

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUBCOMMITTEE	Subject: CIPFA FINANCIAL MANAGEMENT MODEL – UPDATE
From: HEAD OF FINANCIAL SERVICES	
Date: 20 January 2012	Ref: PH/LM/EK/AB

## 1. Introduction

- 1.1. Finance & Customer Services is committed to North Lanarkshire Council's improvement agenda. As part of this, the Financial Services Division has utilised an appraisal model to assess the effectiveness of financial management across the Council.
- 1.2. Committee will recall the report submitted to Policy and Resources (Finance & Customer Services) Sub-Committee on 22<sup>nd</sup> February 2011 detailing the outcome of the CIPFA Financial Management Model review carried out by Financial Services. The purpose of this report is to update Committee on the progress to date against the resultant action plan.

## 2. Background

- 2.1. Developed by CIPFA in conjunction with the Audit Commission, HM Treasury and the National Audit Office, the CIPFA Financial Management Model is a self-assessment tool that enables an organisation to establish what constitutes good financial management and to appraise the management of its finance function.
- 2.2. The first assessment was undertaken during 2008/09 and a subsequent assessment carried out during 2010/11. Both assessments involved Financial Services interacting with Council officers with varying degrees of financial responsibility across all services to obtain feedback on the strengths and weaknesses of financial management throughout the Council.
- 2.3. The results of the review carried out during 2010/11 confirmed the positive findings of previous internal and external reviews of the Council's financial management arrangements, including favourable comments within the Auditor's Annual Report to Members and Audit Scotland's Assurance and Improvement Plan 2011-14.

## 3. Action Plan for Improvement

- 3.1. Following the review, an Action Plan was developed to address areas where there was scope for further improvement. The key actions identified were to:
  - Convey the importance of financial management activities and procedures; and
  - Emphasise the importance of identifying emerging public sector issues.
- 3.2. Progress against these actions is set out in the sections below.

## 4. Conveying the importance of financial management activities and procedures

- 4.1. Although improvement in performance was achieved in this area in 2010/11 compared with the previous assessment, the assessment identified that there was still room for further development by maximising awareness of financial management activities and procedures. Financial Services has continued to work closely with finance staff across all Services to further develop awareness of key financial management issues.
- 4.2. In light of the changing financial situation facing Local Government, the main focus has been targeted towards providing information to senior managers and finance staff through Senior Management Briefings and the Corporate Team Brief, where updates are provided on the changing financial climate and the Council's financial plans. This has fed through to consideration of a future budget savings strategy and the development of the Capital Plan.

- 4.3. Finance leads have been allocated to working groups set up to consider options in relation to key strategic Council projects for example, the externalisation of Cultural services and of the Commercial Property portfolio. This has ensured that the importance of financial management activities and procedures are given due regard as these projects progress.
- 4.4. By continuing to improve communication and interaction with Services, it is expected that this will raise awareness of the existence of information and processes and also re-emphasise the importance of managers' responsibility and accountability for cost effectiveness and value for money.

## **5. Emphasise the importance of identifying emerging public sector issues**

- 5.1. It is recognised that, by identifying emerging public sector issues which may impact on its financial situation, the Council will be able to react quickly to opportunities or threats which may present themselves. Failing to keep up to date with the changing financial environment in which the Council operates may result in the Council being unable to respond to budget pressures or to ensure that available resources are maximised.
- 5.2. As a result, focus has been increased on identifying developing issues with regard to, for example, the Scottish and UK Government announcements on future levels of public expenditure.
- 5.3. A proactive approach to financial management has been adopted. Recent examples of this include: production of a number of briefings on emerging issues which impact on local government finances, for example, the Chancellor's Budget Report, the Christie Commission, Independent Budget Review and the Local Government Finance Settlement; development of innovative funding arrangements (eg Tax Increment Funding and its potential suitability for the Ravenscraig Project); and maximising resources available to the Council through the successful reclaim of VAT and landfill tax.
- 5.4. The Council's 10-year Financial Plan was updated in November 2011 to reflect the impact of emerging issues on the Council's finances. This updated plan covers the period from 2012-2013 to 2021-2022. It recognises the challenges likely to face local government in coming years and also the impact that demographic changes could have on Council finances. The purpose of this longer-term strategy is to establish how the Council plans to achieve long-term financial stability given the challenging times facing us over the next ten years. This will assist the Council to form decisions which meet strategic and sustainable objectives, and satisfy the developing needs of the local community, taking into account the resource implications of demographic changes and longer-term patterns and trends.

## **6. Next Steps**

- 6.1 The CIPFA FM model will continue to be used to ensure continuing improvement in financial management across the Council. A full review using the model will be undertaken by Financial Services by March 2013, which will also feed into Financial Services' element of the work which is ongoing throughout the Council relating to PSIF (Public Service Improvement Framework).

## **7. Recommendations**

- 7.1. It is recommended the Policy and Resources (Finance & Customer Services) Sub-Committee notes the actions taken to improve the financial management arrangements within the Council.



**Head of Financial Services**

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