

APPENDIX 2

CIPFA Financial Management Code (FM Code) – Initial Officer Self Assessment

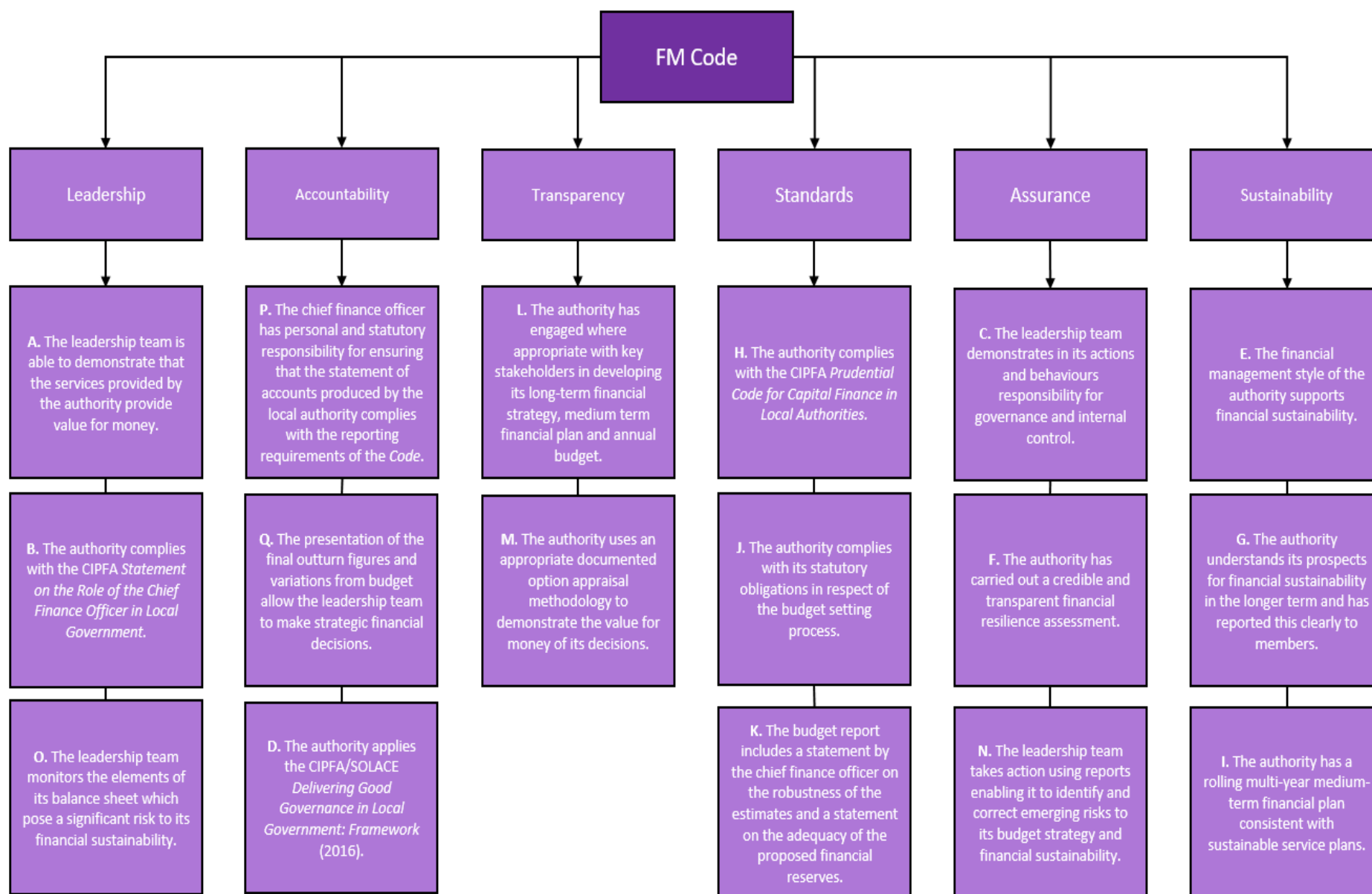
Overview:

- Sets out the **6 principles** by which Local Authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.
- It is up to each Local Authority to determine the extent to which it complies with the FM code and identify what action it may wish to take to better meet the standards the FM Code sets out.
- **To enable authorities to test their conformity with the six principles, the FM Code translates these principles into financial management standards.** The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards to be met if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.

Task is to develop the structure below so that each box is RAG colour coded. This will help with the management of the Committee system and management of the team.

