

Appendix A CIPFA Financial Management Code 2023-24

Review of Southwark Council's compliance with the CIPFA Financial Management Code 2023-24

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Introduction

CIPFA Statement on the Purpose of the Code

- The purpose of the code is to provide a strong foundation to manage the short, medium and long term finances of the organisation. To manage financial resilience, meet unforeseen demands on services and manage unexpected shocks in financial circumstances.
- The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks
- The code is a principle based approach. There are 6 principles:-
 - i) Leadership
 - ii) Accountability
 - iii) Transparency
 - iv) Standards
 - v) Assurance
 - vi) Sustainability
- The six principles are translated into seventeen Financial Management (FM) standards (denoted from A-Q), grouped into seven sections (Table 1)
- The code came into effect on 1 April 2020.

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Table 1 Link between Sections, Standards and Principles			
Section		Standard	Principles
The responsibilities of the CFO and leadership team	A	The leadership team demonstrates services provide value for money	Leadership
	B	Compliance with CIPFA Statement on the role of the Chief Finance Officer in Local Government (2016)	Leadership
Governance and financial management style	C	Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	Assurance
	D	Applies CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>	Accountability
	E	Style supports financial sustainability	Sustainability
Medium to long term financial management	F	The authority has carried out a credible and transparent financial resilience assessment	Assurance
	G	The authority understands the prospects of sustainability and reported to members	Sustainability
	H	The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i>	Standards
	I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Sustainability
The Annual Budget	J	The authority complies with its statutory obligations in respect of the budget setting process	Standards
	K	The budget report includes a statement by the chief finance officer on the robustness of the estimates	Standards

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		and a statement of the adequacy of the proposed financial reserves	
Stakeholder Engagement and business case	L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Transparency
	M	Authority uses appropriate documented option appraisal methodology to demonstrate value for money decisions	Transparency
Monitoring financial performance	N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Assurance
	O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability	Leadership
External financial reporting	P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i>	Accountability
	Q	The presentation of the final outturn figures and variations from the budget allows the leadership team to make strategic financial decisions	Accountability

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>A The leadership is able to demonstrate that the services provided by the authority provide value for money (VfM)</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved? 	<p><u>Exploring VfM</u>, and principles of VfM as the four pillars of economy, efficiency, effectiveness, equity</p> <p><u>Promote VfM</u> through,</p> <ul style="list-style-type: none"> -a clear governance structure -scrutiny arrangements -audit arrangements (remit for VfM) -corporate plan -annual budget detailing plans to deliver strategy -financial regulations -procurement regulations -contract management regulations -systematic approach to identifying and managing risk - compare VfM with others (efficiency reviews, benchmarking, peer review, monitoring of performance data, service reviews, user surveys, external assessments) -equity – equality impact assessments, engagement with service users and voluntary organisations <p><u>Demonstrate VfM</u></p> <ul style="list-style-type: none"> - Overview of governance arrangements 	<p><u>Exploring VfM</u>. Fairer futures promises Fairer future budget principles / Council Delivery Plan</p> <p><u>Promote and demonstrate VfM</u></p> <ul style="list-style-type: none"> -Clear governance structure. Constitution – updated January 2024, including financial regulations -Overview and Scrutiny committee meets 6-7 times a year, examines the performance of services -Corporate plan- The Council Delivery Plan was adopted in September 2022 which sets out the commitments, measures and milestones for development in Southwark to 2026. - Annual budget in February 2024, links to council priorities and commitment to keeping CT low by delivering value for money across all services, efficiencies and improved use of resources. -Details of savings achieved and targets met through savings tracker -Procurement and contract management regulations- Fairer Future Procurement Framework approved in June 2019 and updated in January 2021 and December 2022 sets out expectations for ethical corporate behaviour, including consideration of ‘blacklisting’ activity <p>Changes in reporting are due to come into force following the Procurement Act 2023 including the requirement to</p>

