

Finance Sub-Committee

Date of Meeting: 01 July 2021

Report Title: Committee Training

Report of: Alex Thompson: Director of Finance and Customer Services

Report Reference No: FSC/02/21-22

Ward(s) Affected: Not applicable

1. Executive Summary

- 1.1. The responsibilities of the Sub-Committee require members to possess an appropriate level of understanding of Local Government financing as it relates to Cheshire East Council. To support this requirement training will be provided on several key topics, including:
 - 1.1.1. The Financial Management Code
 - 1.1.2. The Financial Cycle
 - 1.1.3. Revenue and Capital Financing
 - 1.1.4. Management of Reserves
 - 1.1.5. Treasury Management
- 1.2. Providing training to members of this Sub-Committee is in direct support of the Council's vision to be an "Open and enabling organisation". Priorities within this vision include:
 - 1.2.1. Ensure that there is transparency in all aspects of council decision making
 - 1.2.2. Support a sustainable financial future for the council, through service development, improvement and transformation
- 1.3. Training will improve members' ability to make appropriate financial decisions as well as engage in relevant scrutiny of reports brought to the Sub-Committee.

- 1.4. Initial training will be provided by professionally qualified members of the Council's Finance Team. If further beneficial training requirements are identified during this process, then more specialist follow-up training will be developed.

2. Recommendations

- 2.1. To approve the outline of a training programme for members of the Sub-Committee as follows:

- 2.1.1. The Financial Management Code
- 2.1.2. The Financial Cycle
- 2.1.3. Revenue and Capital Financing
- 2.1.4. Management of Reserves
- 2.1.5. Treasury Management

(Additional descriptions of each item are set out in the Background section of this report.)

3. Reasons for Recommendations

- 3.1. It is important that the Council makes appropriately informed decisions to implement the Corporate Plan 2021 to 2025. The Corporate Plan is financed by a balanced Medium-Term Financial Strategy (MTFS) and the Finance Sub-Committee members should have significant understanding of the relationships between each element of the MTFS.
- 3.2. Understanding the elements of the MTFS will ensure that the consequences of decisions and emerging risks are clearly articulated, understood and managed. This approach will be supported by appropriate training that allows all Sub-Committee members to be engaged in their role.
- 3.3. The 'Chartered Institute of Public Finance and Accountancy - Financial Management Code' (the FM Code) sets out six principles of good financial management. These will be developed and evidenced to the Sub-Committee over time, and training will ensure greater compliance with the FM Code across the Council.

4. Other Options Considered

- 4.1. There is an option not to develop further training material for members, effectively do nothing additional to existing processes and support. Members of the Sub-Committee have fulfilled various roles within the Council since election in May 2019, which will have included engagement with the financial cycle and relevant associated decisions. Members have also received induction training. Additional training may not therefore be essential in all cases. This option is not recommended, based on early feedback from the inaugural session of the Sub-Committee. Training

across all members of the Sub-Committee is being favoured to create a level of shared understanding.

5. Background

- 5.1.** The Financial Management Code provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code, authorities are able to demonstrate their financial sustainability. It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.
- 5.2.** The Financial Cycle commences on 1 April and ends on 31 March; it includes three main stages of Planning, Monitoring and Reporting which run concurrently in any one financial year.

FINANCIAL CYCLE	April - June	July - August	September - December	January - March
PLANNING	Agree process, Update for Outturn, Identify Funding Gap	Collate Budget Changes - Savings / Growth	Finalise Options & Consult	Final Updates & Approval of Budget & Council Tax
MONITORING & FORECASTING	Quarter 4/Outturn to Committee/Boards	Quarter 1 to Committee/Boards	Quarter 2 to Committee/Boards	Quarter 3 to Committee/Boards
REPORTING	Preparation of Statement of Accounts	Draft Group Accounts 31 July External Audit	Group Accounts audited, approved and published	Tax Returns

- 5.3.** The MTFS includes an annual revenue budget and a multi-year capital programme. The budgets are held separately as there are restrictions on what public money can be spent on particularly for capital purposes. Although separated there are important links and dependencies between the expenditure and funding decisions of each budget. Proposals must be robust to support the financial stability of the Council.
- 5.4.** When reviewing medium term financial plans and preparing annual budgets the Council considers the establishment and maintenance of reserves. Two types of Revenue Reserves are held: General Reserves which represent the non-ring-fenced balance of Council funds and Earmarked Reserves which provide a means of building up funds, for use in a later financial year, to meet known or predicted policy initiatives. Reserves must be adequate to support the overall resource requirements and financial risks of the Council.

- 5.5.** Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. Whilst Treasury Management deals with cash flows there are associated links and implications on the management of the MTFS.

6. Consultation and Engagement

- 6.1.** The business planning process involves engagement with members, local residents and organisations.
- 6.2.** Sessions will be arranged for all members in advance of the wider consultation on budget proposals. This will increase opportunities for all members to engage with the process to review the Medium Term Financial Strategy. Members will be invited to attend sessions that will allow them to share ideas to support development of future proposals in an informal setting.

7. Implications

Legal

- 7.1.1.** There are no legal implications identified.

7.2. Finance

- 7.2.1.** The training will be delivered by professionally qualified members of the Council's finance team and does not present an additional cost compared to the current MTFS. If specialist training is procured this will be funded from existing training budgets.
- 7.2.2.** There is an expectation that training will be carried out remotely, therefore minimising expenditure associated with travel.

7.3. Policy

- 7.3.1.** The Corporate Plan sets the policy context for the MTFS and the two documents are aligned.

7.4. Equality

- 7.4.1.** The Council needs to ensure that in taking decisions on the Medium Term Financial Strategy, the Budget and the Corporate Plan, the impacts on those with protected characteristics are considered. The Council undertakes equality impact assessments where necessary and continues to do so as proposals and projects develop across the lifetime of the Corporate Plan.

7.5. Human Resources

7.5.1. There are no human resources implications identified.

7.6. Risk Management

7.6.1. Management of risk is embedded within the organisation. The approach to risk management will continue to be assessed as the Council's plans and financial strategy are implemented.

7.7. Rural Communities

7.7.1. There are no direct implications for rural communities.

7.8. Children and Young People/Cared for Children

7.8.1. There are no direct implications for children and young people.

7.9. Public Health

7.9.1. There are no direct implications for public health.

7.10. Climate Change

7.10.1. There are no direct implications for climate change.

Access to Information	
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Appendices:	None
Background Papers:	The following are links to key background documents: Medium Term Financial Strategy 2021-25