no implications arising from the recommendation.

### 7.4 Data Protection/GDPR.

There are no implications arising from the recommendation.

## 8. CONSULTATION

8.1 Not applicable

## 9. TIMETABLE FOR IMPLEMENTATION

9.1 Ongoing – details in Appendix A

## 10. APPENDICES

10.1 This report is supported by one appendix

- Appendix A – Action Plan Update

## 11. BACKGROUND DOCUMENTS

11.1 This report is supported by 3 background documents:

- CIPFA Review of Governance Final Report - Cabinet 25 June 2020
- CIPFA Review of Governance – Corporate O&S Panel 27 July 2020
- CIPFA Review of Governance – Response to the Final Report and Development of an Action Plan - Cabinet 30 July 2020

## 12. CONSULTATION (MANDATORY)

<b>Name of consultee</b>	<b>Post held</b>	<b>Date sent</b>	<b>Date returned</b>
Cllr Hilton	Lead Member for Finance	6/04/21	8/04/21
Duncan Sharkey	Managing Director	6/04/21	
Adele Taylor	Director of Resources/S151 Officer	2/04/21	6/04/21
Andrew Durrant	Director of Place	6/04/21	
Kevin McDaniel	Director of Children's Services	6/04/21	
Hilary Hall	Director of Adults, Health and Commissioning	6/04/21	6/04/21

Elaine Browne	Head of Law	6/04/21	7/04/21
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	6/04/21	
Nikki Craig	Head of HR Corporate Projects and IT	6/04/21	6/04/21
Louisa Dean	Communications	6/04/21	8/04/21
Karen Shepherd	Head of Governance	6/04/21	6/04/21

## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
For information	No	No

Report Author: Andrew Vallance, Head of Finance
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Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
<p>Medium Term Financial Strategy (MTFS) and development of budget proposals for 2021/22</p>	<ul style="list-style-type: none"> <li>Update of MTFS to take account of impact of COVID-19 and decisions by government to delay implementation of Fair Funding required. Clear link between the MTFS and the Council's corporate plan</li> <li>Need to have clarity of budget gap going forward</li> <li>A reserve management strategy needs to be in place as part of MTFS</li> <li>Equalities impacts were produced for each of the budget proposals but a cumulative equality impact assessment was only completed for the first time for 2020/21 budget.</li> </ul>	<p>MTFS to be reviewed in year to identify a revised budget gap for 2021/22 to 2024/25 to assist with budget setting process for 2021/22. Consideration to be given to any additional areas of investment in resources needed including additional services arising from COVID-19, equalities and other engagement resources</p> <p>Identification of steps to address the budget gap across the MTFS and preparation of a balanced budget for 2021/22 including a strategy for managing the Council's reserves to be in place as part of the MTFS</p> <p>Ensure that there is further embedding of equalities impact assessments as part of the overall budget proposals.</p>	<p>October 2020</p> <p>February 2021</p>	<p>Director of Resources &amp; Head of Finance</p>	<p>A clear understanding of what resources the Council has to manage its services and address its priorities.</p> <p>A legal, balanced budget proposed and agreed to statutory deadlines</p>	<p><b>COMPLETED</b></p> <p>MTFS approved by Council 14<sup>th</sup> October 2020. Identified budget gap of £8m.</p> <p>Legal, balanced budget approved at full Council on 23<sup>rd</sup> February 2021.</p> <p>All budget growth and savings were accompanied by EQIAs. Overall budget had an EQIA. EQIAs were revised after budget consultation in February 2021.</p>

Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
Transformation	<ul style="list-style-type: none"> <li>The Council needs to embed the work around transformation to identify new ways of working and identify additional efficiencies</li> </ul>	<p>Transformation plan developed to identify the framework within which opportunities can be identified</p> <p>Sub-committee of cabinet formed to have oversight of transformation work</p>	<p>August 2020</p> <p>August 2020</p>	Transformation lead	A dynamic approach to identifying potential opportunities to transform services with clearly defined benefits identified and delivered. Savings identified will form part of actions to close the budget gap.	<p><b>COMPLETED</b></p> <p>Transformation Strategy agreed by Sub-Committee in September 2020</p> <p>Action plan has been developed and will be considered by the Transformation Sub-Committee in May 2021.</p>
Capital Programme Management	<ul style="list-style-type: none"> <li>Need to establish a Capital Programme board to improve Capital governance</li> <li>Overall capital programme needs to be reviewed to ensure robust business cases with clear delivery outcomes and risks appropriately managed.</li> <li>More active challenge of capital spending needs to be undertaken including pro-active challenge from finance on slippage</li> </ul>	<p>Establishment of a Capital Programme Board (officer board) with a remit including:</p> <ol style="list-style-type: none"> <li>Review of existing capital schemes to ensure proper management of budget, timescales and outcomes</li> <li>Consider the annual review and refresh of the capital strategy</li> <li>Consider potential new projects and provide challenge</li> </ol>	First meeting held June 2020	Head of Finance	Improved management of the whole of the capital programme including a greater understanding of the impact of decisions on the financial sustainability and wider aims of the Council.	<p><b>COMPLETED</b></p> <p>Capital Programme Board has met regularly. Reviews include:</p> <ul style="list-style-type: none"> <li>Existing schemes</li> <li>Slippage</li> <li>Allocation of grants</li> <li>Allocation of s106/CIL</li> <li>21/22 capital budgets</li> </ul> <p>Capital strategy approved by Council as part of Budget papers on 23<sup>rd</sup> February 2021.</p>

Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
		<p>prior to commencement</p> <p>4. Consider the overall funding of the capital programme including review of S106, CIL, grants and borrowing levels</p> <p>5. Undertake post implementation reviews of major capital schemes (including Braywick leisure centre)</p> <p>6. Ensure regular monitoring reporting is included in cabinet finance reports</p>	Budget monitoring from July 2020		Improved reporting as part of the budget monitoring process ensuring there is a good understanding of the impact of the progress of the overall capital programme	<p>Post implementation reviews to be introduced from April 2021.</p> <p>Cabinet finance reports now include improved and expanded monitoring of capital.</p>
Financial Management Improvements including reconciliations, debt management and collection fund management	<ul style="list-style-type: none"> <li>• Training programmes on the IT system already underway but need to continue to be embedded</li> <li>• Only 25% of transactions have a purchase order raised</li> <li>• The current model for building the MTFS needs to be reviewed</li> <li>• There were two unreconciled balances (bank reconciliation and Housing Benefits) that</li> </ul>	<p>Training for budget managers has already been started but this needs to continue to be embedded.</p> <p>Specific project to identify opportunities to increase the use of purchase orders which will help with overall budget management</p> <p>Model for the MTFS reviewed and refreshed .</p>	<p>Ongoing</p> <p>October 2021</p> <p>COMPLETE</p>	<p>Head of Finance</p> <p>Head of Finance</p> <p>COMPLETE</p>	<p>Budget managers are clear about their roles and responsibilities and therefore are able to manage the resources they have to deliver their services successfully.</p>	<p>Training programme to continue, adapted to new ways of working.</p> <p>PO project ongoing</p> <p>MTFS reviewed and approved by Council on 14<sup>th</sup> October 2020.</p>

Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
	<p>needed to be written back and reported to members</p> <ul style="list-style-type: none"> <li>• Further review of other control accounts and bank reconciliation</li> <li>• Limited reporting and review of debt management by services and wider finance team and provisions for bad debt are not regularly reviewed</li> <li>• There is not a clear understanding of how the collection funds operate which is a technical area of work.</li> </ul>	<p>Unreconciled balances – RESOLVED (Council report June 2020)</p> <p>Internal audit currently underway of all reconciliations. Following completion, appropriate actions to be put in place.</p> <p>Improved reporting of debt management to be included in budget monitoring reports and a process for reviewing all bad debt provisions to be identified</p> <p>Review of collection funds has been commissioned separately to identify any areas where we may need to address skills and knowledge gaps. Actions identified to be addressed through appropriate technical support, training and guidance.</p>	<p>COMPLETE</p> <p>September 2021</p> <p>September 2021</p> <p>COMPLETE</p>	<p>COMPLETE</p> <p>Head of Finance</p> <p>Head of Finance</p> <p>COMPLETE</p>	<p>There are sound underlying processes in place to ensure that our resources are clearly understood, managed and processes are efficiently managed.</p> <p>Roles and responsibilities for all officers involved in the financial management process are defined, understood and appropriate checks, balances and verifications are in place to minimise fraud and error</p> <p>All officers of the council have a sound understanding of the financial</p>	<p>Resolved</p> <p>Await internal audit results</p> <p>Reports include debt management. Ongoing work to review bad debt provisions in the light of pandemic restrictions. This is part of usual budget management processes</p> <p>Collection fund skills and knowledge gaps addressed with support from LG Futures.</p>

Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
					resources of the council and understand how to support decision-making appropriately	
Management of Partnership Arrangements	<ul style="list-style-type: none"> <li>• Reviews of the Pension Fund, Optalis and AfC be completed and recommendations implemented</li> <li>• Consider our other partnership arrangements that are not subject to procurement and consider a value for money review (including Property Company and Internal Audit Service)</li> </ul>	<p>Optalis and AfC review completed and any actions arising identified and implemented</p> <p>Review of Pension Fund governance completed and all governance issues identified and actioned. This will include engagement with other pension fund bodies</p> <p>Review current partnership arrangements with the property company and to identify common purpose and goals for both partners</p>	<p>COMPLETE</p> <p>COMPLETE</p> <p>December 2020 (Revised to July 2021 to include report of findings)</p>	<p>COMPLETE</p> <p>COMPLETE</p> <p>Director of Resources &amp; Head of Finance</p>	<p>Clear shared agreement and understanding with our partners and joint owners of what we wish to achieve through delivering services through these arrangements.</p>	<p>Reviews reported to Cabinet on 30<sup>th</sup> July 2020. Action plans in place and monitored by the Head of Commissioning - People. These are reviewed by the relevant Overview and Scrutiny Panels.</p> <p>Revised Pension Fund Governance arrangements agreed by Council in October 2020. Now implemented.</p> <p>Property Company Review by external consultants has commenced. Delayed start to ensure inclusion of new Executive Director of Place and Deputy Director of Law and Governance.</p>

Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
		Review current arrangements around our Internal Audit service to ensure that these are fit for purpose	March 2021	Director of Resources & Head of Finance  (Please note that the identified officers here are the RBWM officers only)		Completion date revised to include formal report findings  Internal Audit partnership arrangements review has commenced. Current arrangements to continue for 2021/22 but further review in year for future year arrangements
Member Oversight	<ul style="list-style-type: none"> <li>There is a lack of clarity between member and officer roles</li> </ul>	<p>A revised code of conduct has been developed for members and was approved by Council in June</p> <p>Member and officer training programmes on finance and governance issues should be regularly reviewed and updated. Training on Member/Officer roles and responsibilities proposed for September 2020</p>	COMPLETE  Ongoing	Head of Governance  Head of Governance and Head of Finance	Clear understanding of the respective roles and responsibilities of members and officers and clarity for decision-making purposes.  Both members and officers receive up-to-date training on governance issues that impact on their ability to	Training undertaken in September 2020. Further training from the LGA may be available.

Area	Issues Identified	Actions	Timeline	Lead Officer(s)	What Success will look like	Progress to date
	<ul style="list-style-type: none"> <li>The merging of the audit committee and Corporate Overview and Scrutiny Panel has meant that the different roles of the two functions may not be possible given the need to manage the number of financial governance issues</li> </ul>	<p>A review of the committees to be undertaken to split the functions and create a separate Audit and Governance committee from a corporate overview and scrutiny panel was considered by full Council on 28 July 2020</p>	COMPLETE	COMPLETE	<p>undertake their roles successfully, so that they feel confident in how they make decisions.</p> <p>Through separate committees/panels, full scrutiny can be undertaken relevant to the roles and responsibilities of the two entities.</p>	<p>Audit and Governance Committee now established and has met regularly.</p>