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	<ul style="list-style-type: none"> - Details of savings achieved - Results of surveys - Address in narrative reports or AGS in financial statements - Provide info via its website on VfM <p><u>Delivery VfM in services delivered by alternative mechanisms,</u></p> <ul style="list-style-type: none"> - Outsourcing - PFI - trading companies - Maintain effective 'line of sight' accountability arrangements (governance, progress monitoring) 	<p>public contract performance against KPIs for larger contracts. CMT are reviewing the contract management plans to ensure VfM.</p> <p>-Contracts and grant agreements include requirements in respect of commitment to London Living Wage, Diversity Standard (approved February 2016), Ethical Care Charter</p> <p>-Comparative data across London used to inform decisions</p> <p>-Record of professional advice in reaching decisions – a record of financial, legal and procurement advice provided by officers is included in concurrence in decision reports</p> <p>-Publication of decisions, minutes and reports on the council's website</p> <p>-Publication of open data, narrative report and AGS on the website</p> <p>- Council Delivery Plan sets out the priorities and commitments to the people of Southwark until 2026. It drives the work of the council and focuses resources on the seven themes it sets out including the economy, environment, affordable homes, and safety.</p>
B The authority complies with the <i>CIPFA Statement on the Role of</i>	5 principles.	-Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015)

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<p><i>the Chief Finance Officer in Local Government</i></p> <p>Key questions</p> <ul style="list-style-type: none"> • Is the authority’s CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose? 	<p>Principle 1: Key member of the leadership team.</p> <p>Principle 2: Actively involved in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority’s overall financial strategy.</p> <p>Principle 3: Lead the promotion and delivery of good financial management</p> <p>Principle 4: Lead and direct a finance function that is resourced to be fit for purpose.</p> <p>Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced.</p>	<p>and CIPFA’s Statement on the Role of the Head of Internal Audit in Public Services Organisations (CIPFA, 2010) – as confirmed in the annual governance statement</p> <ul style="list-style-type: none"> -Member of the Corporate Management Team -Attendance at all cabinet meetings, and council assemblies. Actively engaged in budget and policy and resources strategy. -Sound financial management, reviewed against the CIPFA resilience index and comparative data -Finance function staffed mainly through long term permanent staff with good levels of knowledge and experience. -Director of Corporate Finance and deputy Section 151 officer, CIPFA qualified and 12 years experience in Southwark - Clive Palfreyman, CFO , CIMA qualified, in post since May 2023, experienced London local authority director of finance

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Governance and financial management style

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p><u>Governance structure</u> (terms of reference, scheme of delegation, conduct at meetings). Transparent constitution that’s available to public</p> <p><u>Clear arrangements for assurance and accountability</u></p> <ul style="list-style-type: none"> -internal audit planning and reporting -risk management -effective audit committee -recommendations from external auditor acted upon promptly <p><u>Ensuring high standards of governance and internal control</u></p> <ul style="list-style-type: none"> -code of conduct for leadership team -register of interests -constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement) -realism bias (robust analysis of data , evidence based savings, robust decision making procedure) 	<p><u>Governance structure</u></p> <ul style="list-style-type: none"> -Member and officer protocol -Constitution – updated January 2024 on the website. The constitution states what powers are delegated to the cabinet, committees, and individual members and what matters are reserved for the collective decision of the council. This is updated annually through a review of the constitution -Scheme of delegation sets out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and the role of internal and external audit. Reviewed at least annually in light of legal and organisational changes. <p>Standing orders and financial regulations which are reviewed regularly</p> <p>Conduct at meetings</p> <p>Shared values guide decision making</p> <p>Whistleblowing policy</p> <p>Complaints procedure</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>-balanced decision making-between desired social outcome and financial resources, and admin efficiency</p> <p><u>Culture of good governance</u>(continuous improvement, reward good behaviours in perf monitoring)</p>	<p>Anti-fraud strategy and fraud and bribery response plan</p> <p>Registers of interest (members and staff)</p> <p>Registers or gifts and hospitality</p> <p><u>Clear arrangements for assurance and accountability</u></p> <p>Effective internal audit service is resourced and maintained – annual report to audit, governance and standards committee in accordance with CIPFAs <i>Position statement on Audit Committee in Local Authorities and Police (2018)</i></p> <p>Audit, governance and standards committee complies with best practice as defined by CIPFA in terms of reference, membership and training</p> <p>Effective external audit with recommendations acted on promptly- evidenced in audit committee minutes</p> <p><u>Ensuring high standards of governance and internal control.</u></p> <p>Codes of conduct for members and officers. Codes of conduct consistent with the latest recommendations from the Committee on</p>

