

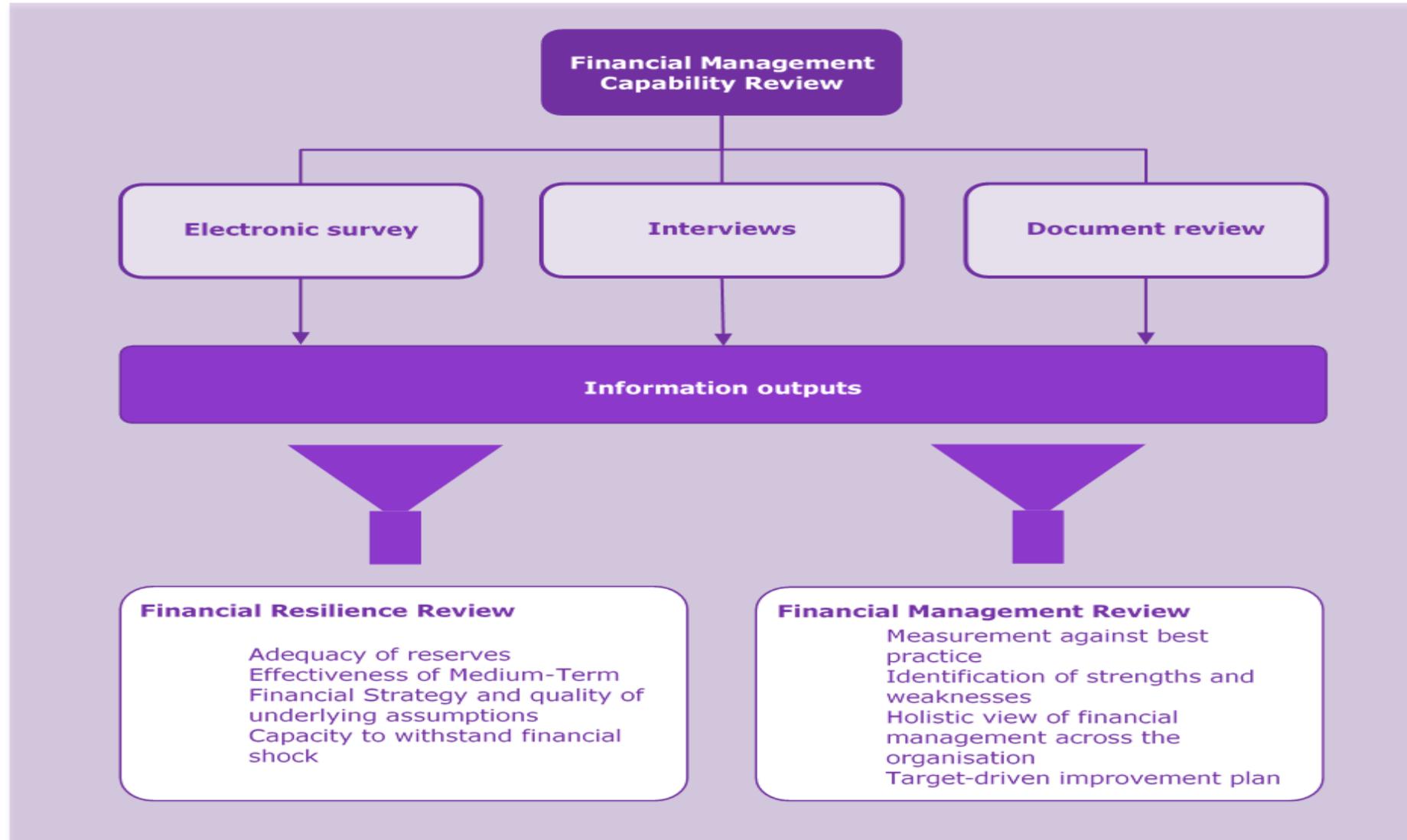
Birmingham City Council

CIPFA FMCR - Five Star assessment update – Final Assessment June 2021

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**The Chartered Institute of
Public Finance & Accountancy**

Financial Management Capability Review (FMCR)



Financial Resilience

Significant financial resilience challenges ahead including the need to bridge an emerging structural deficit in the face of growing operational pressures as well as legacy debt levels

BUT

- ✓ **Adequacy of reserves**
- ✓ **Robustness of the Medium-Term Financial Strategy (MTFP)**
- ✓ **Planned efficiency savings and transformational change**

**Overall Financial Resilience assessment
MODERATE**

Financial Management

- **Birmingham have made great strides in addressing the issues that constrained overall financial management capability - turning some weaknesses into strengths**
- **Progression highlights a highly commendable response to issues arising within our April 2019 assessment**
- **Considered to be an exemplar in the transformation of financial management capability given the extent of improvement achieved over the last two years**
- **Average statement scoring places Birmingham in top quartile of fully assessed organisations**
- **Overall THREE STAR from ONE STAR (April 2019)**

