

# Appendix 1

## CIPFA REVIEW PROGRESS UPDATE

### Introduction

This Appendix sets out the significant progress made in implementing the recommendations of the CIPFA review, as at the end of October 2024. There is still further work to be done, and this is being taken forward as part of the Reshaping Financial Management (RFM) programme, that is part of the Council's Transformation Programme.

As well as to this Committee progress is reported to the Transformation Board and to the Improvement Board on a regular basis.

The tables below set out the progress against each of the main recommendations made by CIPFA.

### Financial Resilience

Table 1 below summarises CIPFA's main recommendations in relation to financial resilience and the council's progress to date in implementing them.

**Table 1: Financial Resilience Recommendations and Progress**

<b>CIPFA Recommendation</b>	<b>Progress as at October 2024</b>
It is crucial that the Council delivers the savings identified as planned.	The budget monitoring report for Month 6 (to the end of September 2024) shows that 96% of the planned £24.6M savings for 2024/25 are delivered or expected to deliver (rising to 99% if amber rated savings are included). This compares to 39% savings delivery in 2022/23.
Expenditure is controlled within the presented budget	Budget Monitoring (again M6) for 2024/25 is forecasting an overall positive variance of £13.2M compared to the presented budget. In 2023/24 a forecast deficit of £16M at Month 5 (August) was reduced to an overspend of £1.1M at year end due to cost control and budget management measures
There should be a concerted effort to replenish reserves in a planned programme.	The General Fund Reserve has been increased to £12M so it is now at the minimum recommended by CIPFA, as opposed to nearly £2M below. At the end of 2023/24 we were also able to contribute £4.4M across several earmarked reserves. Earmarked Reserves are essential to managing our financial risk and to set aside sums for known or likely calls. They include our Medium-Term Financial Risk Reserve, Social Care Demand Risk Reserve, and the Transformation and Improvement Reserve. Our financial strategy going forwards is to progressively replenish and improve our Reserves position to increase financial resilience. We will not draw on Reserves to support the revenue budget in 2024/25.
Improved scrutiny of capital programme needed	The budget monitoring report for Month 7 will include a more insightful analysis of under/overspends on the programme and of slippage. This monitoring report will be presented to Cabinet at the end of November.
On Council Tax collection the broader sector however tends to have collection rates nearer 95%.	The target collection rate for Council Tax is 95% for 2024/25. The outturn position for 2023/24 was a modest improvement on 2022/23 at 93.76%. The recently implemented Debt Management

	Centre includes plans to increase Council Tax collection rates, and to reduce levels of Council Tax debt.
--	---

## Financial Management

Table 2 below summarises CIPFA’s main recommendations in relation to financial resilience and the council’s progress to date in implementing them.

CIPFA prioritised its recommendations on financial management, where 1 is the highest priority and 4 the least important. This has allowed us to prioritise improvements.

**Table 2: Financial Management Recommendations and Progress**

<b>CIPFA Recommendation</b>	<b>Priority</b>	<b>Progress as at October 2024</b>
Strengthen the budget setting process with greater ownership and engagement across the Council.	1	<p>The budget setting process for 2024/25 included a more rigorous and collaborative assessment of deliverable savings and pressures, so that budgets were both realistic and achievable. This, alongside early delivery of Transformation savings, has resulted in positive and improving budget monitoring variance every month (to Month 6), the successful implementation of Deficit Recovery Plans and the near 100% sign up of Accountability Statements by budget holders.</p> <p>A budget lesson learned exercise was undertaken following the 2024/25 budget involving elected members, directors and budget holders. Improvements will be introduced for 2025/26 including simplification and better presentation of budget reports.</p>
Increase the standard of financial awareness across service directorates.	2	<p>Following Council approval of the 2024/25 budget, budget holders were issued with user-friendly budget packs for the budgets for which they are responsible. These were accompanied by briefing and budget drop-in sessions. Alongside budget packs, Accountability Statements were required to be signed confirming the budget holder understood their responsibility to manage within the resources allocated.</p> <p>The Southampton Manager programme will include budget holder and financial awareness training and competency requirements.</p>
The approach to strategic budgeting and financial planning is developed to include a longer time frame, greater use of cost and demand driver intelligence and scenario planning.	1	<p>The Rebased MTFs 2024/25 to 2028/29 was presented to Cabinet in July and updated in October. This clearly articulates the movement from the 2024/25 budget to the base position for 2025/26 including the budget gap the council needs to close through transformation and other savings. This will be updated prior to budget setting in February 2025 when further finance settlement information will be available. This update will incorporate the results of the demand management modelling work that has been commissioned from Newton. Going forward the ambition is to develop a 10-year balanced MTFs model to incorporate long term demand planning and the impact</p>