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		<p>Declarations of interests made at meetings</p> <p>Scrutiny of ethical decision making forms an integral part of scrutiny of members' function</p> <p>Championing ethical compliance at governing body level – e.g. zero tolerance of fraud and bribery</p> <p>Evidence of budget scrutiny and realistic analysis of data. Cabinet scrutiny budget strategy. Rigorous departmental budget challenge process, 3 year budget process.</p> <p><u>Culture of good governance</u></p> <p>Induction for new members and staff on the expected standard of behaviour</p> <p>Communicating shared values with members, staff, the community and partners – leader's public question time</p> <p>Southwark staff performance outcomes linked to the delivery of council commitments. Performance management system and appraisals</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>D The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in LG: Framework</i> (2016)</p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? • Does the authority have in place a suitable local code of governance? • Does the authority have a robust assurance process to support its AGS? 	<p>Assess governance structures, maintain local code of governance, report publicly on compliance with code and how plans to improve (undertake in AGS)</p> <p>Adherence to the Principles of the good governance framework in the CIPFA code</p> <p>Adherence to ethical codes and rule of law</p> <p>Openness and stakeholder engagement</p> <p>Sustainable economic, social environmental benefits</p> <p>Achievement of intended outcomes</p> <p>Capability and capacity within organisation to achieve this</p> <p>Managing risks and performance</p> <p>Transparency , reporting and audit</p>	<p>The Council has a clear framework for governance and internal control.</p> <p>Local code of governance updated and agreed at the audit governance and standards committee in February 2024. The annual governance statement demonstrates adherence to the CIPFA code.</p> <p>AGS draft was reviewed by the corporate management team in May 2023 and audit, governance and standards committee in June 2023. The AGS was approved in July 2023. The AGS detailed the sustainability of resource use, identified risks and mitigations.</p> <p>Open and transparent process reported and discussed at audit standards and governance committee. Looks to continuous improvement ethos and reviews external factors</p> <p>Departmental directors review annually the governance and assurance arrangements of their departments with reference to departmental risk registers, audit reports and internal and external reviews.</p> <p>Scrutiny of ethical decision-making forms an integral part of scrutiny of members' function</p>

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<p>E The financial management style of the authority supports financial sustainability</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have in place an effective framework of financial accountability? • Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? • Does the authority’s finance team have appropriate input into the development of strategic and operational plans? • Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so? • Has the authority sought an external view on its financial style, for example through a process of peer review? • Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate 	<p><u>Robust approach to ensuring financial stability, able to plan for and have appropriate skills and training to deliver</u></p> <p>changes in LG funding ageing population pressures of adults and children’s social care greater efficiency in response to resource constraints demand for affordable housing uncertainty with Brexit new risks with commercialisation</p> <ul style="list-style-type: none"> • <u>Style of financial</u> management team and leadership that enables transformation of services whilst maintaining accountability and supporting performance of services <ul style="list-style-type: none"> -requires leadership that focuses on strategic direction and sets correct tone (accountable, supports performance through MTFS) -people with correct competencies (business partnering, budgets robust on accrual basis, accurate financial transactions, reporting and forecasting accurately) -processes that support strategy 	<p>Robust financial management framework (Financial standing orders; financial regulations; Contract standing orders; risk management strategy)</p> <p>Procurement decisions require consideration of economic, social and environmental issues to ensure obligations under Public Services (Social Value) Act 2012 are met. Changes in reporting are due to come into force following the Procurement Act 2023 including the requirement to public contract performance against KPIs for larger contracts. CMT are reviewing the contract management plans to ensure VfM.</p> <p>Record of decision making – decision-making report template includes a requirement under policy implications to report on sustainability considerations where relevant</p> <p>The budget strategy discusses key service pressures (temporary accommodation, NRPF, medium term financial risks to changes in local government funding) and AGS reiterate the</p>

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<p>skills and training to fulfil these responsibilities?</p>	<p>-stakeholder relationships (evidence to external stakeholders of integrity and performance)</p> <p>Peer review gives best assessment of financial management style.</p>	<p>significant internal and external risks to the council</p> <p><u>Finance Team</u></p> <p>The leadership team reviews the Medium Term financial strategy on a continuous basis. Updating formally annually and during the year as material events (local government funding / Cost of Living) impact the financial plan.</p> <p>Finance department well qualified and experienced staff members. Business partnering, regular reporting to the cabinet</p> <p>Provision of appropriate training to ensure staff have appropriate skills to support the delivery of services and transformational change as well as securing good stewardship</p> <p>Peer review – Corporate Peer Challenge (CPC) undertaken in October 2023. And post review action plan.</p>

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Long to medium term financial management

