

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 24th September 2015
Report for: Information
Report of: Joanne Hyde, Acting Corporate Director – Transformation and Resources

Report Title

A Summary of Actions and Improvements following the Investigation Report into Budget Monitoring Arrangements (July 2014)

Summary

Following the completion of the report setting out findings from the investigation into the Council's budget monitoring arrangements in July 2014, an action plan was developed and presented to the Accounts and Audit Committee on 25th September 2014.

Further reports setting out progress against the action plan were presented to the Committee in November 2014 and February 2015 and a further summary of progress was provided in the 2014/15 draft Annual Governance Statement on 30th June 2015. In addition, regular updates have been provided to the Corporate Management Team.

Over the past 12 months, significant activity has been undertaken to implement improvements both in accordance with the recommendations from the investigation and in response to further learning identified throughout the implementation process.

This paper summarises the actions and improvements to-date and provides a final update in respect of this position.

Recommendation

That the Accounts and Audit Committee note the contents of this report which are provided as a final update

Contact person for access to background papers and further information:

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Background Papers

Investigation into Budget Monitoring Arrangements at Trafford Council – 2014
(redacted)

Budget Monitoring Action Plan (submitted to Accounts & Audit Committee in September 2014)

Budget Monitoring Action Plan Update (submitted to Accounts & Audit Committee in November 2014)

Budget Monitoring Action Plan Update (submitted to Accounts & Audit Committee in February 2015)

1.0 Background

- 1.1 Further to the findings and recommendations set out in the “Investigation into Budget Monitoring Arrangements at Trafford Council – July 2014”, an action plan was developed which was presented to the Accounts and Audit Committee on 25th September 2014. This action plan set out key activities that needed to take place in order to achieve the recommendations from the report, within agreed timescales.
- 1.2 Since the development of the action plan, significant activity has been undertaken with respect to implementing improvements in budget monitoring arrangements and also in relation to the wider cultural, performance management and training and development issues that were identified during the investigation.
- 1.3 Regular updates on progress against this action plan have been provided to both the Corporate Management Team (CMT) and the Accounts and Audit Committee.
- 1.4 This report summarises the actions to-date, identifying where improvements have been made and providing a final update on this matter.

2.0 Adults’ Services

- 2.1 A key finding in the budget monitoring investigation report related to a lack of clarity with respect to roles and responsibilities, in particular in relation to the Business Delivery Group (BDG) within Adults’ Services. A critical factor in this was the lack of explicit terms of reference for the group, which resulted in a lack of understanding from group members about their roles and responsibilities, especially in relation to financial matters; this in turn led to a lack of accountability for the control of adult social care budgets.
- 2.2 In addition, the report found that there was a disconnect between groups such as the BDG and SLT, which meant that there was no clear escalation process for matters of concern; it also found that there was a disconnect in relation to the monitoring of the Learning Disability Recovery Plan.
- 2.3 Immediate action was taken to rectify these issues; this included a fundamental review of the BDG, including its membership, purpose and terms of reference.

