

Southampton City Council

CIPFA Resilience and Financial Management Review

A Report by:
The Chartered Institute of Public Finance and Accountancy

May 2023

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

Any questions arising from this submission should be directed to:

John O'Halloran

Director Business Advisory and Consultancy – CIPFA

020 7543 5600 / john.o'halloran@cipfa.org

DRAFT

Table of contents

1	Executive Summary.....	3
1.1	Purpose and scope of the review	3
1.2	Approach adopted.....	3
1.3	Findings	4
1.4	Next steps and action plan	5
2	Introduction and Background.....	6
2.1	Objectives of the review	6
2.2	The current financial position	6
2.3	Future challenges	6
3	Financial resilience	8
3.1	2022/23 Financial Year	8
3.2	2023/24 Financial Year	8
3.3	MTFP.....	10
3.4	Reserves.....	10
3.5	Conclusion	10
4	The Financial Management Model.....	12
4.1	The model purpose	12
4.2	The model approach	12
4.3	The model output.....	13
5	The FM Model review findings.....	14
5.1	Introduction.....	14
5.2	Leadership.....	16
5.3	People.....	17
5.4	Process.....	19
5.5	Stakeholders.....	21
6	Benchmarking	22
6.1	Introduction.....	22
6.2	Financial resilience index	22
6.3	Benchmarking nearest neighbour comparison	24
6.4	Conclusions on benchmarking and nearest neighbour comparison.....	29
7	Action plan and next steps <i>[To be completed after first draft and when conclusions / findings have been agreed]</i>	31
7.1	Introduction	31
7.2	Outline plan.....	31
	Appendix 1 – List of interviewees	33
	Appendix 2 – Document review list	35

Appendix 3 – Star rating key criteria and characteristics37
.....37

DRAFT

1 Executive Summary

1.1 Purpose and scope of the review

CIPFA has been commissioned to undertake a review of Southampton City Council's financial resilience and financial management. In addition, CIPFA was asked to provide comparative data analysis to benchmark the Council across a range of Service areas and against its nearest neighbours.

The review will contribute to the development of a Finance Target Operating Model for the Council. To support this, we have assessed the Council's financial resilience. We have also assessed the effectiveness of the Council's financial management capability, its internal processes, and its operations. We have also examined how the Council plans its future financial management. We have then set this in the context of the wider financial picture across other local authorities, using data to highlight where the Council differs from its nearest neighbours.

This report summarises the findings of the three elements of the review. It sets out the key findings of our financial resilience review in relation to the Council's current and forecast financial position. It also sets provides analysis of the Council's financial management against the model's constituent elements, including a rating against CIPFA's five-star model.

The report also contains a series of recommendations, which can be developed into an action plan to support an improvement process.

1.2 Approach adopted

Financial resilience

The financial resilience review concentrated on the potential scale of the budget and financial challenge that the Council faces over the next three years. This was considered from two perspectives. The first was the range and extent of pressures as a consequence of inflation, demand and investment. The second was to consider the impact of three key areas of assumption, which were savings and transformation, Government funding and local funding. The combined nature and outcome of these will all have an impact on the financial resilience and ability to address the financial challenge that the Council faces.

Financial management

The financial management review comprises the model's three constituent elements: a survey; a series of interviews with staff and elected members; and a document review. The findings from each of these elements are entered into the model framework, which allows them to be scored against a standard set of statements and questions representing best practice in financial management and governance.

The statements and questions represent management dimensions and financial management styles. There are over 400 questions in total. The response to each is rated as yes, no, partly, or don't know. The collective scores for each statement are then combined to produce an overall rating.

Benchmarking

Our approach to comparative analysis has used two key data sources. These are firstly CIPFA's Financial Resilience Index and secondly benchmarking data from CIPFA Stats+.

We have compared Southampton to its CIPFA nearest statistical neighbours to draw conclusions on a range of services and the Council's overall financial resilience and sustainability.

1.3 Findings

Financial resilience

The Council has, in recent years, relied on reserves to meet gaps in its budget. This has led to balanced budgets being achieved, but has eroded the Council's reserves, leaving it a reduced amount to fall back on.

Reserves were reported at the end of 2021/22 at £96.2m (which included including revenue grants carried forward, primarily relating to Covid). The reported MTFs reserve for the financial year 2023/24 now stands at £10.1m this is a significant reduction and this erosion of reserves means that these cannot be utilised in the future years to support the Council's finances and in reality, places the organisation at significant risk during 2023/24 and beyond. The Council requires a plan to replenish should be put in place.

The Council has presented a balanced budget for the 2023/24 financial year.

At the conclusion of 2022/23 the Council had delivered 39% of its planned savings if this rate continues then only £7.8m of the planned £20m would be achieved in 2023/24 placing even greater pressure on delivering the budget.

A review of 2022/23 also indicated an overspend run rate averaging out at £1.8m per month. If this trend continues in the current financial year combined with non-delivery of savings there will be a significant budget gap at year end. The Council needs to immediately put in place tight controls over savings delivery, cash limit spending and develop mitigation plans for non-delivery of these.

It is evident from Month 1 reporting, that the past trends have continued in to 2023/24 which shows that there is projected £25m adverse variance from the budget, mitigated to £14.1m adverse. (The reduction is made up of cost control and additional pressures). This does suggest that the budget will not be delivered as planned which in itself included savings of £20m which must be considered at risk of non-delivery.

The External Audit report into Value for Money published earlier this year also raises concerns about the financial sustainability of the Council and that delivery of savings is crucial along with an MTFP refresh in the summer.

If the Council does not bring spending under control and deliver savings in our opinion there is a significant risk to sustainability. This would lead to the potential for considering a s114 notice later in the 2023/24 financial year. This will also impact in longer-term sustainability when the MTFP projects a cumulative budget shortfall of circa £50m by 2027/28 with no reserves to rely on.

Financial management

The findings from the review are presented as a summary table which gives individual scores against key model headings, and as an overall score. The overall rating for Southampton is 2*. This represents a score of 2.13 and the threshold for 3* being 2.25, which would in our opinion be the next development target and a concentration on the people dimension would contribute to this.

CURRENT SNAPSHOT	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Financial Management Style				
Delivering Accountability	***	*	****	***
Supporting Performance	*	*	**	***
Enabling Transformation	*	*	*	**
Overall Rating	**			

The results show an overall mixed position for the Council. The two key areas to highlight are the people dimension and the enabling transformation management style. It is not uncommon to see the transformation dimension score low for local authorities and the people aspect is a key theme for building strength and sustainability in the future.

The table above indicates both areas where the Council's performance is positive and those requiring improvement. The body of the report has a detailed analysis of individual scores and findings from the review.

The report highlights opportunities to improve and strengthen financial management and governance across the Council.

Benchmarking

Our data analysis shows that the Council's spend per head is 21% higher than its nearest neighbours' average spend. There are potential savings that the Council could make by more closely matching its neighbours' cost per head, particularly in Education Services, Adult Social Care, and Planning and Development Services.

1.4 Next steps and action plan

The report includes detailed recommendations aligned to the review findings. This initial set of observations and recommendations will be the subject of discussion leading to the agreement of a final report. Following this we would agree the action plan which is intended to stimulate debate, suggesting ways to move the Council from a two to a three star organisation and the direction of travel for continued improvement.

2 Introduction and Background

2.1 Objectives of the review

CIPFA has been commissioned to undertake a review of the financial management and governance arrangements by the Council using the Financial Management Model (FM Model).

The review has the objective of assessing the Council's capability to effectively manage its current finances, internal process, and operations, as well as how it plans future financial management.

To support the financial management review, CIPFA has also reviewed the Council's financial resilience, and benchmarked the Council against its nearest neighbours.

The review will also support the development of a new Finance Target Operating Model through the evidence base used by the FM Model and areas highlighted as part of the improvement journey.

2.2 The current financial position

The Council faces significant financial challenges over the short, medium, and long term. Along with many other authorities, recent economic turbulence and inflationary pressures have made this position even more challenging.

While the Council has delivered some £170m of cumulative savings in the 10 years up to March 2022, it still faces the need to deliver substantial additional savings to achieve a balanced budget and evidence suggests that delivery is low, 39% in 2022/23. This challenge is made even harder by the exceptional cost pressures that it is facing around Childrens Social Care, which have already resulted in a budget deficit in the last year.

The increased pressures are also evidenced by the increasing spend in SEND services (Special Educational Needs and Disability) where there is an increasing DSG (high needs block) deficit. Whilst this is the subject of a statutory override for the next three years its importance and risk are recognised through the Council's participation in the 'Delivering Better Value' programme initiated by the DfE. This is intended to help mitigate costs but not resolve the deficit.

Over recent years, the Council has relied more and more on using reserves to help balance its budget. These reserves are now diminishing and at a level £10m for the MTFS reserve where the Council will not be able to rely on them to offset future financial shortfalls.