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>F The authority has carried out a credible and transparent financial resilience assessment</p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority undertaken a financial resilience assessment? • Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios? • Has the authority taken appropriate action to address any risks identified as part of the assessment? 	<p><u>Financial resilience assessment</u></p> <p>The authority must explore the sensitivity of its financial resilience to alternative plausible scenarios for key drivers of costs, service demands and resources focusing on the LT</p> <p>Assessment needs to be credible (undertaken by qualified and experienced person/team; - independent of the authority itself;-with evidence from interviews and documentation)</p> <p>Assessment needs to be transparent (overseen by authority leadership team or committee; terms of reference; clear report and recommendations)</p> <p>Factors within the assessment statement</p> <ul style="list-style-type: none"> -getting routine management right (annual budget, assigning to budget holders, regular budget monitoring and actions to address variations, reported to senior management) -planning and managing capital resources well (capital strategy, asset management plan, regular reporting) 	<p><u>Financial resilience assessment</u></p> <p>Southwark complies with section 25 of LG Act 2003, on robustness of estimates and adequacy of reserves allowed for in the authority's annual budget.</p> <p>Budget principles underpin the council's budget decisions and seek to limit the impact of budget cuts on the most vulnerable</p> <p>Regular budget monitoring with budgets assigned to managers, and DFM held accountable for reporting and actioning significant variances. Capital and Revenue Budgets are monitored quarterly and reported to Cabinet.</p> <p>PM reported quarterly and data (where possible) was reviewed against other authorities e.g. CT collection rates.</p> <p>Council's risk management strategy ensures proper management of the risk to the achievement of the council's priorities</p> <p>Decision-making reports require consideration of current and potential risks</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>-using PM effectively. (Benchmarking with other LAs; national data; internal performance information; peer review)</p> <p>-having clear plans for delivering savings (single central record of consolidated plan for savings, categorised by extent agreed/planned/ achieved; ; challenge from finance staff; oversee implementation)</p> <p>-Managing reserves well (policy on level of reserves and how they are to be used; use reserves for future activities and savings implementation and not to plug funding gaps)</p> <p>-carry out credible and transparent financial resilience assessment (guidance (p.55) gives prescriptive list of scope of assessment , documentation and relevant key</p>	<p>Single register for all savings plans – agreed by council members and revised from Sept to Feb.</p> <p>A review undertaken of the CIPFA financial resilience index over last 4 years. SDF has reviewed the data for 2022-23. Reserves sustainability has been highlighted as low risk for Southwark. Highlighted as higher risk are areas that are already known</p> <ul style="list-style-type: none"> • Gross external debt (from HIP borrowing) • Potential for BR reset reducing resources • VfM assessment of HRA sustainability.
<p>G The authority understands the prospects of sustainability and reported to members</p> <p>Key Questions</p>	<p><u>Strategic Planning</u></p> <p>Authorities to set up long- term strategic planning usually on a rolling period of five years. This plan will set out the authorities’ vision and how it plans to achieve its vision.</p>	<p>P and R strategy 3 year report to 2026-27 refreshed remit, reported to Cabinet most recently in February 2024 Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst</p>

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<ul style="list-style-type: none"> • Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? • Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? • Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)? • Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making? 	<p>Alongside this there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their aims, strategies and activities set out in the strategic plan.</p> <p>Up to ten years is a reasonable horizon for longer-term financial planning at significantly reduced level of details.</p> <p><u>Financial Strategy</u></p> <p>There are a broad range of factors that affect the authorities long-term financial success</p> <ul style="list-style-type: none"> • Balance of authorities sources of income and exposures to volatile income streams • Authorities cost base and to what extent costs are fixed, stepped or variable within a timeframe considered • Asset Management priorities • Capital Programme • Policies, procedures, financial systems and processes • Relationship with key stakeholders 	<p>assessing and incorporating service demand commitments into long-term planning.</p> <p>Climate change strategy to 2030.</p> <p>The refreshed capital programme reported to the cabinet (Feb 2024 and approved at council assembly in Feb 2024)</p> <p>Budget principles underpin the council’s budget decisions and seek to limit the impact of budget cuts on the most vulnerable</p> <p>Record of decision making and supporting materials – decision-making report template includes a requirement under policy implications to report on sustainability considerations where relevant</p> <p>Risk management strategy</p> <p>Asset management plan (January 2021 Cabinet) which sets a policy framework and aligns with the council’s strategic corporate priorities</p> <p>All cabinet members have a responsibility to ensure that risk is well managed, with the Cabinet Member for Communities, Democracy and Finance having specific accountability for corporate risk management. All departments have departmental risk champions and the</p>

