

	Audit and Standards Advisory Committee 7 December 2021
	Report from: Director of Finance
CIPFA Financial Management Code and Redman Review – Progress Report	

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Three: Appendix 1: Current Compliance with Financial Management Standards Appendix 2: CIPFA FM Code Workstream Summary Appendix 3: High Level Timeline
Background Papers:	Financial Management Code (CIPFA) Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (MHCLG)
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1.0 Purpose of the Report

- 1.1 This report is to update the Committee on progress to implement the CIPFA Financial Management Code and the Redmond Review of Audit and Transparency in Local Authority Financial Reporting.

2.0 Recommendations

2.1 That the:

- a) Audit and Standards Advisory Committee consider and note the contents of the report and note that no recommendations are being made for the Audit and Standards Committee to approve.

3.0 Summary

3.1 Implementation of the CIPFA FM Code is a major programme of work that Brent is obliged to undertake. Much work has already been done and Brent is in a sound position. However, to implement the FM Code fully would require a substantial number of further tasks to be completed over a protracted period of time – 18 months being a reasonable estimate from start to finish. As a structured programme of work it will greatly benefit from the application of project management techniques. Whilst this will have a cost, the savings in time and the improvement in the quality and focus of the work are considerable and worthwhile benefits.

3.2 The programme is at the point where the initial assessment of the work required is complete. Priorities now need to be agreed taking into account resourcing implications. The project should move to the delivery phase after Christmas with quick wins delivered by the end of March 2022 and the remainder of the workstreams targeted to finish in December 2022 at the latest. Three months for closing the project and handing over to business as usual by end of March 2023 complete the 18 month project timeline which started in October 2021. The programme is currently on target to deliver to this timeline.

4.0 Detail

Introduction

4.1 Brent is required to have in place detailed plans to implement the CIPFA Financial Management Code by the end of the 2021/22 financial year. This report sets out current progress, the recommended approach and the next steps to implement the FM Code.

Background – CIPFA FM Code and Redman Review

4.2 Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. The CIPFA FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities.

4.3 The FM Code has several components, including the CIPFA Statement of Principles of Good Financial Management. These six principles are the benchmarks against which all financial management should be judged. To enable authorities to test their conformity with the six principles, the FM Code translates these principles into financial management standards (FMS), which

form the essence of what needs to be implemented. The current position at Brent for the six principles and the 17 FMS is shown in Appendix 1.

- 4.4 In September 2020, Sir Tony Redmond reported to the Government the recommendations of his review of the oversight of local audit and the transparency of local authority financial reporting. The latter part of his investigation is most pertinent here. Whilst his recommendations for a simplification of local authority accounts, in particular by including a service based outturn statement, have been accepted by CIPFA, no proposed changes to the *Code of Practice on Local Authority Accounting* have been tabled. The position is therefore that Brent cannot implement the recommendations of the Redmond Review at present, as a decision by CIPFA is needed on what is required, but it also will not do anything that will undermine implementation of the Redmond recommendations. Any preparatory work that aligns the Redmond recommendations with the FM Code will form part of that project.

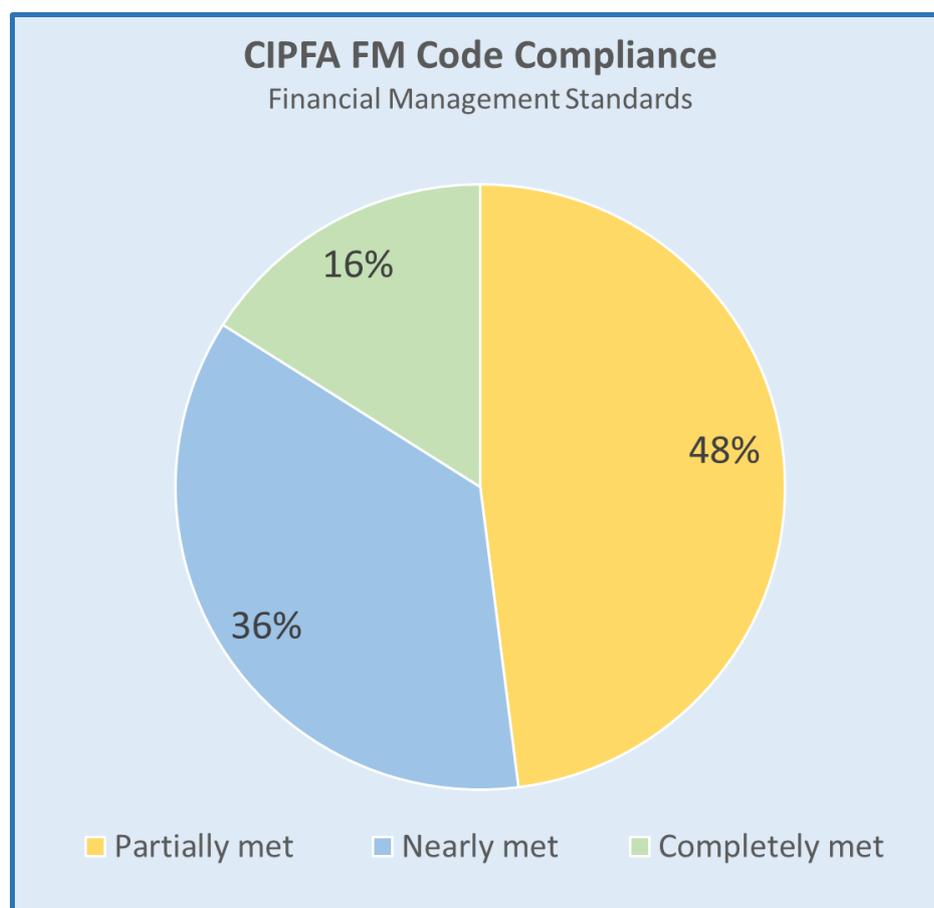
Vision – What will Brent gain from this?