This means that the identification and delivery of viable Council savings plans, cost control and cash limiting spend is essential and will be key to addressing the financial challenge that the Council faces.

2.3 Future challenges

The Council has presented a balanced budget for 2023/24. As indicated above this is predicated on the delivery of savings and the Council and its directorates remaining with the budget allocated.

When history is examined around the delivery of savings, 2022/23 is shows delivery of only around 39% of the required amount. If this continues and is combined with a lack financial control (keeping directorates within a cash limit) at the same rate as 2022/23 the Council will face a serious financial deficit and one that could not be covered by reserves.

The medium-term outlook will remain a challenge with a projected cumulative budget gap of £50m by 2027/28. It is crucial therefore that the financial strategy continues to evolve and that savings are delivered (and not carried forward) is in the current year's budget development. The Council needs to review it's 2023/24 budget alongside a refresh of the MTFP.

DRAFT

3 Financial resilience

3.1 2022/23 Financial Year

The 2022/23 financial year provides both an indication of the challenge in financial terms and in cultural terms. The timing of this review is important in considering the challenges facing the organisation that will require attention throughout the year.

At the time of the review the Council was facing an overall overspend of £11m which was made up of Departmental overspends of £20m, underspends of £2m, in year savings of £5m and general expenditure underspend £2m. The overspend (gross) run rate averages at £1.8m per month over the year with the key directorates being Children's £14m and Wellbeing £4m.

The volatility of forecasts and the inability to deliver savings have contributed to the overspend position.

The key resilience messages from the financial year which if not resolved will continue to threaten sustainability are:

- **Reserves should not be used for short term revenue deficiencies.** Reserves are approaching a level which will not provide long term resilience and the policy for their application should be re-enforced, planned and include replenishment.
- **Our review has indicated that spend control both in some directorates and therefore as a corporate collective has not been effective.** It is evident that there has been a culture that overspends will be covered. As a consequence, cash limiting and a culture of collective ownership of overspends and demand pressures (and how the organisation responds) needs to be implemented effectively and immediately.
- The development and delivery of effective savings proposals and plans is crucial. A 39% result is not satisfactory. The reasons behind this vary but clearly need to improve. We would suggest that the process for development is collective, owned by budget holders and that alternative proposals are developed as mitigation and all are stress tested through various scenarios.

3.2 2023/24 Financial Year

The Council has presented a balanced budget for 2023/24. Delivery of this is dependent on a number of critical factors including:

- Re-basing some services that respond to demand pressures identified in the previous year. The base has increased by £28m. This will need to be a hard cash limit budget.
- A savings target of £20m has been included, as previously indicated if delivery is at the 2022/23 rate this could end up at £7.8m (39%). Savings delivery needs to be monitored and managed continuously throughout the year and where there is a risk, alternatives put in place. From a leadership perspective the top team have a crucial role in ensuring delivery.
- The 2023/24 budget includes the use of £20m of reserves. This will leave the MTFs reserve at £10m, which is low and a risk to sustainability.
- It is evident from Early indications, based on Month 1 reporting, that there is projected £23m adverse variance from the budget, mitigated to £14.1m adverse.

(The reduction is made up of cost control and additional pressures). This does suggest that the budget will not be delivered as planned which in itself included savings of £20m which and these must be considered at risk of non delivery. Delivery of spending in line with budget is critical, the enforcement of a cash limit culture is essential with directorates having to ensure they respond any in year increases (or decrease) in demand or cost.

- The increased pressures are also evidenced by the increasing spend in SEND services (Special Educational Needs and Disability) where there is an increasing DSG (high needs block) deficit. Whilst this is the subject of a statutory override for the next three years it's importance and risk are recognised through the Council's participation in the 'Delivering Better Value' programme initiated by the DfE. This is intended to help mitigate costs but not resolve the deficit.
- A review of debt levels in Adult Social Care shows an increased level of debt over the previous financial year. With a total debt of £6.3m at the end of 2022/23 compared to £5.0m at the end of 2021/22. The debt up to two years shows the bigger increase whereas debts over 2 years has remained relatively constant. The level of debt is always a significant factor in financial sustainability and measure to reduce debt and alternative processes to secure debt and recover should continue to be considered.
- Interviews and discussion did not highlight any risks around the sustainability of the HRA. The level of HRA debt is regularly reported along with a programme to improve though it has been suggested that a reduced headcount on recovery has not helped improve recovery rates. Income and recovery will need continued careful monitoring. A freeze on rent income is seen as an issue and especially when compared to the housing rents outside local government.
- On Council Tax collection 2022/23 financial year showed a recovery of 93.61%, which indicates an improvement on previous years. The broader sector however tends to have collection rates nearer 95% which would indicate an opportunity to improve. We are aware of plans to increase the headcount in the council tax team which may well increase the rate.
- When the Council's financial performance is considered against the CIPFA indicators of financial stress we would draw the following conclusions:
 1. Running down of reserves
It is clear that reserves have eroded over recent years to a level which will not support increased overspends or non-delivery of savings.
 2. Failure to plan and deliver savings
Savings delivery in 2022/23 was at 39% of the required level placing increased pressure on balancing the budget.
 3. Shortening financial planning
This has improved over the last few months with an emerging 5-year MTFS which is a positive indicator of focus and recognition of the need to consider the longer-term financial planning horizon.
 4. Tendency to overspend
This is evident in both the 2022/23 financial year where the run rate averaging at £1.8m per month could be considered out of control and in the 2023/24 financial year where a forecast overspend has been presented at the end of month one, along with additional growth.
 5. Lack of detail in business decisions – risk management
The review highlighted that the production of business cases was mixed. It was also evident from conversations and interviews that the degree and depth of plans for savings could be improved. This also responds to the failure to deliver savings identified.

Given the five indicators of financial stress outlined above we would draw the conclusion that the Council is at risk if improvements are not put in place quickly.

- Close scrutiny of capital programme needed – often the opportunity for revenue savings (as a consequence of programme slippage) is not compared to the loss of efficiencies planned, impact on planned savings and delivery of the corporate plan.

3.3 MTFP

The development of the MTFP is seen as a priority both in revisiting the assumptions and the duration. Alongside this is the link and impact of the annual budget and how performance influences the MTFP as a dynamic and responsive plan.

We are aware that the Council plans to revisit the 2023/24 budget and MTFP after the May elections when delivery of the budget, pressures and policy can be considered to maintain a realistic budget and a grip on financial performance.

The current MTFP provides a clear challenge for the organisation the indicative budget shortfall for the next three years are:

- £35m 2024/25
- £40m 2025/26
- £44m 2026/27
- £49m 2027/28

** Source MTFS May update*

The assumptions and supporting data should be scrutinised and refined regularly.

3.4 Reserves

The level and use of reserves has been referred to above. The context and history is important as it indicates a culture of erosion which is no longer sustainable.

Reserves have reduced from £96m (31/3/22) to £20m (31/3/24). In addition, the Medium-Term Financial Risk Reserve will be £10m (31/3/24) we would as a consequence consider the level of reserves is insufficient for future years. There should now be a concerted effort to replenish reserves in a planned programme.

3.5 Conclusion

Our conclusion based on the review and the latest financial reports is that the Council is facing an increasing risk of considering the issue of a s114 notice. This is based on both the track record of cost control and delivery of savings and the month 1 forecast which is projecting an overspend on the current budget and additional pressures.

It is crucial that the Council delivers the savings identified as planned (timing and value) and expenditure is controlled within the presented budget. Failure to do this will rapidly increase the risk of the need to issue a s114 notice either in 2023/24 or 2024/25 financial years.

The financial position and delivery of plans will need close management and any risks to delivery mitigated immediately. This will be key in achieving a sustainable future for the Council.

DRAFT

4 The Financial Management Model

4.1 The model purpose

CIPFA's Financial Management Model (FM Model) can be used to support and drive effective performance in financial management and financial governance throughout a Council. It uses an internationally recognised framework and diagnostic tool, enabling Councils to have an independent assessment of their financial management against world class best practices in the public sector in order to optimise systems, processes, resources, compliance, and reporting.

The FM Model output will identify or substantiate weaknesses (as well as confirm strengths) and then support the development and delivery of a target-driven improvement plan allowing progress to be closely tracked and measured.

The FM Model measures the strengths and weaknesses across the whole of a Council, examining processes, people, leadership, and stakeholders. The model is not just about the finance function. It is about the corporate ownership and accountability for finance.

The model benchmarks the Council's financial management against best practice using a series of statements and principles. It focuses on financial management capability across the whole Council and helps pinpoint priorities for improvement. It can help raise effectiveness and confidence in stewardship, performance, and the ability to implement change.

The framework is fully aligned with today's public sector. It reflects the latest developments and opportunities in business partnering, commercialism, procurement, and governance, and stresses the critical role and prominence of the CFO and the finance team within a Council.