A recap - High Level Matrix – April 2019

	Management Dimensions			
Financial Management Styles	Leadership	People	Processes	Stakeholders
Delivering Accountability	2.5 (L1-L3)	1.5 (P1-P2)	2.5 (PR1-PR9)	2.0 (S1)
Supporting Performance	2.0 (L4-L5)	1.0 (P3-P5)	1.75 (PR10-PR13)	1.5 (S2)
Enabling Transformation	1.5 (L6)	1.0 (P6)	1.5 (PR14-PR15)	2.5 (S3)

Updated - High Level Matrix – May 2021

	Management Dimensions			
Financial Management Styles	Leadership	People	Processes	Stakeholders
Delivering Accountability	3.0 (L1-L3)	2.5 (P1-P2)	2.75 (PR1-PR9)	3.0 (S1)
Supporting Performance	2.5 (L4-L5)	2.0 (P3-P5)	2.25 (PR10-PR13)	2.0 (S2)
Enabling Transformation	2.25 (L6)	2.0 (P6)	1.75 (PR14-PR15)	2.5 (S3)

Statement Scoring - Leadership

	Leadership		Scoring April 2019	Scoring May 2021
Delivering Accountability	L1	Financial capability is regarded as integral to supporting the delivery of the organisation's objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	3.00	3.25
	L2	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	2.50	2.75
	L3	Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.	2.00	2.75
Performance	L4	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	2.00	2.50
	L5	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	1.75	2.50
Transformation	L6	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	1.50	2.25

Statement Scoring - People

	People		Scoring April 2019	Scoring May 2021
Delivering Accountability	P1	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	0.50	2.00
	P2	The organisation has access to sufficient financial skills to meet its business needs.	2.00	3.00
Performance	P3	The organisation manages its finance function to ensure efficiency and effectiveness.	0.50	2.00
	P4	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	1.50	2.25
	P5	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	1.25	2.25
Transformation	P6	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	1.00	2.00

Statement Scoring - Processes

	Processes		Scoring April 2019	Scoring May 2021
Delivering Accountability	PR1	Budgets are accrual-based and robustly calculated	2.00	2.50
	PR2	The organisation operates financial information systems that enable the consistent production of comprehensive, accrual based, accurate and up to date data that fully meets users' needs.	2.00	2.25
	PR3	The organisation operates and maintains accurate, timely and efficient transactional financial services (eg creditor payments, income collection, payroll, and pensions' administration).	2.50	2.50
	PR4	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance.	3.00	3.25
	PR5	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	2.25	3.00
	PR6	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	2.00	2.25
	PR7	Management understands and addresses its risk management and internal control governance responsibilities.	2.50	2.75
	PR8	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	3.00	3.25
	PR9	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.	3.00	3.25

Statement Scoring - Processes continued

	Processes (Continued)		Scoring April 2019	Scoring May 2021
Performance	PR10	The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	2.00	2.75
	PR11	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	1.75	2.50
	PR12	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	1.25	2.00
	PR13	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement, commissioning and contract management.	1.75	1.75
Transformation	PR14	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	1.75	2.00
	PR15	The organisation's financial management processes support organisational change.	1.25	1.50

Statement Scoring - Stakeholders

	Stakeholders		Scoring April 2019	Scoring May 2021
Delivering Accountability	S1	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance, and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	2.00	3.00
Performance	S2	The organisation demonstrates that it achieves value for money in the use of its resources.	1.25	2.00
Transformation	S3	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	2.50	2.50

Strengths

- **Financial Leadership**
- **Financial Strategy – the Financial Plan 2021 – 2025**
- **In-year Monitoring, Forecasting and recalibration agility**
- **Treasury Management**
- **Governance and Risk**
- **Advanced Business Partnering**



Areas for Development

In priority order:

- **Accountability for financial performance and FM Competency and Performance Framework**
- **Transactional Finance**
- **Asset Management**
- **Finance Team Structuring**
- **Procurement**

We would be confident that these further development areas will be fully addressed within current change initiatives

High Level Commentary

- **Strong overall progress made since 2018/2019 assessment – we have a high level of confidence that the TOM Project Board will deliver an optimal Finance structure and overarching model that will make Birmingham a Finance ‘centre of excellence’**
- **Financial management has been significantly transformed at Birmingham CC**
- **Financial resilience now MODERATE**
- **Birmingham CC has now achieved a THREE STAR rating from CIPFA’s FIVE STAR global model**
- **Substantial improvements have been made to address the critical priority areas highlighted in 2018/2019 including accountability for financial performance, the setting of a robust financial strategy, in-year reliability and forecasting and strengthening of financial discipline throughout the organisation**
- **Significant potential to improve further – towards FOUR STAR within 18 months – September/October 2022 given current level of progression**

Financial Management capability

“Birmingham has moved beyond sound financial management towards highly effective financial management capability”

Next steps

- **Real potential to reach FOUR STAR by September 2022 and reach 'exemplar' status**

- **CIPFA can track improvement across this period and provide support to enable FOUR STAR achievement**

- **FOUR STAR requires:**
 - ✓ **Maintaining current direction of travel – re pace and grip**
 - ✓ **Delivering substantially on areas for further development**