

Confident, Capable Council Scrutiny Panel

15 March 2017

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| Report title | Progress update on the action plan arising from the LGA Finance Peer Review in June 2016 | |
| Cabinet member with lead responsibility | Councillor Andrew Johnson Cabinet Member Resources | |
| Wards affected | All | |
| Accountable director | Mark Taylor, Director of Finance | |
| Originating service | Finance | |
| Accountable employee(s) | Claire Nye | Chief Accountant |
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| Report has been considered by | Audit and Risk Committee 13 March 2017 | |

Recommendation for action:

The Panel is recommended to:

1. Review the progress on the action plan that arose from the recommendations within the Local Government Association Finance Peer Review final report of June 2016.

1.0 Purpose

1.1 The purpose of this report is to update Confident, Capable Council Scrutiny Panel about progress on the action plan arising from the Local Government Association (LGA) Finance Peer Review carried out in June 2016.

2.0 Background

2.1 As part of the process of ensuring we are providing the best service, the City of Wolverhampton Council invited the LGA to carry out a Finance Peer Review on 7, 8 and 9 June 2016. The outcome of the review and the action plan arising from it was discussed at the Confident, Capable Council Scrutiny Panel on 14 September 2016.

2.2 At that meeting Confident, Capable Council Scrutiny Panel requested a further update on progress against the action plan, in particular the capital programme recommendation which was to make the approach to capital programming more robust.

3.0 Progress on the Action Plan

3.1 The following were the Peer Team's key recommendations to the Council:

- Review and refresh the strategic narrative for addressing the budget deficit so there is further clarity on aspirations, ethos and work streams.
- Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council.
- Review the Medium Term Financial Strategy risk on the Strategic Risk Register.
- Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes.
- Make the approach to capital programming more robust.
- Further consider the balance, emphasis and pace between the different components of the financial strategy going forward.

3.2 The action plan arising from these recommendations was approved at Cabinet on September 2016. An update on progress is shown in Appendix A of this report.

3.3 On 9 September 2016 Grant Thornton (the Council's external auditor) carried out a free half day workshop for officers to discuss the outcomes of the final LGA report, provide external challenge to the action plan and consider how the recommendations could be progressed.

4.0 Update on the Development of Capital Monitoring.

4.1 The capital programme reflects the Council’s commitment to investment in the City and in transformation. Delivery of the priorities in the capital programme is essential to the delivery the Council’s corporate objectives. The following table shows the percentage outturn against budget over the last 8 years.

| | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | % | % | % | % | % | % | % | % |
| General Fund | 74.3 | 71.1 | 82.8 | 84.8 | 86.7 | 86.0 | 87.6 | 109.6 |
| HRA | 80.8 | 77.1 | 57.2 | 86.3 | 93.8 | 91.3 | 100.8 | 107.6 |

4.2 Outturn position against budgets is only one indication of performance and therefore it is important that financial information is integrated with other project management data to provide a comprehensive picture.

5.0 Development plan

5.1 As a result of the recommendations in the LGA Finance Peer Review report a working group has been established to progress the required improvements in systems and processes to support enhanced delivery and monitoring of the capital programme.

5.2 The following table details the key actions identified to drive improvement with further detail on the development of Qlik View and Verto to provide enhanced reporting tools.

| Development Area | Development activities |
|--|--|
| Communication | <p>Communication and challenge will be provided through:</p> <ul style="list-style-type: none">• Corporate Review Group• Project Boards• Directorate Leadership Teams <p>The timing of these reviews should be such that the outcome can be fed into the quarterly monitoring reports to Cabinet (Resources) Panel.</p> <p>Communication through SEB and Leadership Teams to make the use of Verto to manage all projects a mandatory requirement. Verto provides the ability to monitor delivery of project objectives and milestones alongside financial profiles and will help to identify inconsistencies between the two.</p> <p>It is recognised that where there are partnership boards in place there may be an ongoing requirement for specific reporting formats.</p> |
| Use of Verto Project Management Software | <p>All projects to be captured in Verto with budget holders and project managers identified.</p> <p>Agreed standard reporting requirements in Verto will provide a way of identifying changes in the profile of projects and the causes</p> <p>Through the use of Verto and the Qlik application a template for monitoring will be developed to capture the basic requirements. Projects and programmes will be captured in Verto at a level which is appropriate to their value, complexity and sensitivity.</p> <p>A gap analysis has been undertaken to identify projects which need to be added to Verto and work is underway to ensure that Verto is complete by end of March 2017.</p> <p>This will allow Service Directors and Strategic Directors to view all their projects in one place and to monitor compliance against standard reporting requirements.</p> |

Use of Qlik View
Software for reporting
financial information

Qlik software is being used to develop a capital programme application.