- 2.4 Following on from this and in order to ensure that the group has a clear understanding of their financial responsibilities, BDG members received specific briefings from members of the Finance Service; these briefings provided information on the compilation of their budgets and the different elements of those budgets so that the group are equipped to challenge any assumptions being made. In addition, the group now receive a detailed monitoring report each month, in advance of the BDG meeting; this gives group members sufficient time to consider the data, provide feedback and present challenge before the monitoring report is produced for Members. In addition, a summary of the exact budget information reviewed by the BDG is subsequently presented to SLT, with a clear audit trail to the publicised budget monitoring report.
- 2.5 These actions have resulted in a significant improvement in the performance and accountability of the BDG. For example, this group now has an agreed membership (which includes the CFW Corporate Director where budget matters are discussed); it has clear and explicit terms of reference; it receives clear and regular financial information which members of the group are trained to challenge and scrutinise; it has a standard agenda, which includes an item entitled "Items for Escalation to SLT" - this ensures that there is a clear and transparent connect between Business Delivery Group and SLT - and there is visibility of all decisions that the group make.
- 2.6 Furthermore, in order to ensure that standards of performance are maintained and that financial matters remain a priority, the Director of Finance and the Audit and Assurance Manager attend BDG meetings on an unplanned and ad hoc basis.
- 2.7 In response to the specific concerns that the investigation report raised about the Learning Disability Recovery Plan, its related budget and governance arrangements, action has been taken to shift the management of these to the CFW Programme, which is led by the Commissioning Senior Responsible Officer; this arrangement is a significant improvement and strengthens financial monitoring and accountability in what is typically a volatile area.
- 2.8 As well as the concerns about the BDG, the investigation report also highlighted concerns in relation to managers not having input into the budget process and managers lacking ownership of their budgets, with a heavy reliance being placed on finance staff.
- 2.9 Whilst a number of improvements have been made to address these concerns at a Council-wide level (see section 4), in terms of Adults' Services, specific action has been taken to ensure that there is a comprehensive list of named budget holders which clearly identifies which budget headings and cost centres they have responsibility for. This means that managers in Adults' Services are clear about their areas of responsibility and can take ownership of their budgets.

2.10 Finally, the investigation report also identified that priority needed to be given to implementing the Liquid Logic system, so that the impact of demand and activity relating to care packages would be available in real time. Action was taken to support this critical improvement and the Liquid Logic system went live in December 2014, with a further financial module to assist in budget forecasting and payments (Controcc) going live in April 2015. The outputs from this system are currently being monitored, reviewed and refined to ensure that they continue to meet business needs. Furthermore, the system has additional functionality which is being developed; this will deliver future improvements in joining up activity and spend.

3.0 Finance Service

3.1 With respect to the Finance Service, the investigation report highlighted that there needed to be improvements in performance management systems across the Finance Service to ensure that mechanisms such as regular one-to-ones and PDR's are in place to enable support and challenge at all levels.

3.2 The actions taken to address this point have extended wider than the Finance Service as it was recognised that as an organisation, we must ensure that support and challenge mechanisms are in place not just within a single service but Council-wide.

3.3 In this respect, significant improvements have taken place to improve performance management across the organisation. For example, the PDR process and related documentation were reviewed and refreshed at the end of 2014 to incorporate a new competency framework, including specific reference to the financial responsibilities of budget holders. This new process was cascaded to managers and staff via drop-in sessions and is now being fully embedded into the organisation, with the current cycle of PDR's taking place now, across the Council. Moreover, managers in CFW and Finance were specifically targeted and as well as the general PDR training, they also received mandatory training on 'Effective PDRs using a coaching approach'. In terms of making improvements to general supervision across the Council, a standard one-to-one template has been developed, supplemented by management guidance; this will ensure that there is a consistent approach to supervision at all levels.

3.4 Work has also been undertaken to develop guidance on the "Trafford Manager". This guidance sets out clear roles, responsibilities and standards that Trafford Council expects of its managers, with finance identified as one of the key responsibilities. The documentation supporting this, including the documentation referred to in paragraph 3.3 is currently being finalised and will be rolled out to managers by the end of September.

3.5 Specifically in relation to improving the performance of Finance staff, a skills audit has been undertaken and a number of professional qualification

requests are currently being progressed, together with a range of generic training requirements.

- 3.6 Finally, the investigation report also highlighted the need to better communicate the Whistleblowing Policy to Finance staff so that they are clear about reporting matters of concern. Whilst this action was undertaken as a priority by the Director of Finance at a whole service briefing, again, it was recognised that it is a matter that should be improved across the organisation and the opportunity is being taken to refresh and relaunch the Whistleblowing Policy, Council-wide; the aim is to simplify the existing policy, making it more accessible. The revised policy will be communicated to all staff by the end of October, ensuring that they clear about how to raise any concerns that they may have at the earliest opportunity.