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	<p>The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This should represent plausible scenarios and reject extreme scenarios.</p> <p><u>Communication to Members</u></p> <p>Authorities should communicate to members what financial sustainability is, its importance, and how the authority is going about realising and handling threats.</p>	<p>Strategic Director of Finance is the corporate risk champion. All departments and business units have risk registers and all risks are allocated to an owner.</p> <p>The audit, governance and standards committee also reviews risk management arrangements.</p> <p>Departmental reviews of cost basis on a risk basis.</p> <p>The budget report sets out 3 year plans.</p>
<p>H The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Has the authority prepared a suitable capital strategy? • Has the authority set prudential indicators in line with the Prudential Code? • Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 	<p><u>Capital Strategy</u></p> <p>There should be a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to risk and reward and to impact on the achievement of the authorities priorities.</p> <p>The capital strategy should address key themes within -</p> <p>Capital expenditure</p> <ul style="list-style-type: none"> • Overview of governance process regarding capital expenditure with links 	<p>Draft Treasury Strategy 2024-25 report, which meets the requirements of CIPFA’s Treasury Management and Prudential Codes (2021-24), is considered by audit, governance and standards committee in November 2023 meeting, prior to approval by council assembly in February 2024..</p> <p>The investment strategy has been informed by advice from an external treasury advisor, updated in February 2024</p> <p>Key areas highlighted are the council’s borrowing strategy and debt management activity. A policy of internal borrowing from</p>

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	<p>to the authorities policies on capitalisation</p> <ul style="list-style-type: none"> • A long-term view of capital expenditure plans where long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets. • Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding or capital finance <p>Debt, borrowing and treasury management</p> <ul style="list-style-type: none"> • A projection of external debt and the use of internal borrowing to support capital expenditure, provisions for the repayment of debt, • The authorised limit and operational boundary for the following year • The authorities approach to treasury management including processes in place to ensure effective due diligence 	<p>reserves to temporarily fund capital expenditure where possible. The council has borrowed externally from PLWB in 2023-24. Interest rates have increased significantly this year, though borrowing through PWLB remains the cheapest and most efficient source of external debt.</p> <p>Capital programme governance arrangements are currently being reviewed and enhanced (Feb 2024)</p> <p>Treasury management strategy statement 2022-23 assesses the council’s financial risks from treasury activity and details the council’s net borrowing position, investments, borrowing strategy and debt management.</p> <p>The annual investment management strategy 202-25, states the council’s investment objectives and investment limits.</p> <p>Annual Minimum Revenue Provision Statement 2024-25.</p> <p>Capital strategy – 2022-23 to 2030-31 aligns with Council Delivery Plan, specifies core principles and a governance framework. Long-</p>

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	<p>and defining risk appetites in respect of such activity</p> <p>Commercial activity</p> <ul style="list-style-type: none"> • Approach to commercial activities ensuring effective due diligence <p>Other long-term liabilities</p> <ul style="list-style-type: none"> • Overview of the governance process <p>Knowledge and skills</p> <ul style="list-style-type: none"> • Summary of the knowledge and skills available to the authority <p>The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year.</p> <p>The CFO is required to establish procedures to monitor performance against all forward-looking indicators.</p> <p>Specify prudential indicators for capital expenditure, external debt and affordability.</p>	<p>term strategy to be carbon neutral by 2030, additional funding to climate strategy.</p> <p>Commercial activity and investment property, loans and liabilities– are set out in the capital strategy report.</p> <p>Knowledge and skills set out in the capital strategy report</p>