4.2 The model approach

The FM model is based on a series of statements focused on Leadership, Process, People and Stakeholders. Each of these is measured against the pillars of good financial management as follows:

Enabling transformation: the finance team has input into strategic and operational plans taking into account proactive risk management, clear strategic direction, and focus-based outcomes.

Supporting performance: finance teams are actively committed to continuous improvement focused on efficient and effective delivery and Council performance.

Delivering accountability: financial information is accurate, timely and focuses on controls, probity, compliance, and accountability.

Measurement is based on a series of best practice statements. A score is determined for each statement. Each statement has a number of supporting questions and the response to these is used to assist in the overall scoring process. The process is supported by an Online Diagnostic tool which captures the evidence and is then used to undertake the assessment based on the acquired evidence.

Attached at Appendix 3 is a table that indicates the assessment criteria and characteristics of each of the star ratings.

Evidence is collected through three independent methods:

A review of documents. The purpose of considering these is to gain a view on the formal processes, arrangements, reports, and reporting processes in place. They also provide detail on the financial position and on governance in practice. The document review also helps triangulate other evidence, allowing comparison of process and procedure with what happens in practice. The full list of documents reviewed can be found at Appendix 2 of this report.

A series of interviews with staff and stakeholders. The 38 interviews in total included a range of staff across the Council, and elected members. The purpose of each interview was to gain an impression and understanding of the individual's thoughts on the financial management and financial governance arrangements in operation.

An online survey. The survey invited a total of 202 recipients to respond to a series of questions within the model that are based around best practice. The response rate indicated that 10 out of 12 survey groups exceeded 60% or above and was a representative survey.

Following completion of these steps, the model can be used to score statements and arrive at an overall rating.

The three methods of evidence captured were then used to score the Council against the model and in a triangulated fashion that helps eliminate bias.

4.3 The model output

On completion, the FM Model produces a scoring matrix. This captures the assessment and presents findings back against a series of management dimensions and financial management styles. Scores are based on the three sources of evidence outlined above.

The report findings and conclusions are presented against the management dimensions. The report is a snapshot in time. It is recognised that with any Council there is a process of constant change.

The report includes a headline improvement plan. This responds to key areas identified as requiring attention. The improvement plan, areas, actions, and owners will be agreed as part of finalising the report to ensure there is ownership and acceptance of the need to act.

The scoring matrix also presents a star rating within the range 1* to 5*. This is seen as an indicator of where the Council is against the best practice model. In our experience most Councils we review fall into the range 2* to 3*. Using the review and action plan will help support the Councils development and progression to the next level.

5 The FM Model review findings

5.1 Introduction

The overall rating for the Council against the FM Model is two stars. The matrix below summarises the scoring.

CURRENT SNAPSHOT	Management Dimensions			
	Leadership	People	Processes	Stakeholders
Financial Management Style				
Delivering Accountability	***	*	****	***
Supporting Performance	*	*	**	***
Enabling Transformation	*	*	*	**
Overall Rating	**			

Each statement contained within the model is scored. These scores are the aggregated in to the matrix areas above using a structured approach that reflects the management styles. Summary ratings are shown above with an overall final score and star rating.

Leadership			2022	2022	Matrix Score	Matrix Stars
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.		2.50	2.42	***
	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.		3.00		
	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.		1.75		
Supporting 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.		1.00	1.25	*
	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.		1.50		
Enabling 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	1.50	*

		2022	2022	Matrix Score	Matrix Score
People					
Delivering Accountability	P1	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	1.00	1.75	*
	P2	The organisation has access to sufficient financial skills to meet its business needs.	2.50		
Supporting Performance	P3	The organisation manages its finance function to ensure efficiency and effectiveness.	1.50	1.50	*
	P4	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	2.00		
	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.	1.00		
Enabling Transformation	P6	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	1.00	1.00	*

		2022	2022	Matrix Score	Matrix Score
Processes					
Delivering Accountability	PR1	Budgets are accrual-based and robustly calculated	2.00	2.81	****
	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.	2.75		
	PR3	The organisation operates and maintains accurate, timely and efficient transactional financial services (eg creditor payments, income collection, payroll, and pensions' administration).	2.00		
	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.	3.50		
	PR5	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	2.50		
	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.	2.50		
	PR7	Management understands and addresses its risk management and internal control governance responsibilities.	3.00		
	PR8	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	3.50		
	PR9	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.	3.50		
Supporting 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.	2.50	2.00	**
	PR11	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	2.00		
	PR12	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	1.50		
	PR13	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement, commissioning and contract management.	2.00		
Enabling Transformation	PR14	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	1.50	1.75	*
	PR15	The organisation's financial management processes support organisational change.	2.00		

Stakeholders		2022	2022			
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.		2.50	2.50	***
Supporting Performance	S2	The organisation demonstrates that it achieves value for money in the use of its resources.		2.50	2.50	***
Enabling 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.		2.00	2.00	**
		Total Score		64.00		
		Average Score		2.13		
		Overall Star Rating		**		

The sections below will explain in further detail the findings, under the management dimension themes, along with conclusions and outline recommendations for improvement.

The source for the commentary below is the FM Model set of statements and questions. The aim is to present key findings, both in terms of strength and for development. It is not the intention to give a line by line view but to collate in to thematic areas which will provide insight in to the current arrangements and consequently the direction of travel.

5.2 Leadership

Delivering Accountability

- It is clear that the CFO and the finance function are seen as central to the Council and its leadership.
- The CFO has independence, reporting directly to the CE and has access to appropriate committees and panels.
- Finance is prominent at a leadership level setting the tone for the landscape within which the Council operates.
- There is a lack of consistency in the way finance as a function challenge and support decision makers.
- The information provided to decision makers could be more meaningful in presentation and timing to support further adding increased insight.
- Overall the Council does have an effective framework of financial accountability and reporting in line with professional and statutory requirements.
- The budget setting process is not always based on a thorough understanding of costs and demand drivers leading to issues with monitoring and managing budget pressures.
- The development of the financial strategy is improving with a longer-term outlook.
- There is a need to periodically review financial policies and effectively communicate these. It would also be worthwhile considering how a compliance process can be introduced to improve grip and control.
- It is key that the Council monitors financial and activity performance and aligns these to delivery of planned outcomes.

Supporting performance

- The financial strategy continues to be developed. At the time of the review this area scored lower that would be desired and at this stage does not deliver a sustainable outlook without risks around savings and expenditure controls.
- It is critical that the strategy is embedded within the organisation and owned by all budget holders, irrespective of where they are in the structure. There is a collective responsibility.

- The plan needs to draw in realistic estimates with a sound evidence base that are aligned to corporate objective. There should ideally be a clear line of sight from plan, through spend (or income) to delivery of priorities.
- This would also include a clear view and operation of demand management strategies.
- It is important to integrate business and financial planning so that it aligns resources to meet current and future outcome focused business objectives and priorities.
- There is an inconsistency in the way the organisation uses finance as an advisor in considering new initiatives and how influential they are.
- Business cases and project appraisals do use affordability tests for new investment that assess thoroughly the anticipated benefits and costs which is a real strength.

Enabling transformation

- This area tests how the Council's leadership integrates financial management into strategies to meet future business needs and how the financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.
- Traditionally this area does not score well for local authorities. The Council should try to ensure that it create the space, capacity and capability to innovate and transform, the challenge is maintaining business as usual.
- The Council does consider delivery models and opportunities to change and transform along with the service and financial benefits. This isn't however as widespread and cross cutting as it could be.
- Greater use of invest to save schemes was seen as an opportunity to support transformation.
- The use of external partners happens in only a limited number of areas is and area and an opportunity to develop which isn't always present at the moment. This would mean greater involvement with the 3rd sector, housing providers and health for example who as partners could be more engaged and contribute to transformation of services.

Areas for development

- Strengthen the budget setting process with greater ownership and engagement across the Council with finance seen as the custodian of the process and an advisor to services.
- The approach to strategic budgeting and financial planning is developed to include a longer time frame (where possible), greater use of cost and demand driver intelligence and scenario planning.
- Consider the integration of finance in to the assessment of future requirements and change programmes, not just at business case stage but from the outset.
- Pursue opportunities for change and transformation both within and external to the Council, with partners. There needs to be the space and resource to design, develop and deliver transformation so creating that capacity by reflecting on current activity (at all level) and determining priorities.

5.3 People

Delivering Accountability

- Finance is recognised as having professional, qualified, skilled and experienced staff.
- The age and service length profile of staff in finance is seen as a potential future risk. It is possible that in the next couple of years a number of staff with significant service will be eligible to retire. As part of the developing finance operating model referred to elsewhere in this report it is important to develop a succession plan and skills transfer.

