

Report Title:	<b>CIPFA Review of Governance Action Plan – Final Closure Report</b>
Contains Confidential or Exempt Information	No - Part I
Lead Member:	Councillor Hilton, Cabinet Member for Finance and Ascot
Meeting and Date:	Cabinet 16 December 2021
Responsible Officer(s):	Adele Taylor – Executive Director of Resources
Wards affected:	None

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## **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. These have been considered on a regular basis with the final report considered on 29<sup>th</sup> November 2021.
3. This report provides the final such update, setting out progress made against the actions identified in the plan. All actions have now been undertaken and therefore formal closure of the review and reporting on actions is proposed.

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

**RECOMMENDATION:** That Cabinet reviews the report and:

- i) **Notes the actions taken in respect of the objectives set out, and that the Action Plan has now been completed.**
- ii) **Approves the formal closure of the action plan**

## **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 and agree that the financial governance review and action plan be formally closed <b>This is the recommended option</b>	This will allow the Council to formally acknowledge the progress against the original action plan and cease reporting against the plan.

Option	Comments
To not agree the formal closure of the review and action plan	Not recommended. This will require officers to continue to monitor actions that have already been completed.

### 3. KEY IMPLICATIONS

- 3.1 The CIPFA Governance Review was undertaken during 2019 and 2020 and a report was considered in June 2020 that identified a number of areas for improvement. The Executive Director of Resources devised an Action Plan to ensure that all actions were reviewed, timescales for completion of these actions agreed and progress reports considered and scrutinised by the Corporate Overview and Scrutiny Panel. This report updates on all the actions taken to address these issues.
- 3.2 The Action Plan set out six areas for improvement:
- 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 Appendix A sets out the progress made against each of these objectives. The Action Plan has now been completed in every area.
- 3.10 The Action Plan addressed the specific issues that CIPFA raised and were still outstanding at the time of their report in June 2020. At the same time there have also been a number of other areas where financial management and governance has been strengthened and this includes:
- More frequent budget monitoring was introduced for the financial year 2020/21 and with greater links between performance, finance and risk included in the narrative.
  - Resources within the finance function have been reviewed and strengthened, including the appointment of a permanent new Head of the Pension Fund, the splitting of senior roles within the finance team to recognise the important and distinct roles between technical finance and accountancy and business partnering. All of these roles have recently been successfully recruited to
  - Increased briefing of all members about key financial information in a timely fashion, examples include regular briefings on the impact of Covid-19 funding during 2020/21, details of the Comprehensive Spending Review
  - Increasing and improving engagement on financial matters
  - A balanced, draft budget was proposed a month earlier than the previous financial year, in November 2021 for the financial year 2022/23 and over the medium term financial plan. This will increase the opportunity for more residents, businesses, councillors, and partners to consider the proposals
- 3.11 Despite the fact that this report requests a closure of the action plan, there is an ongoing need to ensure that RBWM continues to adhere to best practice in all areas of financial governance. The Executive Director of Resources, as the Council's statutory S151 finance officer, leads on ensuring compliance but also

works with other statutory officers at the council to ensure wider governance issues are considered.

- 3.12 The council approves an Annual Governance Statement, and this will also detail any governance weaknesses that need to be addressed. This statement is based on work undertaken by both internal and external auditors, an assessment of our strategic risk register as well as consideration of any changes or proposed changes to governance arrangements.
- 3.13 There are now a number of case studies of other Local Authorities where financial governance and wider governance arrangements have led to significant financial failures and a number of public reports have been produced. These reports are all considered at the time of publication by relevant officers at RBWM and any lessons learnt and appropriate actions taken to improve our own arrangements to mitigate risks of failure.
- 3.14 Specifically in terms of financial management, the Head of Finance and Executive Director of Resources are developing further improvements as part of an operational Finance Development Plan as part of business as usual and a normal part of service planning. This will ensure we can maximise the impact of the additional resources within the finance team as part of the overall financial management of the council and a strengthening of our business partnering across the whole organisation.
- 3.15 The completion of the actions within the plan, and the ongoing commitment to operating at best practice, have contributed to better transparency around financial management, improved the information and analysis that decision-makers have upon which to enact their responsibilities and increased the awareness of the importance of financial sustainability for RBWM.
- 3.16 To ensure that the Council continues to follow best practice and considers any necessary improvements to its financial governance arrangements there are several opportunities to identify these. Both internal and external audit have a crucial role to play in providing assurance around governance arrangements but in addition there is the opportunity to take part in peer reviews. The Council actively engages in this process and financial governance forms a significant part of those reviews. The next peer review will be undertaken early in 2022 and the expectation is that future peer reviews will continue to be scheduled at appropriate intervals.

