

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB-COMMITTEE	Subject: CIPFA FINANCIAL MANAGEMENT MODEL – UPDATE
From: HEAD OF FINANCIAL SERVICES	
Date: 16 January 2014	Ref: PH/EK/VR/TM

**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 25<sup>th</sup> March 2013 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, subsequent assessment carried out during 2010/11 and a further assessment completed in 2012/13. All 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 2012/13 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 and consequent updates.

**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:
  - Ensure that robust arrangements are in place to meet and evaluate required financial competencies;
  - Demonstrate that users of internal finance services are treated consistently; and
  - Ensure that financial management experience is used in strategic decision making and performance management is based on an understanding of the financial environment and cost drivers.
- 3.2. Progress against these actions is set out in the sections overleaf.

#### **4. Ensuring that robust arrangements are in place to meet and evaluate required financial competencies**

- 4.1. Although improvement in performance was achieved in this area in 2012/13 compared with the previous assessment, analysis identified that there was still room for further development by highlighting the importance of financial competencies and putting arrangements in place to meet them.
- 4.2. Financial Services has placed greater importance on discussions through the PRD process by identifying training needs and encouraging staff to improve upon their financial competencies through involvement in strategic projects and secondment opportunities where possible, with consequent completion of training evaluation forms after training events.
- 4.3. Financial Services regularly provides budget presentations, briefing notes and a fortnightly finance bulletin that highlights key areas of financial interest. This has ensured that those working within a financial environment, including Board members, are kept abreast of developments.

#### **5. Demonstrating that users of internal finance services are treated consistently**

- 5.1. Service Level Agreements (SLAs) are structured in the same way for all internal users, with slight variations based on the functions and structure of the Service. Each SLA has a key contact within the agreement as a first point of contact for any concerns or questions.
- 5.2. Feedback is actively sought from users of Financial Services through the budget monitoring process, management meetings and, more formally, through the biennial review of the SLA.
- 5.3. From 2012/13, customer feedback was gathered, and will continue to be collected and analysed annually, in the form of a customer satisfaction survey. This survey is used to populate the results of the Customer Focus performance measures within the Service Plan, and a further opportunity for Financial Services to gauge customer opinion.

#### **6. Ensuring that financial management expertise is used in strategic decision making and performance management is based on an understanding of the financial environment and cost drivers**

- 6.1. Decision makers are both challenged and supported by Finance Staff to ensure that financial implications of decisions are fully understood. Management tools such as risk assessments, unit costs, benchmarks, financial performance ratios are used, alongside other tools, depending on the type of decision required.
- 6.2. Financial Services is committed to full participation in the Society of Local Authority Chief Executives (SOLACE) benchmarking project. This allows greater analysis of unit costs and understanding, through links with Service finance staff, to obtain a greater understanding of their functions and related costs.
- 6.3. Participation in the SOLACE benchmarking group allows for comparison of performance measures with other local authorities and investigation of variances and factors influencing performance, this in turn allows for an informed and researched approach to performance management based on an understanding of the financial environment and cost drivers.

#### **7. Next Steps**

- 7.1. 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 2015, which will also feed into Financial Services' element of the work which is ongoing throughout the Council relating to PSIF (Public Service Improvement Framework).

## **8. Recommendations**

- 8.1. 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**

*Members seeking further information on the contents of this report are asked to contact Tracy McCartney, Accountant on telephone number 01698 302560.*