- It would be valuable for the organisation to regularly review skills and competencies (similar to a training needs assessment) and develop a formal CPD and training programme. It is important that this programme includes budget holders as well as finance staff. This would be designed around current and future business needs.
- Following this develop a competency framework, which can apply to both finance and non-finance staff. This can link in to job descriptions and performance management.
- Whilst some posts that have responsibility for budget have this recognised in job descriptions it is not consistent.
- The review indicated that the Council seeks additional external advice when needed which will strengthen the overall function.
- A theme which will occur on a number of occasions is how finance supports services and the Council. The review indicated a mixed response when asked about finance staff promote and whether they clearly explain financial policies and procedures to managers throughout the organisation. The aim is for consistency and as a translator and presenter of financial information working with services to deliver and add value in this area.

Supporting performance

- The relationship and operational arrangements between finance and services is fundamental to effective financial management and financial governance. The review has highlighted that this works well in some areas and not so well in others.
- The role of the finance business partner is crucial to how effective this relationship is. The majority of business partners have been trained (the CIPFA diploma) it is clear from interviews that their lacks a consistent approach and there needs to be a clear vision of what is the role is and how it should be delivered. This approach from a finance and a service side needs re-invigorating and embedding so it's not just in individuals it's in the culture.
- Finance are seen as supportive in the main to budget holders but again this varies and business partners do add value but not consistently.
- A key role for finance through business partners is the challenge it needs to provide. This should be independent and impartial, which exists in some areas but not overall.
- Finance does add value when contributing to decision papers and reports and the analysis it provides is appreciated.
- There is no formal SLA or agreement in place that recognises 'who does what' in relation to services and finance. 'What is the finance offer', 'what can it do' were questions raised during conversations. There would be value in rehearsing and re-stating what finance and business partners will and won't do to set expectations and consequently the ability to assess performance against standards.
- There is a view that budget holders and managers do not appear to be held accountable. This is not a consistent view and will vary across the organisation. However, as it was raised it must a perceived issue. This could be as a consequence of budget areas overspending, being funded and no apparent consequences This sends the wrong messages. The message of ownership and accountability is one to be re-enforced and monitored from the leadership team and across the organisation
- A practical opportunity to support performance further would be the increased use of benchmarking, comparative statistics, and predictive analytics to support budget development and forecasting.

Enabling transformation

- The challenge for the Council is whether it develops and maintains its financial management capacity to help shape and support its transformational programme.
- The review has found that finance has adapted its skills set in response to changed demands, but this will always be a challenge in looking forward to what will be needed.

- The question around assessing the influence and impact of finance on change is less certain, it has worked in some areas. The direction needs to be that finance are fundamental and engaged from the outset, a key aspect of the business partner role.
- This early engagement starts with the policy discussion and finance as advisor being able to contribute. This may require a cultural shift in some areas.

Areas for development

- Develop a finance service offer that can be communicated across the Council.
- Work with services to design a form of SLA or agreement that has clarity and agreement on what will be provided and how this is monitored.
- Review and refresh the role and function of finance business partners to ensure it is fit for purpose.
- Develop a culture of budget holder accountability and responsibility, a compliance framework that accompanies this and monitoring to ensure impact and value.

5.4 Process

Delivering Accountability

- Overall the budget setting and monitoring process meets many of the best practice statements and questions. As with all assessments of this nature it is the extent and impact to which good practice is applied.
- In delivering accountability the Council do budget on accruals basis and take account of in year changes when considering forecasts and necessary changes.
- When considering changes its is important to look at budgeting techniques which could be developed to include a wider range such as base budget reviews, outcomes and greater emphasis on cost and demand drivers.
- There is a sense in some parts of the Council that finance own and develop the budget with limited involvement of budget holders. This is not widespread but there needs to be a collaborative approach and clarity around ownership.
- The finance system is probably viewed as acceptable but with the need for work arounds. This is often the case but its use and value, extent of work arounds should be reviewed and responded to.
- Budget reporting is seen as timely but the nature of the information and the need for manual intervention or manipulation is evident. There is a reliance on locally prepared spreadsheet.
- Given the intended direction to self – serve the role, function and accessibility of the finance system is crucial to provide the necessary tools to budget holders and managers. This could be used as an excuse not to change so will need addressing.
- When considering the operation and maintenance of accurate, timely and efficient transactional financial services (e.g. creditor payments, income collection, payroll, and pensions' administration) the Council scored well in the majority of areas.
- The areas highlighted included the need to undertake longer term cash flow forecasting, greater consideration of debt levels and opportunities to reduce, limit and recover earlier, and the review of processes to help change and improvement.
- Linked to the last point is the opportunity to consider the role of finance in transactional type of work. Can this be automated, reduced or removed, all of which will provide time for a different type of finance function.
- In assessing and scoring whether the Council's treasury management is risk based. Whether it manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance all had a positive response and are in line with best practice.
- A key element of the process review was to consider whether the Council maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.

- Balance sheet management is crucial for a local authority especially when considering the longer-term sustainability. In the main the Council operates satisfactorily.
- One key areas was how and when the balance sheet movements are reported to the management team and any action taken to respond to an adverse impact. Balance sheet reporting could be improved through the development of a brief dashboard of key indicators along with an explanation. It has however to be meaningful and prompt action or decision.
- The risk register and process to maintain would benefit from a direct link to corporate objectives and not just service related delivery, so a higher level linkage and thread.
- All the remaining areas around risk, risk management and reporting received a positive response. In addition a positive score was recorded for questions around the effective assurance arrangements, including internal audit, and audit and risk committee(s) in place.

Supporting performance

- As indicated elsewhere within this report there are strengths and areas for improvement around the MTFP. This is a key document that is dynamic and covers a four-year period. The plan is reviewed by the leadership team and key politicians and indeed is reported to Council.
- The involvement of key stakeholders within and external to the Council in both developing the plan and reporting on it may be of value.
- When considering the forecasting processes and reporting it is important that these are well developed and supported by accountable operational management. Forecasting should be insightful and lead to good decision making.
- Monitoring and forecasting is undertaken regularly with appropriate narrative included and fully integrated with the performance monitoring reporting.
- There is a sense that there are further opportunities to use appropriate quantitative / qualitative techniques and sensitivity analysis to support modelling of forecasts. Consideration should be given to assessing whether these skills are available or should be included as part of the new finance operating model.
- A key point as mentioned earlier in relation pursuing opportunities to reduce costs and improve value for money is the broader thinking around joint initiatives within and outside the Council, this has been raised on a number of occasions and should be a priority, from a service delivery as well as a financial perspective.

Enabling transformation

- It is important the finance and the organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised and has an impact.
- Traditionally process re-engineering happens when it is driven by a new system procurement for example, finance should however consider a programme of reviews with the objective of streamlining and automating.
- The move to self-serve is on the agenda and should be continued it will have many positive benefits.

Areas for development

- Consider developing the approach and skills used to develop budgets and forecast within finance and the budget holder community.
- Continue to develop the role of budget holders to ensure engagement and ownership throughout the financial year.
- Alongside developing the business partner function review and address the finance function 'transactional' activity with an end to end assessment of what needs to change, the benefits and value.
- Consider a programme of process reviews with the aim of introducing efficiency, reducing work arounds and maximising output value.

- Evaluate the finance system and develop a improvement plan to maximise the functionality available, also its readiness for a self-serve environment.
- Broaden the MTFP conversation across all partners to capture wider opportunities for service delivery and efficiency.

5.5 Stakeholders

Delivering Accountability

- Overall the review has indicated that the Council does provide external stakeholders with evidence of the integrity of its financial conduct and performance, so score well.
- This included production of accounts without adverse opinion and the delivery of the budget, with the caveats raised earlier around funding the budget.
- The score however reflects the complexity of presented accounts and a lack in some areas of a robust financial discipline reflected in the overspends recorded.

Supporting performance

- In considering value for money in the use of its resources, the Council from a stakeholder perspective scored just over the mid-point.
- As a consequence, this is therefore about improving reporting, use of benchmarking as an illustration of impact and highlighting value for money initiatives to stakeholders.

Enabling transformation

- The model tests whether the organisation is responsive to its operating environment, and as such seeks and responds to customer and stakeholder service and spending priorities that impact on its financial management.
- This had a mixed scoring range indicating that as far as stakeholders are concerned there are some positive results.
- One challenge will be demonstrating to stakeholders and the public that it has responded to their priorities, from the scoring it would indicate that this is an area where more could be achieved.
- On the internal side surveys are conducted and reported internally which will help policy development.
- There is an opportunity for the Council to invite stakeholders, partner bodies and staff to shape and share the organisation's vision, strategic aims and policies and this should be embedded.

Areas for development

- Try and make greater use of stakeholders to help develop services and introduce efficiencies.
- Ensure stakeholders get to see and hear results of consultation in policy decisions and service developments.
- Perhaps consider ensuring clarity around who are the stakeholders for finance through mapping and then a planned approach.

6 Benchmarking

6.1 Introduction

This section of the report highlights our finding following an examination of the Council and where it sits within CIPFA Financial Resilience Index (published in December 2022 – based on 2021/22 RO data) and from the CIPFAstats+ nearest neighbour benchmarking information.