The first version of the application was launched in January 2017.

Future releases could add the following functionality:

- Visibility of commitments
- Trend analysis
- Forecasts against budgets
- The ability to access Verto data alongside Agresso Financial data.

The development of the Qlik pipeline of projects is overseen by the Future Works Board.

6.0 Next Steps

- 6.1 Work will continue of progressing the Capital Programme monitoring as well as the rest of the action plan. The LGA have been invited back in June 2017 to carry out a short review into progress since their report and to consider progress on the action plan. A further update will be provided after that has taken place.

7.0 Financial implications

- 7.1 The development plans outlined in this report will enable the council to further improve the delivery of the Medium Term Financial Strategy in line with the Corporate Plan.
- 7.2 Development of reporting tools will be delivered within the overall budget for Digital Transformation.

[CN/01032017/N]

8.0 Legal implications

- 8.1 There are no direct legal implications arising from this report.

[TS/01032017/A]

9.0 Equalities implications

- 6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

- 7.1 There are no environmental implications arising from this report.

8.0 Human resources implications

- 8.1 There are no human resource implications arising from this report.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications arising from this report.

10.0 Schedule of background papers

14 September 2016 Cabinet Report - Outcome of the Local Government Association Finance Peer Review.

14 September 2016 Confident, Capable Scrutiny Panel Report - Outcome of the Local Government Association Finance Peer Review.

13 December 2016 Strategic Executive Board LGA Finance Peer Review – action plan update.

LGA Finance Peer Review June 2016
Approved Action Plan – progress as at February 2017

| Ref | Recommendation | Detail | Responsibility | Progress as at February 2017 |
|-----|---|---|-------------------------------|---|
| 1 | Review and refresh the strategic narrative for addressing the budget deficit so there is further clarity on aspirations, ethos and work streams. | The overall strategic aim of managing the financial position while continuing to invest and grow the local economy is logical as a longer term strategy, but there needs to be a clearer articulation of how the medium term plan (including commercialisation, demand management, outcome based service planning) will address the current budget deficit. | Strategic Finance /Claire Nye | <ul style="list-style-type: none"> • Consideration has been given to the narrative used to convey both the medium term and long term strategy. • As a result, the Financial Plan (approved by Council on 9 November) was revised to better reflect the strategic narrative. • The same narrative has been taken through the documentation used for the budget consultation process. • It will be necessary to regularly review the narrative communicated going forward. |
| 2 | Revisit and review some of the assumptions and approaches in the financial strategy so that they better reflect and support the future ambitions of the Council. | It is timely to take stock and review whether assumptions and modelling can be more ambitious and optimistic - particularly regarding business rate tax base, interest on new borrowing, staff increments, reserves strategy, capital programme and approach to under-spends. | Strategic Finance/ Claire Nye | <ul style="list-style-type: none"> • The MTFs has been reviewed and changes in assumptions were reported to Cabinet in October. • In particular, forecasts have been amended for interest rates and the business rates tax base. • As part of the budget process Cabinet approved the proposal to remove the automatic budget allocation for increments. This was based on the hypothesis that the cost of increments can be offset by reductions in costs due to natural turnover. However, salary budget modelling during the detailed budget process identified that it was not possible to remove the provision of budget for increments. The Final Budget |