In each of the 6 areas, need a separate page for each box which sets out;

- What we **need** to do – what sort of activities should we be undertaking?
- What we **are** doing – (We can include links to relevant documentation as **evidence**.)
- Where the **gaps** are
- **Action plan** to address and enable compliance. This is the key part of the exercise.



Leadership

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard A (page 22): The leadership team can demonstrate that the services provided by the authority provide value for money.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<p>Compliance with FM Code requires an authority to achieve value for money and be able to demonstrate that its services represent value for money</p> <p>Promote/achieve value for money - examples</p> <ul style="list-style-type: none"> • Clear Governance structure • Corporate Plan (clear objectives and strategy based on local need) • Effective Service and Financial planning • Financial Regulations • Procurement Regulations • Contract Management • Risk Management 	<ul style="list-style-type: none"> - Governance arrangements have moved to the Committee System (Council Nov. 2019 - Link) <ul style="list-style-type: none"> ○ Structure of Committees approved ○ ToRs approved ○ Chairs / Members appointed (Link) ○ Meeting schedule and workplans approved - Revised Constitution (Link) <ul style="list-style-type: none"> ○ Aligns MTFS to Committees ○ Revised financial limits ○ Revised FPRs and CPRs - Corporate Plan (CP) 2021 to 2025 (Link) <ul style="list-style-type: none"> ○ Aligns with MTFS proposals ○ Aligns to Service Plans - Procurement System Implementation (Atamis) - Strategic Risk Register (Link) <ul style="list-style-type: none"> ○ Risks contained within Service Plans ○ Risks recorded in hierarchy aligned with Directorate to Team level plans 	<ul style="list-style-type: none"> • Definition of Significant Decision (Completed) • Appointments to CLT (Completed) • Align Corporate Plan to Committees • Performance Framework for CP Actions / Measures needs to be in Service Plans • Atamis launch (inc dashboards and pipeline) (Done) • Risk reporting to CLT (Done) • Risk Reporting to Cttee 	<ul style="list-style-type: none"> • Establish Governance Workstream within BFT (DB) – Done but stood down • Complete Performance Dashboard including Risk (SB) (Done) • Publish Atamis dashboards (LH) (ongoing) • <i>Procurement Progress Report to FSC + A&G (LH)</i> (Done)

	<ul style="list-style-type: none"> ○ Risk Management Framework and Risk Management Strategy adopted 		<ul style="list-style-type: none"> • Regular Risk reporting to Committees (JG) (Done for CPC)
<p>Demonstrate value for money - examples</p> <ul style="list-style-type: none"> • Scrutiny/Audit Arrangements • Benchmarking • Peer Review, Engagement with Service Users • Monitoring of Performance Data • Service Reviews • User Surveys • External Assessments, Equality Impact Assessments 	<ul style="list-style-type: none"> - Committee System introduces cross party decision making - Single Scrutiny Committee sets own work programme - External Auditors (Mazars) <ul style="list-style-type: none"> ○ Appointed via PSAA procurement ○ Attend A&G Committee ○ Regular catch-ups with CFO ○ Regular, private, catch ups with Chair/Vice Chair of A&G Committee ○ Unqualified opinion (Link) - Peer Review completed (Link) - Consultation Hub (Link) - Performance Scorecards to Scrutiny - OFSTED / CQC assessment - Revised Equality Strategy (EIAs support HLBCs and other change activity) 	<ul style="list-style-type: none"> • Historical Qualified Audit opinions (No GT opinions outstanding) • Evidence of benchmarking for Committees • Corporate overview of external assessments 	<ul style="list-style-type: none"> • ED / MO / CFO to action historical audit qualifications (AT) - Ongoing • Include Benchmarking data in Performance Reporting (SB) (Done) • Include external assessments as part of regular Performance Reporting (SB) (Ongoing)
<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?			
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Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard B (page 26): The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<p>Compliance with FM Code requires each of the following to be reliably and consistently met:</p> <ul style="list-style-type: none"> • CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. • The CFO must be actively involved in, and able to bring influence to bear on, 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. • The CFO must lead the promotion and delivery by the whole authority of good financial management so 	<ul style="list-style-type: none"> - CFO is a member of CLT and leads on development of financial strategy - Report templates for decisions allow Financial Implications to be addressed and reports are submitted to CLT - Some ODRs are referred to CFO in advance to confirm financial implications are addressed - Improved clarity in FPRs over financial limits and decision making - Finance Team suitably resourced and qualified - CFO suitably qualified - Also CFO for LEP / CEC Group 	<ul style="list-style-type: none"> - CEC website and senior structures are not clearly set out (website / PP Statement) - Changes to personnel and approach for CLT are not leading to strategic discussion - Follow-up analysis of decisions not sufficient - Risk that not all ODRs reviewed by all necessary parties 	<ul style="list-style-type: none"> - CEC website to reflect up to date structures and statutory responsibilities (Done) - Pipeline of Strategic discussion to CLT via BMST (Done) - Performance Framework includes progress reporting of past recommendations / decisions (SB) - Training for members on committee system (DB / SB) (Done)