The aim is to provide insight in to areas that could be explored in terms of cost comparison to understand potential areas for change in both service delivery and cost structures.

6.2 Financial resilience index

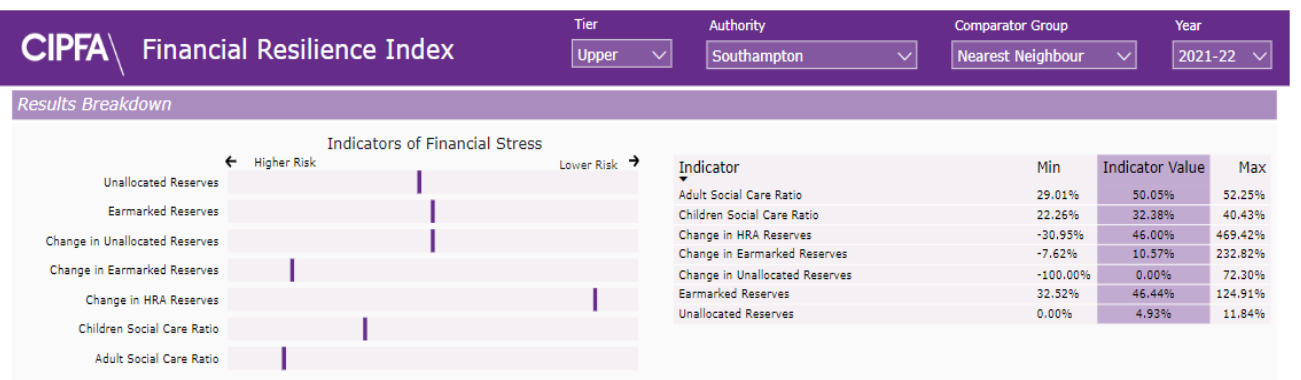
The tables below are extracted from CIPFA’s Financial Resilience Index.

They show Southampton’s performance against nearest neighbours as at 2021/22. In Figures RI.1 and RI. 2, while reserve levels were not seen as higher risk, the change or deterioration in reserves is a matter of concern. The spend evident from the Social Care Ratios shows high risk in Adults, moderate in Children’s (though with a recent upward shift in spend, also explored in the benchmarking analysis in section 6.3).

RI.1

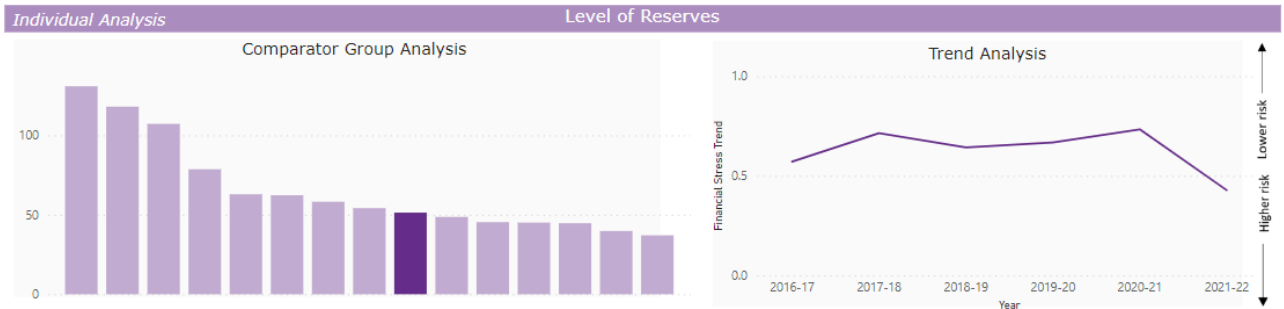


RI.2



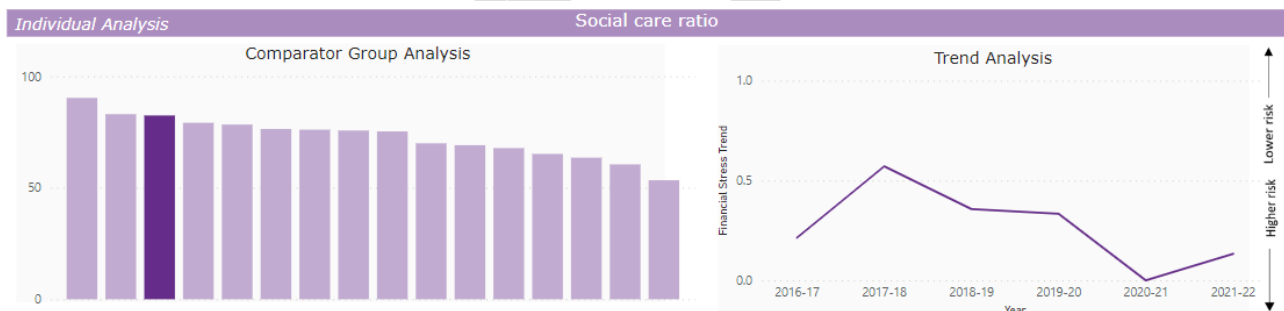
RI. 3 shows the level of reserves to the Council's net revenue expenditure against the comparator group. The actual position appears unalarming. But the worsening position in 2021/22 is more concerning.

RI.3



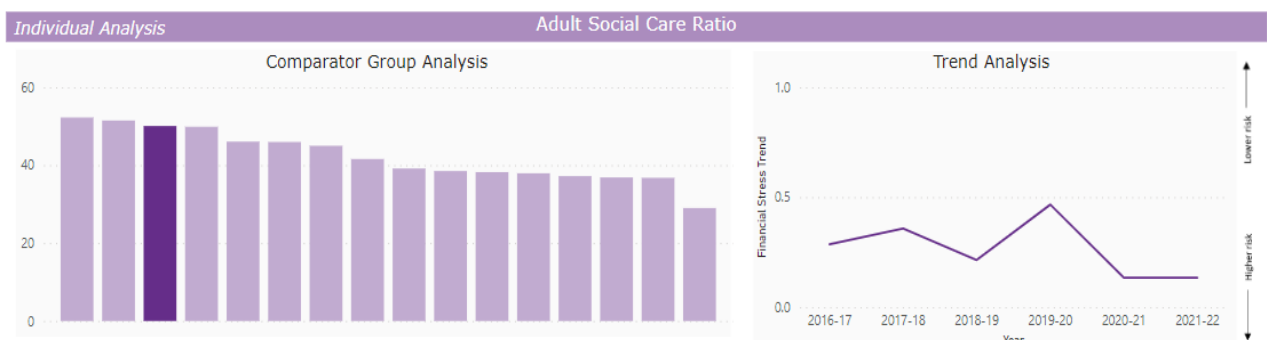
RI. 4 shows the combined ratio of spending on adults and children's social care to the Council's net revenue expenditure. It is towards the top end of the comparator group. Having fallen towards the end of the last decade it has risen again in 2021/22. RI. 5 shows the ratio for Adults and RI. 6 for Children's. Adults is towards the top end of the compactor group, but the ratio has fallen in 2021/22. The Children's spend to net revenue position is less markedly high than is the case in Adults, but the ratio is rising.

RI.4

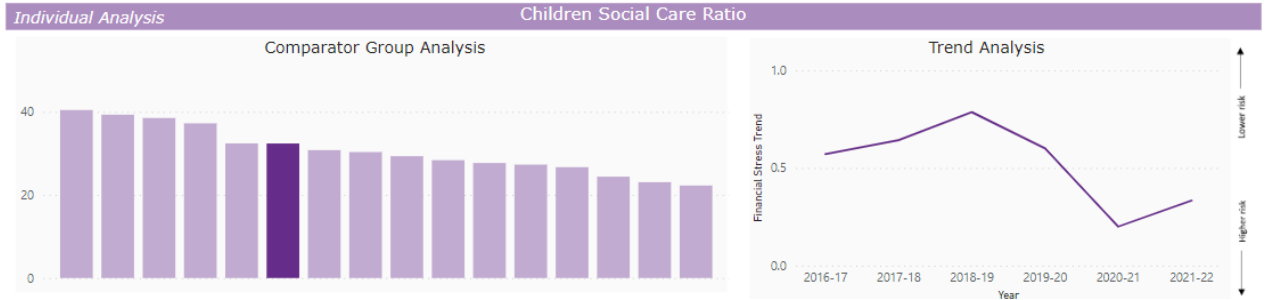


The following table indicates the ratio of spending on adult's social care to the Council's net revenue expenditure.