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

- 4.1 There are no direct financial implications of the recommendations in this report. Implementing the changes within the action plan has strengthened the financial governance and consequently the financial management of the organisation.

#### **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 demonstrated the Authority has not lived up to the standards required. Progress against this action plan has rectified 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 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 Final actions will be implemented by 1<sup>st</sup> April 2022 when the new Internal Audit arrangements begin.

## **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 8 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
  - CIPFA Action Plan Update reports – Corporate Overview & Scrutiny 24 November 2020, 19 April 2021, 29 November 2021
  - Review of Councils Governance of RBWM Property Company – Cabinet 22 July 2021
  - Review of Councils Governance of RBWM Property Company – Corporate Overview & Scrutiny 4 October 2021

## 12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	Report author	N/A
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	24/11/21	24/11/21
<i>Deputies:</i>			
Andrew Vallance	Head of Finance	24/11/21	07/12/21
Karen Shepherd	Head of Governance	24/11/21	24/11/21
Elaine Browne	Head of Legal	24/11/21	
<i>Other consultees:</i>			
Duncan Sharkey	Chief Executive	24/11/21	07/12/21
Hilary Hall	Executive Director of Adults, Health and Housing	24/11/21	24/11/21

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Finance and Ascot	Yes
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### REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Non key decision	No	No

Report Author: Adele Taylor, Executive Director of Resources
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## Appendix A: CIPFA Action Plan - final

Area	Issues Identified	Actions	What Success will look like	Progress to date
Medium Term Financial Strategy (MTFS) and development of budget proposals for 2021/22	<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>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>
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</p>	<p>A dynamic approach to identifying potential opportunities to transform services with</p>	<p><b>COMPLETED</b></p> <p>Framework in place. Some re-alignment of plan underway due to pandemic.</p>

Area	Issues Identified	Actions	What Success will look like	Progress to date
		transformation work. Delivery Plan for next two years to be approved November 2021.	clearly defined benefits identified and delivered. Savings identified will form part of actions to close the budget gap.	Sub-committee met again (twice) in November 2021.
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>1. Review of existing capital schemes to ensure proper management of budget, timescales and outcomes</li> <li>2. Consider the annual review and refresh of the capital strategy</li> <li>3. Consider potential new projects and provide challenge prior</li> <li>4. Consider the overall funding of the capital programme including review of S106, CIL, grants and borrowing levels</li> <li>5. Undertake post implementation reviews of major capital schemes (including Braywick leisure centre)</li> </ol>	<p>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> <p>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>	<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> <p>Post implementation reviews introduced.</p>



Area	Issues Identified	Actions	What Success will look like	Progress to date
		6. Ensure regular monitoring reporting is included in cabinet finance reports		Cabinet finance reports now include improved and expanded monitoring of capital.
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 needed to be written back and reported to members</li> <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>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>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>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>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</p>	<p><b>COMPLETED</b> Training programme has continued, adapted to new ways of working.</p> <p>MTFS reviewed again at Cabinet on 22<sup>nd</sup></p> <p>Resolved</p> <p>Resolved</p> <p>Reports include debt management. Ongoing work to review bad debt provisions in the light of pandemic restrictions.</p>

Area	Issues Identified	Actions	What Success will look like	Progress to date
		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>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 resources of the council and understand how to support decision-making appropriately</p>	Collection fund skills and knowledge gaps addressed with support from LG Futures.
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</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><b>COMPLETED</b></p> <p>Reviews reported to Cabinet on 30<sup>th</sup> July 2020. Action Plans 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>

Area	Issues Identified	Actions	What Success will look like	Progress to date
		<p>fund bodies</p> <p>Review current partnership arrangements with the property company and to identify common purpose and goals for both partners</p> <p>Review current arrangements around our Internal Audit service to ensure that these are fit for purpose</p>		<p>Property Company Review by external consultants has been completed and fed back to Cabinet and Overview and Scrutiny.</p> <p>Internal Audit partnership arrangements reviewed. Cabinet to approve new arrangements on 25/11/21. To be implemented from 1/4/22.</p>
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>	<p>Clear understanding of the respective roles and responsibilities of members and officers and clarity for decision-making purposes.</p> <p>Both members and officers receive up-to-date training on governance</p>	<p><b>COMPLETED</b></p> <p>Training undertaken in September 2020. Further training from the LGA may be available.</p>

Area	Issues Identified	Actions	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>	<p>issues that impact on their ability to 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>