

AUDIT COMMITTEE – 24 MARCH 2023

CIPFA FINANCIAL MANAGEMENT CODE: UPDATE ON ACTIONS

1. Recommendations

- 1.1 That the Audit Committee note the contents of this report and the progress as against the actions as included in the July 2022 compliance assessment.

2. Purpose of the report

- 2.1 This report gives the Audit Committee members an overview of the actions carried out to address medium and low areas of compliance to the CIPFA Financial Management Code (the consultation version), according to the compliance assessment carried out and presented to the committee in July 2022.

3. Objectives of the Code – A Reminder

- 3.1 The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities. The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

- 3.2 The CIPFA FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

4. Progress against the Actions identified as a result of the Compliance Assessment

- 4.1 The Authority's current assessed level of compliance was presented to the Audit Committee in July 2022 ([available through this link](#)). Whilst the majority of standards were met with high compliance, where the compliance was measured as Low or Medium, further actions were included to bring the compliance to the more

appropriate level. The table included at appendix 1 tracks the progress as against the actions indicated in that previous report.

5. Conclusion

- 5.1 Progress has been made against the actions, with a few outstanding items to be picked up throughout 2023.

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Ref.	Financial Management Standard / Statement of Standard Practice	Level of Compliance	Current Treatment	Further Action Required	Progress on Action Required
	Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team				
FM B	The authority complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government				
B3 Part 2	The Chief Finance Officer should regularly review the skillsets of elected members and all officers with budget/financial management responsibility and ensure appropriate support is provided.	Medium	Training is conducted for new elected members following the 4 yearly cycle, but there is currently no mandatory or regular financial training programme or enhanced training for Portfolio Holders.	CFO to work with Democratic Services on a mandatory financial training pack for all members following the May 2023 election, with enhanced financial training and support for Portfolio Holders.	Work will commence on this in time for the new Administration, post the May election.
E	The Financial Management Style of the authority supports financial sustainability				
E2	Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	Medium	Senior Management are aware of the drive to continually improve and Finance team members and Business Improvement Officers assist in this process.	Improve overview and Integration of performance and financial information with a focus on monitoring and achieving continuous improvement.	Finance team members to be involved in creation of new performance reporting tools, available through Microsoft power BI as a project in 2023.
E3	Enabling transformation: the finance team have input into strategic and	Medium	Finance team members are	Ensure Finance are engaged in the new	Finance team members involved in

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	operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes		engaged in strategic planning, but usually as a stage too late to help shape overarching transformation.	Capital and Change Board and in the emerging transformation framework.	the creation of monthly highlight reports for the CCB.
	Section 3: Long to Medium Term Financial Management				
F	The authority has carried out a credible and transparent Financial Resilience Assessment.				
F3	Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners.	Medium	Key partners are evaluated before entry into formal arrangements.	Ongoing evaluation of standards and conduct with regards to financial administration and corporate governance should be reviewed throughout contract periods.	The Council has invested in additional contract monitoring resource, so each directorate (3) now has a dedicated resource to assist with end-to-end procurement, and contract monitoring compliance.
K	The authority has sustainable service plans that are consistent with its long-term financial strategy and the medium-term financial plan.				

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K2	The authority has benchmarked the performance of its services against appropriate comparators.	Medium	Ad-hoc benchmarking is carried out, but no formal process is in place.	Seek to establish a regularised benchmarking process, utilising data and statistics available from sources such as LGInform.	A resident insight survey was completed in the latter part of 2022, and a commitment made to complete an equivalent process 2 yearly thereafter. Also in 2022, a benchmarking exercise was carried out using the CIPFA nearest neighbour comparators. No formal regularised exercise has been drawn up at this time, but will be considered by the new Transformation and Business Improvement manager, as part of their new remit.
K3	To inform the Leadership Team's decisions the authority has a single document tracking progress in the delivery of planned savings over the period of the Medium-Term Financial Plan.	Medium	This is covered within the Council's Medium Term Financial Plan as opposed to being drawn up separately	A detailed savings tracker will be devised that covers the delivery of planned savings and new income generation.	Savings tracker set up and is being updated regularly.
	Section 5: Stakeholder Engagement and Businesses Cases				

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O	The authority has engaged with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	Low	Internal stakeholder engagement is good, but more could be done with key external stakeholders.	A new approach to external consultation will be devised during 2022 for the 2023/24 budget cycle. Resident survey will get valuable insight in terms of areas of priority.	Business Ratepayer consultation undertaken during 2022. Will be repeated annually. Resident survey undertaken during 2022. Will be repeated 2 yearly.
P	The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions				
P1	Option appraisal complies with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (Annex C to CIPFA FM Code).	Medium	The Council's uses internally generated project evaluation tools to ensure decisions taken fit within the context of the New Forest.	Ensure process makes explicit reference to all appropriate principles.	Project appraisal and evaluation criteria considered suitable based on the merits of each proposal.
	Section 6: Performance Monitoring				
R	The authority takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.				
R1	Timely time financial and performance information is available to managers via the appropriate systems. The systems are	Medium	Service Managers and Budget Responsible Officers are able to access financial	A review of how financial data is presented will be undertaken to ensure	Service Accountancy review of financial information presentation

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	engineered to provide relevant data at a sufficiently accurate level. The organisation ensures that information is appropriately tailored and streamlined to avoid the risk of 'data overload'.		information on demand.	managers are content with the style and content of information available to them.	completed, and new forms of reporting put in place where requested.
R2	All Financial monitoring reports include: <ul style="list-style-type: none"> The name of the budget holder responsible for the information presented Accruals based financial information Include the approved budget against which monitoring is taking place. A forecast for the remainder of the budget period, Service performance information is shown, for instance by reconciliations, to be consistent with the aggregate position for the authority. 	Medium	Financial monitoring reports do not include service performance information. These are reported on separately to overview and scrutiny panels, at Portfolio Level	Consider whether performance information can and should be included within financial reporting.	Reviewed and concluded and that financial monitoring will remain focused on that primary focus, BUT will include specific instances of performance data, as and when appropriate (for example, to evidence the level of financial variation)
S	The authority monitors the elements of its balance sheet which pose a significant risk to its financial stability				
S1	Unplanned and planned use of reserves are reported [quarterly] to the management team of the organisation and to Council.	Medium	Financial Monitoring and mid-year treasury management reporting cover this.	N/A	N/A