RI.5

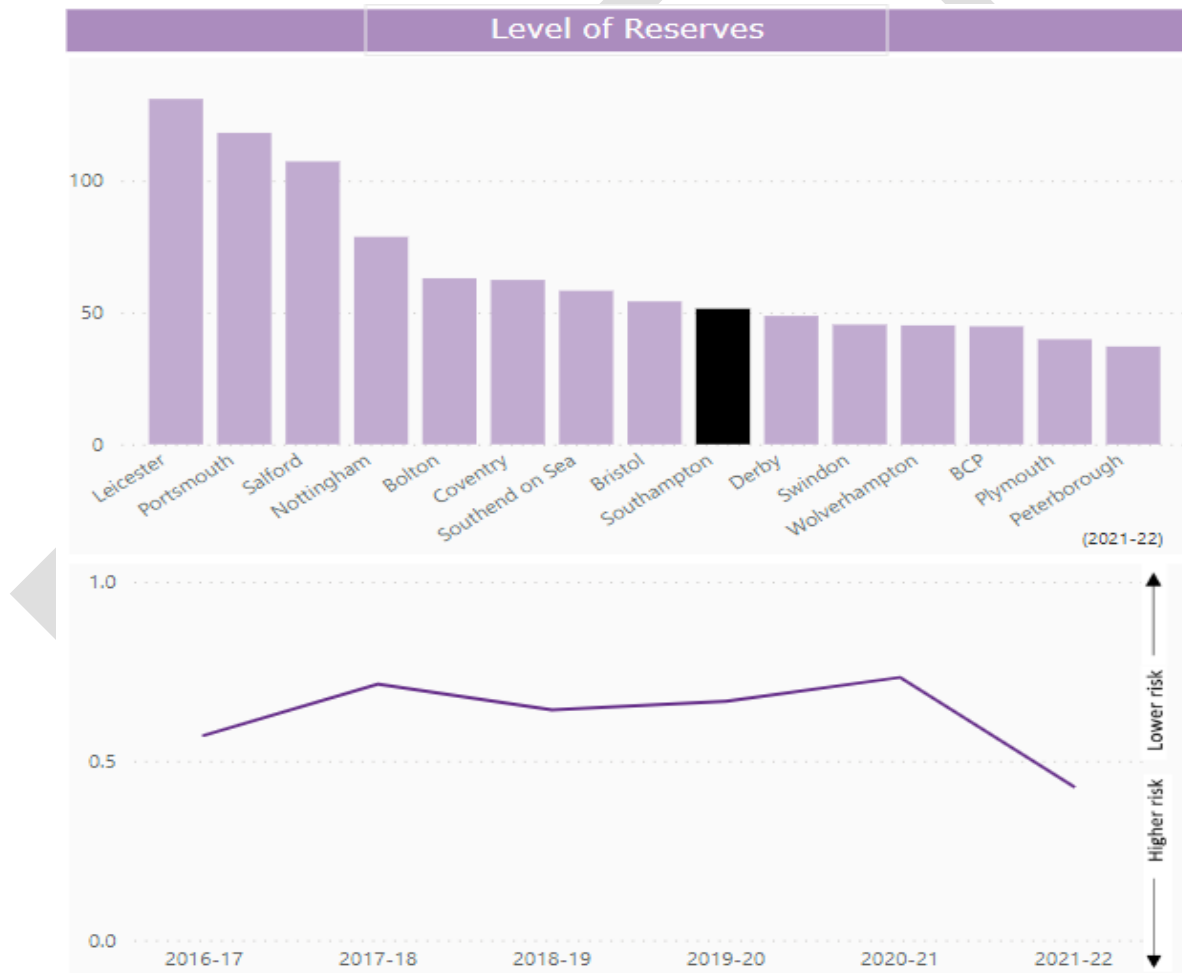


RI.6



RI. 7 gives further illustration of the reserves ratio. It confirms the average position but also the decline from 2020/21 to 2021/22.

RI.7



6.3 Benchmarking nearest neighbour comparison

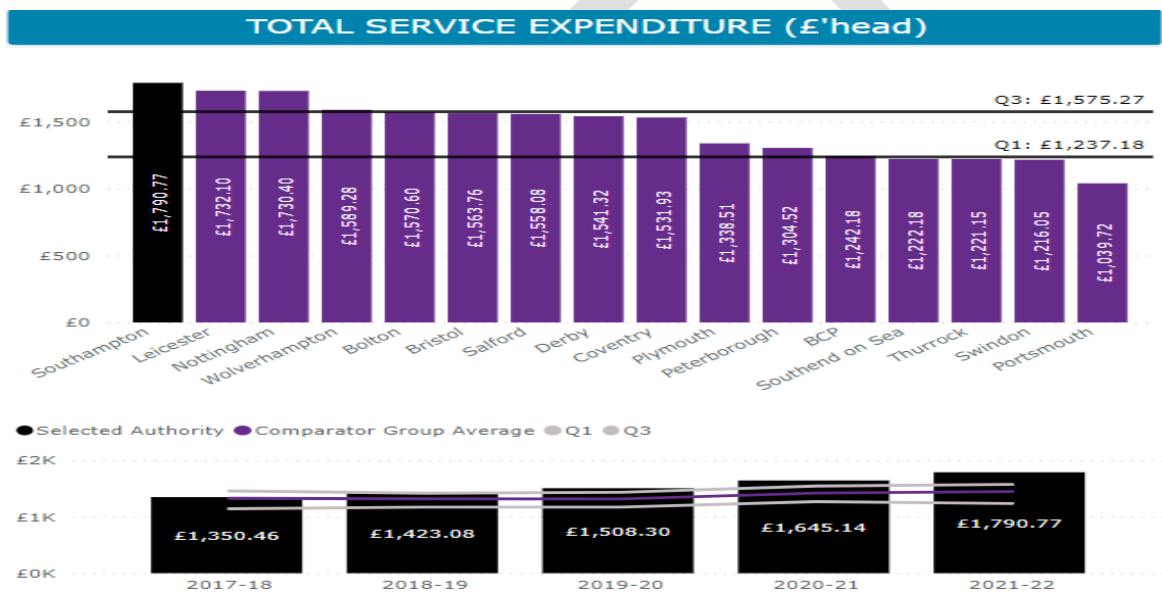
The following graphs provide spend analysis per head of population with comparisons made again with a basket of nearest neighbours. Southampton's total service spend

seems high, driven by the positions in Adults, Education, Children’s, and Planning & Development Services (though the last may be a statistical anomaly).

Again, this analysis shows that there are opportunities to be considered as part of service reviews. We recommend that these individual service areas are examined in more detail to gain a clear understanding of cost and demand drivers, the level and standard of service provided, and whether the spend levels are accordingly appropriate. Engagement with authorities in the comparator sample on their services and the associated spend drivers, could prove instructive.

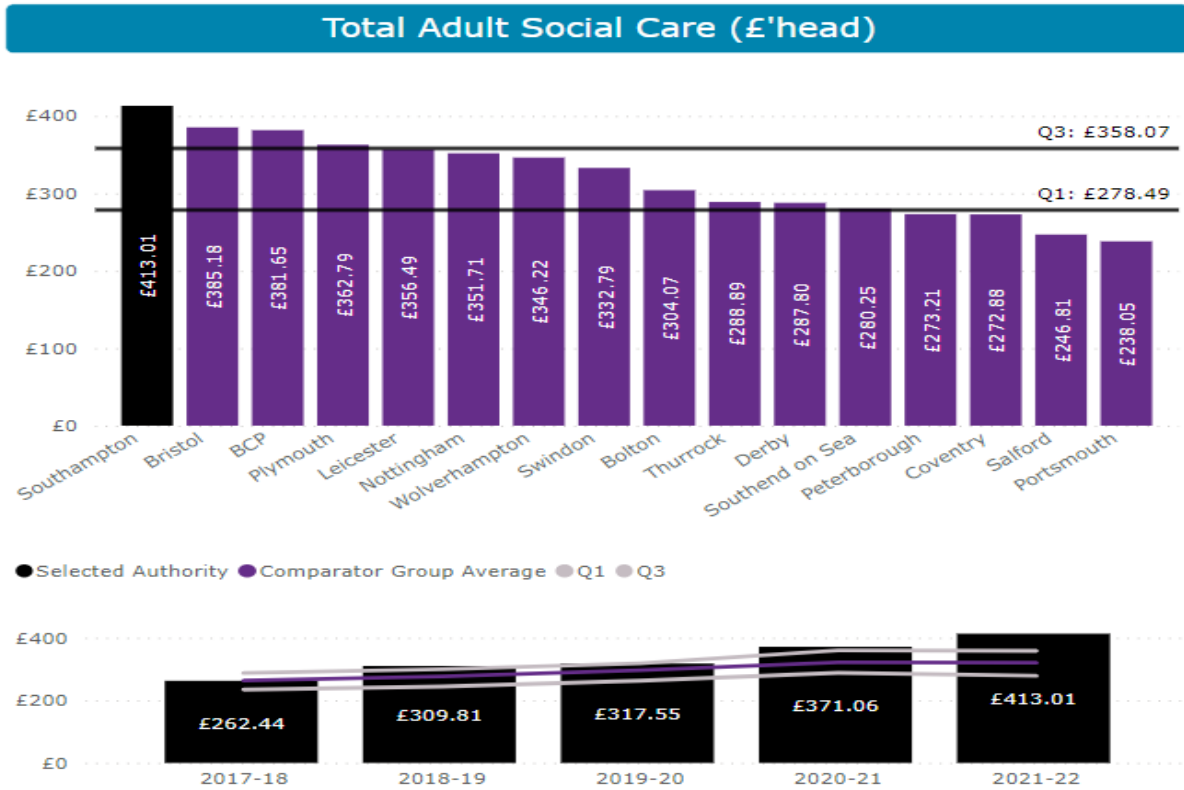
Figure BM.1 shows total service expenditure per head against comparators. Southampton has the highest spend. Moreover, the position is becoming more marked. Whereas in 2017/18 and 2018/19 spend was around the comparator average, it has risen well above it in the COVID period. It will be worth examining both the drivers for this and why comparator authorities, also faced with the COVID impact, were more able to contain spend.