		of growth and development plans on the local tax base and other funding sources.
Consider the integration of finance into the assessment of future requirements and change programmes, not just at business case stage but from the outset.	2	The Finance team have been heavily involved from the outset of the Transformation programme. Two members of the finance team have been seconded to the Programme to support financial modelling, benefits realisation and monitoring of expenditure. Finance Business Partners and their teams have supported Portfolio and Programmes from the outset up to and including business case development. A dedicated Transformation Programme Business Partner has been recently appointed to work on programme delivery.
Continue to develop the star chamber approach which is helping to provide leverage in addressing the current financial challenges	1	Finance have been heavily involved with the Management Board, elected members and Transformation Board to challenge and stretch the savings targets of the Transformation Programme ensuring these will be sufficient to address the Council's structural deficit as set out in the MTFS.
Develop a finance service offer that can be communicated across the Council.	4	The finance service now provides an integrated offer comprising operational finance (revenue and benefits, debt management and accounts payable), corporate and strategic finance and business partnering. Management and leadership arrangement reflect this. The integrated offer will be further developed as part of the Target Operating Model for finance that is currently in development for implementation next year.
Review and refresh the role and function of finance business partners to ensure it is fit for purpose.	1	There is now a business partner single point of contact for each Executive Director and their teams, reflecting the new council directorate structure. The role and responsibilities of business partnering are being reviewed to ensure they undertake a broader financial advisory role, rather than specific focus on budget monitoring. This is being further developed in the Target Operating Model. Finance is also involved in developing the overall Enabling Services business partnering approach.
Develop a culture of budget holder accountability and responsibility.	1	Budget holder Accountability Statements have been introduced with near 100% compliance across the Council.
Work with the services to improve the production of business cases.	2	Finance guidance, principles and approach to costing and savings estimation for Transformation Business Cases was developed by finance to ensure consistency across the board for services. This was then used to develop the financial aspects of each business case.
Improve the sophistication of information on costs and their drivers in building budgets.	1	There is improved monitoring of costs and their drivers especially in adults and children's services including of unit costs, care settings and volumes. This increased sophistication is feeding through to both the MTFS and transformation savings and will be reflected in budget setting.
Consider developing the approach and skills used to	3	This has already started with careful monitoring of demography, demand and packages of care in Adults and

develop budgets and forecast within finance and the budget holder community.		Children's Services. We are working with Newton on future demand modelling for home to school transport, looked after children and care packages in adult services. We are actively benchmarking against statistical neighbours to inform budget and savings targets. The Southampton Manager training will include creation of a Finance Academy to embed skills in the wider budget holder community.
Continue to develop the role of budget holders to ensure engagement and ownership throughout the financial year.	1	There has been demonstrably improved engagement between finance and budget holders for the production of the 2024/25 monthly budget monitoring reports. In turn these reports have been substantially re-designed to provide clearer and more insightful management information.
Review and address the finance function 'transactional' activity.	3	A new Debt Management Centre was implemented in August 2025 to provide a centralised, customer focused approach to debt collection. This will be further refined and developed over the coming months, including bringing more debt types into scope. Further significant enhancements in transactional services are being introduced and planned, including payment simplification and Council Tax e-billing alongside opportunities for automation and process improvement.
Consider a programme of process reviews with the aim of introducing efficiency, reducing work arounds and maximising output value.	4	The RFM programme has a 'Process' workstream to introduce process efficiency within finance including the MTFs and budgeting processes. Proposals for improved efficiency of Finance Procedure Rules (FPRs) will come forward as part of the Constitution Review. In addition, within the transactional workstream, business processes in operational finance are being reviewed to deliver single view of the customer, payment simplification and automation.
Evaluate the finance system and develop an improvement plan to maximise the functionality available, also its readiness for a self-serve environment.	4	There is a Technology Workstream within the RFM programme and this has already developed a technology road map of system improvements to the Council core Enterprise Resource Planning (ERP) system (Business World). Some changes have been implemented including production of user-friendly budget packs and Power BI based budget monitoring report.
Broaden the MTFP conversation across all partners to capture wider opportunities for service delivery and efficiency.	3	As part of the ambitions to develop a 10-year MTFs, council will engage with devolution partners, other public sector bodies and the private sector to drive economic growth and regeneration in the city, to increase the tax base and council revenues.
Work to improve integration of the MTFP with individual service plans. Ensure the expected additional costs of transformation and the expected savings are profiled over the life of the MTFP.	1	Transformation savings (and costs) now reflected and profiled in the council's financial strategy and MTFs. This is reflected in both the Quarter 1 MTFs and Rebase report (July 2024) and the Quarter 2 MTFs Update (October 2024). The MTFs also sets the Cash Limit targets for Directorate and service business plans.

Consider development of KPIs and dashboards to monitor and inform balance sheet reporting.	3	Improvements in budget monitoring and reporting include how balance sheet reporting takes place including debt, reserves and treasury management reporting.
--	---	---

## Benchmarking

As part of the Review, CIPFA undertook some high-level service benchmarking. This was based on the Revenue Outturn (RO) data for 2021/2022 and compared to the Council's nearest statistical neighbours as defined in the CIPFA Stats+ Model.

It does notes that any benchmarking should be treated with caution, but does conclude:

*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.*

The Council is now more actively using benchmarking information to:

- Inform the Transformation Savings targets within the Transformation Programme, especially in areas of high comparative spend.
- Illustrate how the Council compares to statistical neighbours. For example, the benchmarking section of the July MTFS quarter 1 Update report.
- Update the benchmarks with the latest available information – currently 2023/24 rather than the 2021/22 data that CIPFA was able to use.
- Help guide financial policy over the medium term and focus the organisation on the cost of service delivery.