<p>that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.</p> <ul style="list-style-type: none"> • The CFO must lead and direct a finance function that is resourced to be fit for purpose. • The CFO must be professionally qualified and suitably experienced. 		<ul style="list-style-type: none"> - Training required to ensure Committee system suitably supported by Finance - Limited direct liaison with LEP accounts sign-off - Limited direct liaison with WOC accounts sign-off 	<ul style="list-style-type: none"> - LEP Outturn reporting via CFO before F&R Cttee (AT) (Done) - Quarterly 121 meetings for SS / LEP / WOC CEOs with CFO (AT) (Done) - WOC Outturn reporting via CFO before Boards (AT) (Done)
<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? <ul style="list-style-type: none"> • Is the finance team suitably resourced and fit for purpose? 			

Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

Standard O (page 97). The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability Engages with The CIPFA publication Balance Sheet Management in the Public Services: A Framework for Good Practice (2017). 	<ul style="list-style-type: none"> Capital Schemes are monitored and reported quarterly Capital Funding is reviewed by project and at strategic level 	<ul style="list-style-type: none"> Balance sheet review is not part of the financial monitoring process CIPFA Balance Sheet Management is not reported on Limited oversight of LEP / WOC / SS / Investment Strategy impacts on balance sheet Insufficient clarity on potential financial liability arising from risks recognised across registers being realised 	<ul style="list-style-type: none"> Report writing guidance to be developed to support improvement in articulating implications; keep asking the so what questions, are all impacts of a decision understood financially, risk management and legal. (DB / AT) (Ongoing) Review reporting approach to impact of LEP / SS / WOC decisions on overall balance sheet – how does our existing contract management approach achieve this, what needs to change? (AT) (Ongoing)
<p>To comply with the FM Code the authority might choose to:</p> <ul style="list-style-type: none"> determine which elements of its balance sheet pose a significant risk to its financial sustainability, through a comprehensive review of its assets and liabilities put in place mechanisms to monitor these elements of its balance sheet 	<ul style="list-style-type: none"> Quarterly reporting includes reviews of debt and borrowing (Link examples) 	<ul style="list-style-type: none"> Monitoring of entire balance sheet risk is not systematic Limited oversight of LEP / WOC balance sheets Capital receipts strategy needs development to align with MTFS 	<ul style="list-style-type: none"> Enhance quarterly reporting to include balance sheet management. Specifically debt / borrowing / assets / pensions (AT) (Ongoing) Annual review of LEP / WOC balance sheet to CFO via Finance Lead (AT) Report disposals and acquisitions to Finance Sub-Committee and reference links to MTFS (PS) (Done and Ongoing)

<ul style="list-style-type: none"> • respond promptly and proactively to any issues that these mechanisms identify. 			
<p>Key questions:</p> <ul style="list-style-type: none"> • Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? • 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? 			

Accountability

Principle 2 – Accountability – financial management is based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

Standard D (Page 36): The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<p>To ensure compliance with the FM Code, whatever form of governance arrangements are in place across the authority, the authority should assess its governance structures against the principles contained in the framework by:</p> <ul style="list-style-type: none"> • reviewing its existing governance arrangements • developing and maintaining an up-to-date local code of governance, including arrangements for ensuring the ongoing effectiveness of this local code • reporting publicly on an annual basis its compliance with the 	<ul style="list-style-type: none"> - Council has moved to a Committee System of Governance - As part of the transition, a review of the Constitution will be undertaken in the first 6 months of operation, with a report back to Council due in November 2021 - (JG) to provide items and links including A&G (by 30th June) - Council has a Code of Corporate Governance and adopted the model principles in the Delivering Good Governance Framework in full. An annual review is carried out against this to inform the production of the Annual Governance Statement (AGS). - Majority of the assessment against the Code for the AGS is carried out 	<ul style="list-style-type: none"> - Work on this standard is too focused on Audit - No accountability statements within Service Place - Decisions are not systematically reviewed to ensure they have been complied with - Code of Corporate Governance needs to be updated to reflect Council governance in Committee System model. - Greater involvement by CLT in the production of the Annual Governance Statement via a Corporate Assurance Group (does this need to be a separate group – see next point) - Wrap under the Governance Workstream for BFT; next phase, 	<ul style="list-style-type: none"> - Establish Governance Workstream within BFT, ensuring allocation of responsibilities is wider than IA (DB) (Done but stood down) - Amend Service Plans to include Accountability Statements and links (SB)(Partially Done, but no links) - Update COCG with appropriate consultation and approval (JG)