BM.1



BM. 2, total adult social care expenditure, shows that spend here is again markedly above other comparators. The pattern across time is similar to that of total spend, showing the position in 2017/18 as slightly below average, with a marked spend increase in the COVID period. In examining the causes of this spend position, the Council should be alert to recent drivers and consider what other councils have done to contain them.

BM.2



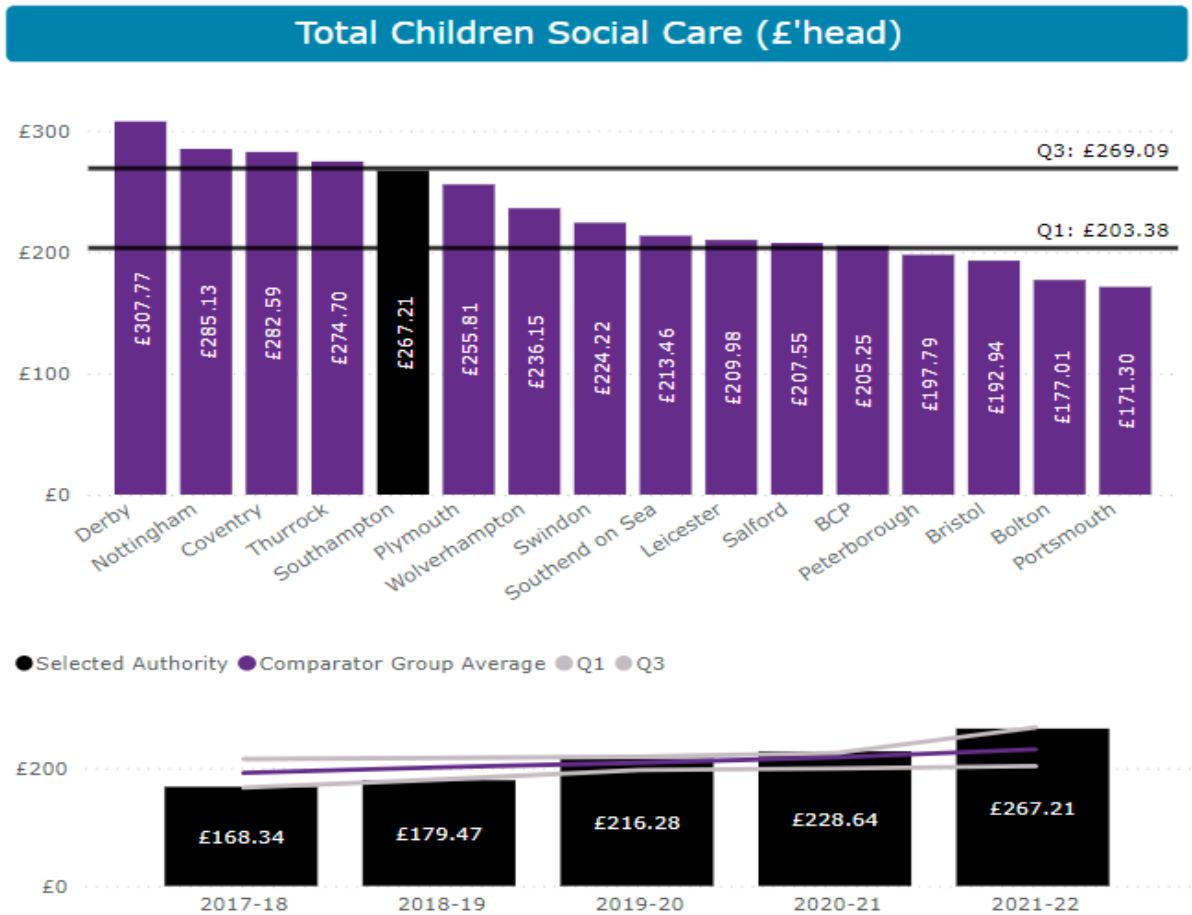
Total education service expenditure (BM.3) is one of the highest in the comparator group. It has been above average throughout the period under analysis, a position that is becoming progressively more marked. This suggests that the service-drivers may be deep-seated and structural.

BM.3

DRAFT

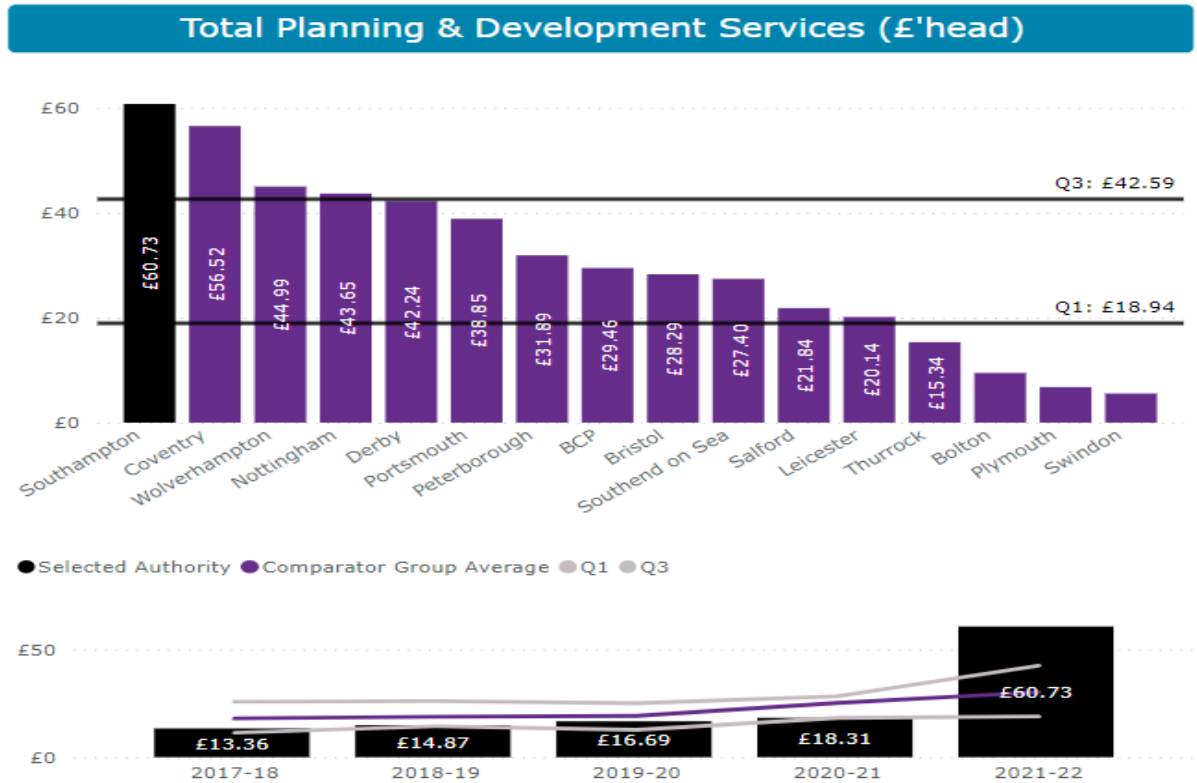
BM. 4 shows total children’s social care expenditure. The findings here are consistent with those in RI. 6 in section 6.2. The service is well above average but not at the top of the comparator group. However, the trend is concerning. Whereas spend was at or below average during most of the comparator period, in the last year, 2021/22, it has risen sharply. Plainly, the Council should examine what underlies this recent development and understand how emerging pressures can be managed going forward.

BM.4



BM. 5 shows Southampton's position at the top of the comparator group for spend on planning and development. The position is a recent occurrence, with spend well below average prior to 2021/22. Indeed, the findings should be treated with caution. If COVID-related funding, including business support, is recorded under this heading, as it may not always be by authorities in the comparator group, then the rise may be less statistically significant than it appears.