- 4.5 It is important to recognise that while complying with the FM Code is a requirement, merely aiming at compliance would be to miss the opportunities that implementing the FM Code will afford Brent. CIPFA have set out to link various existing codes of practice and guidance notes into a coherent model for effective financial management. This has two main strands: a joined up long-term financial planning process backed by good governance. Implementation of the FM Code will provide Brent with the chance to put in place cutting edge financial management arrangements that will drive value for money and provide assurance on long term financial sustainability. This will provide sound foundations on which members can build their policy objectives assured by the knowledge that those proposals are affordable and sustainable both now and into the future. This assurance coupled with effective risk management to mitigate issues as they emerge means that Brent can plan for the future in a way that is ambitious and prudent, cost effective and sustainable.
- 4.6 When considering how to get the best out of the FM Code implementation, the following key questions need to be answered:
- Do we have to implement this?
 - If so, what room is there for improvement on the current arrangement?
 - If not, will implementation bring a worthwhile benefit to Brent?
 - Can we define the point at which additional costs cease to deliver commensurate benefits?
 - Do the minimum?
 - Do the maximum?
 - Is this item consistent with Brent's priorities?
 - What priority should this be given in the programme?

Progress to Date - Workstreams Summary

- 4.7 The FM Code defines seven workstreams. An overview of the current position for each is set out in Appendix 2. The analysis looks at current levels of compliance, risks and priorities. It is important to note that items flagged as red do not indicate a deficiency in the sense of something that should have been done, but has not been done. Instead it shows something that needs doing. This arises as the FM code combines existing requirements, such as adhering to the *Code of Practice on Local Authority Accounting* with new activities, such as undertaking a formal Financial Resilience Assessment. The analysis of the current position shows where there are already statutory or professional requirements, Brent is in full compliance; however, where CIPFA has introduced a new requirement, existing activities are at best partially compliant and require tailoring to satisfy the FM Code.
- 4.8 Some of the work required is about documenting existing arrangements to demonstrate that what is already in place meets the FM Code requirements. Part of this work type will be to look for improvements. There is however a more substantial work type which involves developing wholly new processes and procedures to introduce a longer term planning process focused on ensuring financial sustainability. The following graph reflects the current position:

Graph 1 – Current Levels of Compliance with FM Code Requirements



- 4.9 A detailed Action Plan has been produced which maps to the lowest level the tasks that must be completed to deliver in full each element of the FM Code. This plan takes account of the current position at Brent. As a result fewer resources are targeted at areas where there is already broad compliance. The following table illustrates the actions, inputs and outputs required to implement the FM Code in full. [In the table, 'documents' are existing codes of practice or guidance notes which need to be taken into account, 'artefacts' are finished end products such as revised guidance on securing value for money, and 'deliverables' are intermediate stepping stones to the final product, which will have some benefit of their own right.]