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<p>I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority’s strategic aims? 	<p><u>The Medium-Term Financial Plan</u></p> <p>The MTFP is a translation of the authority’s strategy into the near plan and provides a critical link between the authorities’ financial strategy and service delivery.</p> <p>For an effective medium term financial plan it should be</p> <ul style="list-style-type: none"> • Be integrated with the authorities service plans and its capital strategy • Respond to uncertainty in the authorities funding regime • Translate the authorities longer-term aims into the medium term • Be developed in a robust manner • Integrate suitable drivers of demand and cost (PESTLE analysis) • Be subjected to sensitivity analysis to allow any vulnerabilities to be identified (probability spread, regression analysis) <p>The asset management plan might include</p>	<p>P and R strategy report to 2026-27 refreshed remit, reported to Cabinet in February 2024. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long-term planning.</p> <p>Climate change strategy to 2030.</p> <p>The refreshed capital programme reported to cabinet (Feb 2024)</p> <p>Fairer future vision and principles / Council Delivery Plan</p> <p>Renewed Asset management plan (January 2021 Cabinet), which sets a policy framework and aligns with the council’s strategic corporate priorities,</p> <p>Defined decision-making processes and structures for management Planning is in place across all parts of the asset base, under the leadership of the Director of Planning and Growth</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • An overview of the authorities asset portfolio • Assessment of the condition and performance of the assets held • The authorities priorities for maintaining, enhancing, adding to and divesting from its asset portfolio • The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved • The resources necessary to maintain and improve the asset’s portfolio and how it will be secured • Timescales and responsibilities for the actions identified 	<p>Asset management plan sits alongside the Medium Term Financial Strategy and the Capital Investment Strategy.</p> <p>Capital programme and capital investment strategy</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
The Annual Budget		
<p>J The authority complies with its statutory obligations in respect of the budget setting process</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority aware of its statutory obligations in respect of the budget-setting process? • Has the authority set a balanced budget for the current year? • Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so? 	<p><u>Statutory requirements regarding Budget-Setting</u></p> <ul style="list-style-type: none"> • Local Government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand • Local Government Act 2003, Section 25 requires the S151 officer to report on the council's robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations. <p>Setting a robust and sustainable budget (in accordance with Local Government Finance Act 1992)</p> <ul style="list-style-type: none"> • The expenditure that the authority estimates it will incur in the year in performing its functions 	<p>Budget principles underpin the council's budget decisions and seek to limit the impact of budget cuts on the most vulnerable</p> <p>The monitoring officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p> <p>Balanced budget set for 2024-25 despite years of austerity and inflationary pressures. The budget report (Feb 2024 cabinet report) itemises changes in resources available, efficiencies and savings, and the impact of demand pressures and growth commitments arising from councils' priorities. Full budget report with accompanying appendices detailing the budget context, the proposals by the department and the governance process.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • An allowance for contingencies in relation to this expenditure • The financial reserves that the authority estimates will need to raise in the year meets its estimated future expenditure • Such financial reserves might be required to fund deficits generated in previous periods 	<p>A statement included on the adequacy of the reserves. Contribution expected next year of £2.4m to balance the budget.</p>
<p>K The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority’s most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? • Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for 	<p>Identify how estimates are made e.g.</p> <ul style="list-style-type: none"> • The level of demand for individual services • Staff pay levels and pension scheme contribution levels • Interest rates, likely returns on financial investments and other capital finance issues • Pressures on major capital projects • The level of funding received through council tax and other sources 	<p>Budget report by the Strategic Director of Finance details</p> <ul style="list-style-type: none"> • The 2024-25 financial performance, noting the impact of the Cost of Living crisis, high inflation, interest rates, and funding cuts, the resulting financial pressures and mitigations put into place. • Staff pay awards, inflation, savings and commitments • Funding through CT and BR and fees and charges • Highlighted fragility of HRA

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>these estimates being incorrect and the impact should this be the case?</p> <ul style="list-style-type: none"> • ☒ Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? • ☒ Does the report set out the current level of the authority’s reserves, whether these are sufficient to ensure the authority’s ongoing financial sustainability and the action that the authority is to take to address any shortfall? 	<ul style="list-style-type: none"> • Receipts from the sale of capital assets • The achievement of savings plans and targets <p>The authority’s financial reserves should only balance general reserves should only be used for</p> <ul style="list-style-type: none"> • Planned investment • Capital projects • Change programmes • Unexpected events such as natural disasters • Other reasonable uses for which they have been earmarked 	

