

AUDIT AND GOVERNANCE COMMITTEE – 9 JANUARY 2019

FINANCIAL MANAGEMENT ACTION PLAN - UPDATE

Report by Director of Finance

RECOMMENDATION

1. **The committee is RECOMMENDED to note the report.**

Executive Summary

2. The Financial Management Action Plan is on track to be completed by 31 March 2019 in the keys areas identified for improvement, including reporting, training strategy and plans, clarity over roles and responsibilities, and updated regulations, procedures and guidance. The corporate performance management and assurance framework will be designed and resourced to provide effective governance and continuous improvement into 2019/20.
3. Financial management remains a key focus and is subject to on-going improvement. Throughout 2018, the strategic actions set out by the Director of Finance have been kept under review and have evolved following planned reviews such as the Financial Management Self-Assessment; and from the work undertaken in developing the Operating Model, that included consultation with user groups on all aspects of finance and financial systems.
4. The strategic actions have been developed into more specific areas of focus following the completion of the Financial Management Self-Assessment, and they have been reviewed to ensure they can be effective and will impact positively, complimenting the wider Transformation Programme.
5. The Financial Management self-assessment has been completed and whilst the outcome positively reaffirmed that overall, we have an adequate system of Financial Management, the response from stakeholders highlighted that there are a few areas to be improved that would provide a better customer experience for them as financial managers. The review also highlighted the need for a clearer definition of the financial management roles and responsibilities, and the performance standards expected of those responsible.
6. Officers are currently reviewing the performance framework, and the risk management strategy, with an objective of moving to monthly business reporting, encompassing performance finance and risk from early in 2019. These are improvements that will complement the system of financial management, and support a culture of strong compliance.

7. Financial systems remain under continuous review. The Operating Model has reaffirmed the principal of self-service as being the model of choice, through the established Shared Services Partnership. The financial monitoring and transactional processing is facilitated through the partnership and the Transformation Programme has a current project working on essential “quick wins” that will enable users to operate more efficiently and effectively. The quick wins are focussed on improving the governance, and the development of easy user guidance to enable users to self-serve with confidence. This will be supported with further medium-term improvements.
8. Financial Management training remains a key action to be delivered. In September 2018 a new budget forecasting tool was launched through the Shared Services Partnership, and training on the new tool is being delivered to the Accountable Officers and Cost Centre Managers. This training has been extended to include responsibilities for financial management and cost centre management; however, this is only intended as an interim action. A more comprehensive training programme will be developed in Q4 for roll out during 2019/20.

Introduction

9. Effective financial management is an essential foundation of any successful organisation. This report provides an update on the progress undertaken in 2018 to improve the governance, effectiveness, and assurance of Financial Management across the council; and to highlight the ongoing actions to improve the financial management systems and competency across the organisation, as part of the wider Transformation Programme.
10. Building on the original action reported in the Annual Governance Statement 2017/18 that said, “ review the financial assurance framework, and to follow through the ‘case for change’ under the Fit for the Future Programme in respect of streamlining systems and processes”, the Director of Finance also reviewed the best value inspection report relating to Northamptonshire County Council and identified learning for OCC resulting in seven strategic actions to improve the existing system of financial management:
 - Undertake a self-assessment of organisational financial management using the CIPFA Financial Management Toolkit.
 - Refresh Financial Regulations to include a stronger focus on compliance.
 - Develop and deliver Financial Management responsibilities refresher training.
 - Restructure and redefine the Finance Function so it better supports the changing needs of the organisation
 - Document and agree structured financial reporting to Directorate Leadership Teams (DLT’s), and the Council Leadership Team (CLT)
 - Improve financial reporting to Cabinet and Performance Scrutiny Committee.

11. The Financial Management Self-Assessment has been completed, summarised in the section below. The outcome of that review has been the development of a new action plan, to be completed by 31 March 2019, that encompasses the other six actions identified previously by the Director of Finance as shown above.