4.0 Council-wide matters

- 4.1 In the investigation report, significant emphasis was placed upon general improvements in budget monitoring processes across the organisation. Over the past 12 months, significant work has been undertaken in this area and significant improvements have been made. These improvements are summarised below:
- a) New budget monitoring timelines have been established; these timelines extend the window of time available between the development of the budget monitor and the production of the outturn report for Members; this improvement ensures that sufficient time is available for robust financial scrutiny and challenge to take place. This new arrangement will be reviewed to assess the impact of the timing changes and make further improvements, where necessary;
 - b) All budgets across the Council have been thoroughly assessed and have been assigned a RAG (Red; Amber and Green) rating based on a number of criteria/factors, including the level of complexity and the size and the nature of the budget i.e. demand-led. These ratings have been agreed at Directorate Team Meetings with the relevant Corporate and Service Directors. This new system gives visibility of high risk budget areas and enables resources to be targeted where they are most needed. For example, budget holders whose budgets have been rated as Red have received a more intensive level of training and receive a greater level of support from Finance in completing their budget monitors, which includes monthly one-to-ones with Finance leads prior to the completion of the budget report.
 - c) A comprehensive list of budget holders has been established and agreed between Corporate Directors and Finance and all budget holders have attended two mandatory phases of robust financial management training. This training covered accountability, ownership, decision-making and forecasting and will ensure that there is now a consistent understanding and approach to financial management across the organisation;

- d) A reference guide for budget holders detailing their financial responsibilities has been developed and cascaded to CMT, senior management teams and all budget holders; this guide supplements the training that has been delivered and will ensure that managers continue to have documented support on financial management going forward;
 - e) In terms of new starters, a mandatory e-learning module for budget holders, which sets out their financial management responsibilities is currently being developed, with a planned rollout date of the end of October; this will form part of the Council's mandatory induction process for new managers; .
 - f) Excel training has been provided to support budget holders across the Council in completing their budget monitors and making accurate forecasts.
 - g) As well as Council wide budget monitoring improvements that have taken place, there have also been a number of improvements made with respect to budget and accounting/technical practices. For example, budgets are now monitored against gross expenditure and gross income so that 'netting off' does not occur when explanations are provided in respect to main budget variations; assumptions underpinning budgets are now monitored monthly and reviewed annually as part of the budget setting process.
- 4.2 Finally, as more robust budget monitoring arrangements and practices have been introduced, a number of key principles have emerged; these key principles will underpin the budget monitoring process going forward and include:
- a) all service managers/budget holders must have clear sight of all assumptions made and confirm their agreement to and ownership of these;
 - b) budget monitors will be prepared and presented in such a way that they can be easily interpreted and should be tailored as appropriate to the target audience;
 - c) data that underpins forecasts must be accurate - confidence is required in the integrity of the data at all times and it is critical that appropriate preventions and monitoring controls are in place to continue to maintain the integrity of the data going forward.

5.0 Conclusion

- 5.1 Significant activity and improvements have taken place across the organisation over the past 12 months to ensure that all the recommendations from the July 2014 investigation report have been fully addressed.
- 5.2 Furthermore, as a learning organisation, the Council has identified additional actions and interventions to further improve and enhance the way in which it

and its workforce operate and as a result, wider improvements have also been made.

- 5.3 Whilst it will take time to fully embed the range of technical, behavioural and cultural changes, we are already seeing the clear benefits of the improvements that have been made to date. We will continue to monitor and evaluate the effectiveness of the changes through a range of mechanisms, including supervision, staff surveys, PDR's and observation, and the Council will continue to drive forward its journey of continuous improvement.
- 5.4 The Accounts and Audit Committee is recommended to note the summary of actions and improvements that have been made to date, which is provided as a final update in respect of this matter.