BM.5



6.4 Conclusions on benchmarking and nearest neighbour comparison

The table below presents a summary of the nearest neighbour comparison – based on a Southampton population of 247,300. This is taken from the ONS mid-year population estimates for 2021, the most recent publication, and rounded to the nearest hundred.

Service	Southampton Spend per head	Nearest Neighbours Avg Spend per head	Potential Savings	
			Per head	£ total (per head x 247,300)
Education Services (based on £181m gross spend)	£732.23	£529.73	£202.50	£50,078,250
Adult Social Care	£413.01	£325.97	£87.04	£21,524,992
Children Social Care	£267.21	£236.02	£31.19	£7,713,287
Planning and Development Services	£60.73	£31.15	£29.58	£7,315,134
Public Health	£96.82	£87.83	£8.99	£2,223,227
Cultural and Related Services	£52.26	£44.12	£8.14	£2,013,022

Housing Services (GFRA)	£39.71	£36.30	£3.41	£843,293
Environmental and Regulatory Services	£79.79	£87.99	-£8.20	-£2,027,860
Highways and Transport Services	£28.92	£41.52	-£12.60	-£3,115,980
Central Services	£20.08	£47.90	-£27.82	-£6,879,886
TOTAL SERVICE EXPENDITURE	£1,790.76	£1,468.53	£322.23	£79,687,479

Based on a simple calculation, which should be treated with great care, if Southampton spent the average for its nearest neighbour group on these service areas it could equate to a saving £80m per annum.

DRAFT

7 Action plan and next steps *[To be completed after first draft and when conclusions / findings have been agreed]*

7.1 Introduction

As part of our review, we have identified a number of potential areas where action could be taken to improve financial resilience and financial management and governance in general.

This section of the report collates these recommendations and can be used to form the basis of a discussion with the Council on the next steps. In developing a plan there may be other areas highlighted as part of the model that could, or should, be included and some others that are specific to ongoing activity already underway.

This is the Council's plan and is intended to support ongoing improvement.

7.2 Outline plan

This section will set out the key recommendations to improve the Council's financial arrangements:

Recommendation description	Proposed owner	Timescale

DRAFT

Appendix 1 – List of interviewees

Councillor Satvir Kaur	Leader
Councillor Steve Leggett	Cabinet Member Finance and Change
Councillor David Shields	Chair Governance Committee
Councillor Lorna Fielker	Deputy Leader
Councillor David Fuller	Chair OSMC
Mike Harris	Chief Executive
Mel Creighton	Section 151 Officer
Rob Henderson	Executive Director Childrens and Learning (DCS)
Steve Harrison	Head of Finance / Deputy Section 151 Officer
Maddy Modha	Capital / Treasury Manager
Mark Riley	Finance Business Partner Childrens
Kevin Harlow	Finance Business Partner HRA
Paul Ring	Finance Business Partner Adults
Lizzie Goodwin	Chief Internal Auditor
Stephanie Skivington	MTFS and Revenue Manager
Richard Ivory	Director Legal and Governance / Monitoring Officer
Vanessa Shahani	Head of Income and Expenditure
Andrew Armour	Revenue and Benefits Manager
Steph Murray	Deputy Director Social Care, Childrens Services
Tammy Marks	Head of SEND
Dave Tyrie	Head of City Services
Tina Dyer-Slade	Head of Corporate Estates
Rosie Zambra	Head of Consumer Protection and Environmental
Kevin Suter	External Auditor (EY)
Derek Wiles	Head of Education
Debbie Chase	Director of Public Health
Matthew Allison	Project Manager Finance

Paul Paskins	Head of Supplier Management
Ian Collins	Director of Environment
Pete Bousted	Head of Transport and Planning
Vernon Nosal	Operations Director Adult Social Care
Jamie Brenchley	Director of Housing
Claire Edgar	Executive Director Wellbeing and Housing
Adam Wilkinson	Interim Executive Director of Place
Munira Holloway	Director of Strategy and Performance
Gaetana Wiseman	Head of Support Services
Chris Bishop	Head of HR and OD
Tony Clark	Director of Commissioning – Integrated Health Care

DRAFT

Appendix 2 – Document review list

Category/Document	
Background documents	
1.	Annual Report
2.	Annual Financial Statements
3.	Finance/business systems
Structures	
4.	Board/Committee structures
5.	Organogram – outline for the whole organisation
6.	Organogram – for the finance function
Governance	
7.	Corporate Governance Framework
8.	Annual Governance Statement
9.	Management level governance statements
10.	Policy on fraud and corruption
11.	Policy on whistle-blowing
Plans and strategies	
12.	Corporate Plan
13.	Medium-term Financial Plan
14.	Capital Strategy
15.	Asset Management Strategy
16.	Information Strategy
17.	Procurement Strategy including any savings targets
18.	Business Case Protocols
Financial management framework	
19.	Financial Standards and Regulations
20.	Internal Control Procedures
21.	Scheme of Delegation including authorisation levels for transactions
22.	Service Level Agreements for financial management related services
23.	Asset Register
In year management	
24.	Board/Committee/SMT level reporting
25.	Management level reporting
26.	Key Performance Indicators (KPIs) and related reporting

27.	Finance Performance Indicators
28.	Financial key performance indicators – Benchmarking
29.	Quarterly Data Set returns
30.	Procurement Performance Report
External Audit and Inspection	
31.	External Audit interim/final accounts audit letter
32.	External Audit Management Letter/Report
33.	External Audit Value for Money
34.	External Reports or Assessments
Audit and Risk Management	
35.	Audit and Risk Committee
36.	Internal Audit Plans
37.	Internal Audit Report
38.	Risk Management Policy and Reporting Regime
39.	Risk Registers
Human Resources	
40.	Financial Competency framework
41.	Financial Management Training strategy
42.	Staff Survey
43.	Sample Job Descriptions - Budget Holders
Working with other organisations	
44.	Financial Memorandum
45.	Financial Memorandum - funding arrangements - outside organisations
46.	Framework for establishing relationships with other bodies
Stakeholders	
47.	Customer/stakeholder surveys
48.	Complaints policy/procedure

Appendix 3 – Star rating key criteria and characteristics

Rating	Assessment
*****	The organisation has in place leading edge financial management capability that allows it to anticipate both challenges and key opportunities, driving transformational change in order to optimise its performance and deliver optimal outcomes. Financial strategy is robust and covers medium to longer term and the organisation is fully agile in adapting to unforeseen events without impacting key outcomes. Investment programme management including commercial capabilities are fully integrated with operational requirements and highly effective with significant returns being achieved on improved service delivery. Financial management capability meets global best practice standards.
****	The organisation has in place strong financial management capability which enables it to deliver effective outcomes in challenging times, provides stability through to the medium term, is agile in adapting to unforeseen events, continually identifies opportunities to improve its performance and contributes to organisational transformational change. Most investment programmes are delivered to time and cost. The organisation has strong insight into cost drivers and commercial capabilities are highly evident with strategic and operational planning.
***	The organisation has sound financial management capability and has arrangements in place that are adequate in supporting the organisation under stable conditions and enables it to incrementally develop but is not sufficient for challenging times or driving transformational change. There is a medium term financial strategy and competent investment programme management that ensures that most programmes are implemented although invariably not all projects will come within budget and timescales. Commercial capabilities exist but are only partially developed.
**	The organisation has basic financial management capability. Financial management arrangements are in place that allows the organisation to meet the minimum of practice standards and provides functional capability in the short term, a minimum level of support in the delivery organisational outcomes but does not support organisational transformational change. Financial management style is predominantly stewardship in nature rather than supporting effective decision support. Investment Programme management is rudimentary and there is a disconnect between operational and financial strategies.
*	The organisation has some financial management arrangement in place, but they are inadequate and provide only minimal financial management capability with reactive short term solutions. Basic accountability obligations are minimally covered, and financial management does not meaningfully support effective organisational outcomes of transformational change. Basic stewardship responsibilities are a challenge and financial management capability is not fully embedded within basic decision support.


Disclaimer

In this report, CIPFA means CIPFA Business Limited, a company registered in the United Kingdom with registered number 02376684.

The contents of this report are intended for the recipient only and may not be relied upon by any third party. Once issued in final form, the recipient may use this report as it wishes, save that any commercially sensitive and/or proprietary information pertaining or belonging to CIPFA should not be published or shared outside the recipient organisation without CIPFA's prior consent. For the avoidance of doubt, all intellectual property rights in the tools, models, methodologies, and any proprietary products used by CIPFA in creating this report belong to CIPFA.

Nothing in this report constitutes legal advice. The recipient should seek its own legal advice in relation to any contractual or other legal issues discussed in this report.

DRAFT



77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600

[CIPFA.org](https://www.cipfa.org)

The Chartered Institute of Public Finance and Accountancy. Registered with the Charity Commissioners of England and Wales No 231060. Registered with the Office of the Scottish Charity Regulator No SCO37963.