Financial Management Self-Assessment

12. The CIPFA Financial Management Self-Assessment toolkit was completed in September 2018 concluding overall there is an adequate system of Financial Management, but with a few keys areas for action/improvement.
13. These have been consolidated into an operational action plan being led by the Finance Function to be completed by 31 March 2019, covering the following themes:

Defining and Documenting the Council's Financial Management Framework

14. The feedback from the self-assessment surveys demonstrated there is a lack of clarity over what 'good' financial management looks like, how it links with performance and risk, and what the roles and responsibilities of financial managers should be. In summary the following actions are being implemented:
 - Drafting of the Financial Management chapter for the Operating Framework (being developed as part of the Governance Review being led by the Strategic Director for Resources)
 - Complete the review and update of the Financial Procedure Rules and Financial Regulations.
 - Develop a Financial Management Scheme of Delegation
 - Define financial competencies to complement the FM scheme of delegation
 - Ensure job description are updated to reflect financial management responsibilities. (This will not be implemented by 31 March 2019, but a programme to review the existing JD's will be in place by then).
 - Develop guidance on testing financial competencies for new appointments.
 - Update the Risk Management Strategy.
 - Develop the Financial Management risk assurance framework.

Financial Management Performance and Reporting

15. The self-assessment supported the action already identified for introducing monthly financial reporting to the Chief Officers and to their Directorate Leadership Teams, alongside an objective for having integrated business management reporting monthly, that encompasses performance, finance and risk. The self-assessment also highlighted the need to improve the governance over agreeing and communicating budgets to ensure ownership and accountability. In summary the following actions are being implemented:

- Design and develop financial management reporting format and process including escalation.
- Develop monthly financial performance reporting.
- Support the development of integrated business reporting.
- Review the role of the cost centre manager in budget building and agreement of the budget.
- Develop a policy on the management of variations against budget, and the process for reporting and creating action plans to address any material variances.
- Review and agree with Senior Management the high-risk budgets.

Promoting and Improving Financial Management Knowledge and Understanding

16. The findings demonstrated there was a need to promote and improve financial management knowledge and understanding, through training, more effective and consistent communication, and through better more accessible guidance and support. The following actions are being implemented:
- A Finance communications policy and plan is being created.
 - Regular communications throughout the year to all managers showing Council's financial position.
 - Financial Management to be a focus within corporate inductions.
 - Financial Management Training strategy and plan is being developed.
 - A comprehensive suite of training materials to be available for managers to access.
 - Review and update the finance related intranet pages.
 - Remodel the Finance Help Desk support to provide a single point of contact support (as appropriate) that will operate like the HR Help Desk.

Finance Function Transformation

17. The Finance Function will be reviewed as one of the key enabling services as part of the Transformation Programme which will drive the future development and transformation of the Finance Function. However, there are some areas for improvement arising from the FM self-assessment process that can be implemented without prejudicing the outcomes of other reviews:
- Finance Advisers to be trained in becoming 'trainers' to pass on knowledge of systems effectively, supporting the enabling of self-service.
 - Develop clear team plans with performance and outcome measures.
 - Develop a competency framework for Finance Staff, and create individual training and development plans.
 - Regular briefing/communications from the Director of Finance to finance staff.
 - Establish professional networks for all finance teams.

Financial Systems and Compliance

18. Through the various points of engagement with users and stakeholders, including the self-assessment surveys and the development of the Operating Model, it was highlighted that improving the Shared Services Partnership would enhance the overall financial management performance. The Transformation Programme is managing the improvement plan for that area, but it is reported here to highlight the dependency.
19. There is already underway a project focussing on some immediate 'quick wins' that will conclude by the end of January.
20. In addition, under the Financial Management Action plan, the Finance leads for the core financial systems will be continuing to review the assurance framework for each system, and the monitoring of effectiveness and compliance.

Financial and Staff Implications

21. Financial Resilience and Financial Management are both inherent risks for the Council, which could have cross cutting implications for the Council should they become an issue. This report highlights the actions to enhance our mitigation of these risks.

Equalities Implications

22. None

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Background papers:

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