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>Stakeholder engagement and business plans</p>		
<p>L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget</p> <p>Key Questions</p> <ul style="list-style-type: none"> • How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? • How effective has this engagement been? • What action does the authority plan to take to improve its engagement with key stakeholders? 	<p>In order to comply with this code authorities are encouraged to consider the extent of stakeholder engagement in the LT strategy/MT financial plan and annual budget.</p> <ul style="list-style-type: none"> • Identify key stakeholders • Engage effectively • Use the results of this engagement wisely <p>Where the authority has good productive strategic relationship with its key stakeholders, this level of engagement may not be necessary, providing the needs of these stakeholders are sufficiently well understood.</p>	<p>Open meetings, consultation process</p> <p>Council assembly meetings / democratic engagement events (e.g. leader’s public question time) held around the borough</p> <p>The Council Delivery Plan, sets the framework for and is informed by business plans. Business plans at a service and functional area level highlight how the results of the consultation have impacted forward planning as appropriate</p> <p>Consultation on budget through multi ward meetings.</p> <p>P and R strategy review to 2026, informed by ‘Southwark conversation’ with 3000 residents and the Council Delivery Plan consulted on to inform council priorities.</p> <p>Launch of Southwark 2030. The council has created a £3m Southwark 2030 Fund to invest in projects that will help realise the ambition of Southwark 2030. These projects will be inspired by the shared needs and desires identified through engagement with residents,</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		community organisations and businesses throughout the borough.
<p>M The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions</p> <ul style="list-style-type: none"> • Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal</i>? • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • ☒ Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? • ☒ Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty? • ☒ Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear 	<p>Option Appraisal Methodology</p> <ul style="list-style-type: none"> • Understanding what the authority wants to achieve • Generating options • Assessing the options • Making the decision <p>Use CIPFAs ‘Option appraisal: A practical guide for public service organisations’</p> <p>Authorities also need to know when to undertake an optional appraisal - strategic importance, the time horizons, conflicting priorities, risk and uncertainty.</p> <p>When considering non-financial factors in an option appraisal, including –</p> <ul style="list-style-type: none"> • Economic appraisal • Cost-benefit analysis • Multi-criteria analysis • Impact assessments 	<p>Decision-making practices</p> <p>Fairer Future Procurement Framework – sets the framework for what the council wants to achieve. Series of gateway reports.</p> <p>Examples in GW0 and GW1 reports</p> <ul style="list-style-type: none"> - peer-review and post action plan -benchmarking of other London boroughs basis of provision -generation of options over the long term- in-house/contracted /creation of LA controlled company. -Option appraisal through evaluation criteria-multi-criteria analysis/risk assessment -community impact assessment

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>recommendations and outlines the risk associated with any preferred option(s)?</p>	<p>There are range of techniques that the authority can use to address uncertainty</p> <ul style="list-style-type: none"> • Risk and uncertainty – use adjusted discounted rates to compensate for the inherent uncertainty surrounding cash flows for higher risk projects or activities • Sensitivity analysis • Optimism bias • Peer reviews • Post implementation reviews <p>While the authority will need to tailor the appraisal report to the needs of the particular to be made, the following elements might usefully be included</p> <ul style="list-style-type: none"> • Approach • Constraints • Long and short list of options • Non-financial analysis of short-listed options • Risk 	

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Sensitivity analysis • Optimism bias • Peer review • Post-implementation review 	
<p>Monitoring financial performance</p>		
<p>N The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? • Do the reports cover both forward and backward-looking information in 	<p>In order for the leadership team to have access to the information it needs to identify emerging risks, leadership must:</p> <ul style="list-style-type: none"> • Receive reports about the right things (planning assumptions/financial performance against budgets/risks short, medium and long term plans/Performance in implementing savings initiatives • Receive reports at the right time (critical reports at right time) • Receive reported in the right format (clear/concise/accurate) 	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p> <p>Annual performance reports</p> <p>The risk management strategy/policy has been formally approved and adopted and is reviewed and updated regularly</p> <p>Reports are clear, and written in a standard format. Reports are accurate and clear.</p> <p>Budget monitoring reports at period 5 and period 8 was reported to the cabinet</p> <ul style="list-style-type: none"> - Budget and actual by period, and spend includes commitments; forecast outturn.