| Ref | Recommendation | Detail | Responsibility | Progress as at February 2017 |
|----------|--|--|--------------------------------------|--|
| | | | | <p>Report to Cabinet on 22 February 2017 therefore included provision for increments.</p> <ul style="list-style-type: none"> A sub group of the Confident, Capable Council Scrutiny Panel undertook a thorough review of the specific reserves during November. The outcome of this review is being fed in to the budget process for 2017/18 and will also be considered as part of the closure of accounts process for 2016/17. |
| | <p>Review the Medium Term Financial Strategy risk on the Strategic Risk Register.</p> | <p>Currently this appears to be articulated on the basis of the main risk of the council being unable to agree it's medium term financial strategy. The Council may wish to amend the wording so it focusses less on a risk on non-agreement, and more on the risks of delivering the strategy through the various programme, projects, assumptions and projections.</p> | <p>Strategic Finance/ Claire Nye</p> | <ul style="list-style-type: none"> The Strategic Risk Register has been amended and was reported at the Audit and Risk Committee on 12 December. |
| <p>4</p> | <p>Continue the work on developing the alignment, linkage and interdependency of the financial strategy and information with other plans and processes.</p> | <ul style="list-style-type: none"> Linking the assets, workforce, external funding and financial strategies. Integrating financial monitoring information with non-finance performance data and outcomes measurement. | <p>Strategic Finance/ Claire Nye</p> | <ul style="list-style-type: none"> Outcome based planning work is now underway and will enable better linkage of resources to Corporate Plan objectives. The pipeline of work for the digital transformation programme includes further development of Qlik reporting applications for financial data to include links to project management information in Verto. Further developments will draw on the work outlined below in relation to strategic asset planning and data management. |

| Ref | Recommendation | Detail | Responsibility | Progress as at February 2017 |
|-----|--|---|-------------------------------|---|
| 5 | Make the approach to capital programming more robust. | More accurate profiling is likely to be required in the future to ensure reliable budgeting and a good basis on which to base decisions about the financial impact and implications of the capital programme, as well as deliver the required outcomes from the capital investment. | Strategic Finance/ Claire Nye | <ul style="list-style-type: none"> • A working group of appropriate officers has been established to drive improvements in capital programme development and monitoring. • An Action Plan has been developed. • The development of capital monitoring will maximise the opportunities available through Agresso, Verto and Qlik to ensure budget holders and project managers have appropriate tools to aid decision making and track project delivery. |
| 6 | Further consider the balance, emphasis and pace between the different components of the financial strategy going forward. | The Council should ensure it does not overestimate the potential of commercialisation and income generation, or underestimate the potential of digital transformation, and be realistic on the timeframe for reducing demand on Council services. | Strategic Finance/ Claire Nye | <ul style="list-style-type: none"> • Grant Thornton have now completed their work on the Income Generation project and the outcome has been reported to SEB. • Grant Thornton have identified that a large number of income generation projects are already underway. • A small number of new possibilities have been identified but this is not expected to generate significant income. • The Grant Thornton work has shown that there is no large area that the Council is not already looking at. |

| Ref | Recommendation | Detail | Responsibility | Progress as at February 2017 |
|-----|----------------|--------|----------------|---|
| | | | | <ul style="list-style-type: none"> The Demand Project began in October and is yet to report back |

| Strategic Outcomes as a result of external challenge | Progress as at February 2017 |
|---|--|
| The importance of using intelligence to redesign and redefine the asset base – to improve the capital programme approach. | <ul style="list-style-type: none"> A plan of work packages has been developed. The work packages will collectively deliver the following outcomes: <ul style="list-style-type: none"> ➤ Development and implementation of a Strategic Asset Plan; ➤ Development of a Disposals and Acquisitions Strategy; ➤ Have complete and accurate asset information enabling performance reporting; ➤ Share asset data and identify co-location opportunities with other partners, e.g. One Public Estate; ➤ Maximise the income generation on the commercial portfolio; ➤ Provision of a seamless and customer focused service to clients occupying CWC's Investment Portfolio (e.g. i10 and i11) ➤ Provision of technical advice and support to enable Community Associations to be sustainable and Community Asset Transfers to be successful. |
| The importance of a 2020 linked wider service and financial plan. | <p>A City Wide Financial Strategy Working Group with Councillors has been established and met in November.</p> <p>Work has been carried out in approximating the total income and expenditure in Wolverhampton, to establish where tax is</p> |

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| | <p>raised and where it is spent. This data has been further analysed to present the city-wide budget for Wolverhampton.</p> <p>Next steps</p> <ul style="list-style-type: none">• To engage with the City Board to further develop the city-budget and commence phase 2 work to develop a city-wide Financial Strategy which underpins Vision 2030 and existing economic plans.• To update the figures when the new data is released by the Black Country Economic Intelligence Unit in December 2016 and share the city budget with partners in a 'glossy' document. |
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Monitoring of the capital programme

- Each line in the capital programme to be linked to an appropriate Board/Leadership Team.
- All projects to be entered into Verto at an appropriate level.
- Highlight report / dashboard to be fed through project boards to Leadership Teams and then to SEB as appropriate.