Table 1 – Workstream Activity, Input and Output Analysis

Workstream	Activity Average %	Inputs		Outputs	
		Days	Documents	Artefacts	Deliverables
1 CFO	5%	48	6	8	19
2 Governance	6%	77	13	7	19
3 MTFS	42%	358	51	34	31
4 Budget	9%	91	11	7	7
5 Stakeholders	6%	46	3	2	14
6 Performance	13%	104	8	2	12
7 Reporting	5%	44	10	2	4
8 Project Management	13%	176	-	-	-
Total	100%	944	102	62	106

Progress to Date – Overall Programme

- 4.10 The initial analysis indicates that delivery of the programme requires completion of a substantial number of tasks. It is estimated that over 900 days of work would require four and a half FTE staff for a one-year programme or three FTEs for an 18-month programme. This is therefore a major programme of works.
- 4.11 It is worth noting that the requirement to implement the FM Code by 31 March 2022 means that a detailed plan for the workstreams needs be in place, but not all aspects need to be fully implemented, at that point.
- 4.12 It is recommended that the compliance type work and any other work which will be subject to external audit as part of the 2021-22 accounts should be targeted as a quick win to be delivered in full by 31 March 2022 if possible.
- 4.13 The new process work, which revolves around creating and embedding a longer term financial planning framework, is best undertaken over a longer time frame as this will enable the work to run in parallel with the different activities that take place during the year. This is particularly helpful where this work has at its heart the cycle of the financial year which starts with setting the budget and medium/long term financial plans, through monitoring financial and service performance during the year to reaching year end and the accounts with the outturn reporting, which in turn informs the following year's budget.

- 4.14 To date the work on the FM Code has focused on planning the work to ensure that it addresses the following issues:
- Demonstrable end product that can be measured against success criteria
 - Keep the focus on what is best for Brent
 - Avoid scope creep – clear, defined, specific, limited objectives
 - Deliver tangible worthwhile benefits rather than box-ticking compliance
 - Embrace clichés: ‘Don’t fix what isn’t broken’ and ‘Keep it simple’
 - Take on board the lessons learnt from the Oracle Cloud/AIMS projects
 - Optimise resourcing, balancing need for the time of existing staff working on BAU with the use of consultants
 - Maximum benefits for minimum cost
 - Ensure that timescales and critical path are realistic and deliverable
 - Promote organisational buy-in/embed cultural change – listen and react
 - Promote continuous improvement
- 4.15 The current position is that the detailed Action Plan identifies the tasks that need to be completed in each area. These tasks have been assigned indicative durations, but they have not been allocated resources or put on to a time line. This is the last major piece of work required before the delivery phase of the project can commence.
- 4.16 As part of this work, dependencies will need to be identified as they are required to sequence the work. Milestones and check points should be defined as they provide an objective measure of performance against the project plan.
- 4.17 Once this activity is complete, work on the delivery phase can begin. Formal project documentation, such as the Project Initiation Document (PID) and the Programme/Project Plan can be put together whilst work on the individual workstreams is underway. Implementing a formal project management methodology will not impede progress on making a start at project delivery.

Recommended Approach

- 4.18 The recommended approach set out below aims to garner the maximum benefit for Brent without creating a cottage industry around implementing the FM Code.
- **Governance Arrangements** - The governance arrangements are an area where a formal project management approach will ensure that the programme is monitored and managed in such a way that it delivers what Brent really wants and needs rather than some theoretically pure solution that is an abstract and detached concept enjoying little or no user buy-in.
 - **High-Level Timeline** – A high-level timeline (Appendix 3) has been produced indicating target end dates for each workstream. This will need to be revised once priorities and resourcing are finalised.
 - **Detailed Action Plan** – an initial Action Plan has been produced based on the FM Code’s requirements applied to Brent’s current arrangements for financial management. This needs to be updated once resourcing is finalised.

- **Success Criteria, Milestones and Checkpoints** need to be built into the Action Plan and reflected on the High-Level Timeline. Together these documents will form the kernel of the PID and project plan for the programme.

Next Steps

- ✓ Agree and deliver quick wins by 31 March 2022
- ✓ Contribute to internal Audit of FM Code Implementation programme
- ✓ Liaise with the External Auditors on their working relating to the FM Code
- ✓ Produce detailed plans for the remainder of the FM Code work
- ✓ Report progress to the meeting of this committee in March 2022.

5.0 Financial Implications

4.1 The financial implications are contained within the body of this report.

6.0 Legal Implications

5.1 There are no legal implications arising out of this report.

7.0 Equality Implications

7.1 There are no equality implications arising out of this report.

8.0 Consultation with Ward Members and Stakeholders

8.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)

8.1 Not applicable.

Report sign off:

Minesh Patel
Director of Finance