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>respect of financial and operational performance?</p> <ul style="list-style-type: none"> • Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data? • Are the reports provided to the leadership team in a timely manner and in a suitable format? • Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action? 	<ul style="list-style-type: none"> • Takes action in respect of any issues identified (minutes as a record of action) <p>EG Reports that allow the monitoring of financial performance against budget could include</p> <ul style="list-style-type: none"> • Budget for period under consideration • Accruals-based income and expenditure to date • A forecast for the remainder of the year and an estimate of the year-end position • Relevant underlying service activity data • Action to be taken to address any variation from budget • Who to contact for further information 	<ul style="list-style-type: none"> - Demand numbers and unit costs underpin numbers - Mitigations are required for all variances from budget - Defined line management structures in place
<p>O The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> <ul style="list-style-type: none"> • Has the authority identified the elements of its balance sheet that are 	<p>The CIPFA publication Balance Sheet Management in Public Services: A Framework for Good Practice (2007) outlines a number of elements of good practice for balance sheet management from a governance perspective. Including:</p>	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p> <p>The authority monitors its performance via the council delivery plan and organisational performance review. The performance against these is reported to the cabinet in the annual</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>most critical to its financial sustainability?</p> <ul style="list-style-type: none"> • Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes? 	<ul style="list-style-type: none"> • In organisational management emphasis is placed on BSM activities and considerations • BSM requirements are addressed coherently and comprehensively across all strategies and plans • BSM responsibilities are identified and assigned to appropriate people • The authorities decision making framework is effective and requires appropriate consideration of balance sheet implications • BSM has appropriate levels of assurance • Financial and operational risk management activity pays due regard to balance sheet drivers and its impact <p>In order to comply with the FM code authorities:</p> <ul style="list-style-type: none"> • Determine which elements in balance sheet pose a significant risk to its financial sustainability 	<p>performance report and is reflected in the Council Delivery Plan.</p> <p>There are also different levels of monitoring below the quarterly cabinet report, which includes local PIs</p> <p>BSM - review of general reserves and affordability undertaken on an ongoing basis.</p> <p>Earmarked reserves are assessed each year.</p> <p>Director of Corporate Finance is responsible for BSM.</p> <p>Regular update of risk of DSG deficit balance: currently at £14.5m</p> <p>Balance sheet projection model is maintained for current and following three years on a rolling basis. This combines data from the capital programme, debt maturities, reserves and provisions estimates and other key drivers of cash movements. This is used in inform medium term borrowing and cash management decisions to ensure long term sustainability.</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> • Monitor these elements (treasury management/cash management/need for new provisions/level of reserves) • Respond promptly and proactively to any issues that these mechanisms identify (impact of performance on reserves/use of unplanned reserves/monitoring against prudential indicators) 	<p>Daily cash balance projections are produced on a rolling 12 month basis.</p> <p>Corporate Debt Monitor produced monthly to measure debt collection performance and flag up areas for concern to service areas</p> <p>Provisions for bad debt reviewed and updated regularly based on latest collection performance and other intelligence from services</p>
	External Financial reporting	
<p>P The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i></p> <p style="text-align: center;">Key Questions</p>	<p>External financial reporting processes require statutory accounts are produced on an annual basis in accordance with</p> <ul style="list-style-type: none"> • „ the Accounts and Audit Regulations 2015 for English Authorities • Comply with Code of practice • Comply with CIPFAs statement on the role of the CFO in Local government (<p>The responsibilities of the chief financial officer are set out in the constitution and are also included in the employment contract/job description, with accountability through the performance management system</p> <p>The code of practice complied with Clive Palfreyman , CFO since May 2023</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom? 	<p>accounting policies/prevention of fraud/reasonable estimates</p> <ul style="list-style-type: none"> Demonstrate compliance- preparation and submission of accounts in CFO JD and annual performance targets/ submitted on time/finance team resourced to comply. 	<p>Accounts prepared on time and in compliance demonstrated by past external audit reports</p>
<p>Q The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p> <ul style="list-style-type: none"> Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget? 	<p><u>Presenting effective financial outturn information</u></p> <ul style="list-style-type: none"> Accurate Relevant Granular Analysed Put into context <p><u>Questions for the Leadership team to ask</u></p>	<p>Revenue and capital outturn are reported each year to the cabinet, enabling strategic financial decisions to be taken, e.g. variations to the capital programme</p> <p>Reports detail significant variances, allow for scrutiny and are contextualised through narrative</p> <p>Outturn in 2023-24 was balanced despite inflationary pressures.</p>

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<ul style="list-style-type: none"> • Is the information in these reports presented effectively? • Are these reports focused on information that is of interest and relevance to the leadership team? • Does the leadership team feel that the reports support it in making strategic financial decisions? 	<ul style="list-style-type: none"> • Is the final outturn position broadly in line with the budget? • How well have different services performed against budget? • Have any issues been highlighted prior to the end of the year? • Has the authority achieved its savings targets? • Is the authority's capital programme on track? 	<p>Performance of services scrutinised in budget monitoring</p> <p>Reserves stable.</p> <p>Some slippage on the capital programme but planned action to achieve long term targets.</p> <p>Capital programme refreshed and approved by council assembly Feb 2024</p>