<p>authority's local code of governance and how the authority has monitored the effectiveness of its governance arrangements, together with how it plans to improve these arrangements in the future.</p> <ul style="list-style-type: none"> • This reporting on compliance, effectiveness and improvement can usually be undertaken within the authority's AGS, which must be published alongside its financial statements. • Principles of the Good Governance Framework set out on p. 36 (FM Code guidance notes). <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>by Internal Audit in addition to their annual opinion</p> <ul style="list-style-type: none"> - AGS is also informed by various sources of assurance reported to the A&G Committee throughout the year; Information Governance Annual Report, MO annual report, regular reports on LGO complaints as well as annual summary, WARNs and risk management - AGS includes an action plan setting out improvements on significant governance issues. - A&G Committee have delegated authority from Council to approve the Statement of Accounts and AGS. Draft and final statements are presented to the Committee and Statement of Accounts/AGS are published on the Council's website together - An update is presented to the A&G Committee on progress against significant governance issues where these are recognised in the AGS. 	<p>maintaining, developing enhanced governance – Governance. Next phase to move on from the implementation of the Committee system.</p> <ul style="list-style-type: none"> - Bring the AGS monitoring and reporting in line with quarterly risk review by CLT; draw out clearly where those AGS issues relate to the strategic risk registers. 	<ul style="list-style-type: none"> - Include AGS monitoring as part of Performance Framework (SB)
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Principle 2 – Accountability – financial management is based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

Standard P (Page 101): The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<p>In order to demonstrate compliance with the requirement of the FM Code that the authority's CFO has both personal and statutory responsibilities for ensuring that its financial statements comply with the local authority accounting Code, the authority could:</p> <ul style="list-style-type: none"> ensure that the preparation and submission of annual financial statements that comply with the local authority accounting Code is included within the CFO's job/role description and annual performance management objectives consider the extent to which the CFO has prepared and submitted annual financial statements that comply with the local authority accounting Code as part of the CFO's performance management review (or equivalent) and used to inform any performance management ratings or judgements challenge the CFO in the event that the annual financial statements are not prepared and submitted in line with the 	<ul style="list-style-type: none"> Finance Team structure recognises key responsibilities for account preparation and disclosure Ongoing team development and training supports professional requirements for account closure CFO role includes responsibility for accounts process and liaison with external audit Audit & Governance Committee provide suitable challenge on timeliness and quality of accounts Sufficient resources and access to systems is adequate to complete account closure 	<ul style="list-style-type: none"> account closure is not part of performance review. 	<ul style="list-style-type: none"> Include SOA in performance framework (dates and qualification) (AT) Increase engagement of Finance Team with CFO (AT) (Ongoing) Increase reporting on CPD / PDR to ensure development ongoing (AT) IA to attend regular wider Finance Team meetings to

<p>required timescales or if the review of the financial statements by the authority or its auditors identifies any other issues in respect of their preparation.</p> <ul style="list-style-type: none"> • The authority should, however, also ensure that the CFO is provided with sufficient resources – including a suitably-resourced finance team – to fulfil their personal and statutory responsibilities under this element of the FM Code. <p>Key questions:</p> <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>support development of work plan / risk review (JG)</p> <p>(Ongoing)</p> <ul style="list-style-type: none"> - Work closely with external auditors to understand the changes in opinion etc from 21/22 (AT) - Create secondment opportunities for Audit / Finance staff to enhance skills / experience (AT / JG)
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Principle 2 – Accountability – financial management is based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

Standard Q (Page 105): The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The FM Code states that effective financial reporting is key to ensuring that the authority and its leadership team understand how effectively its resources have been utilised during the year, including how material variances from initial and revised budgets to outturn have arisen and been managed. The success of these arrangements will be demonstrated by the ability of the leadership team to use them to make informed decisions about the authority's future financial strategy and plans. In some circumstances, such reporting might lead to a reappraisal of the achievability of the long-term financial strategy and of the financial resilience of the authority. <p>Key Questions:</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? Is the information in these reports presented effectively? 	<ul style="list-style-type: none"> Outturn reports are provided to CLT then onwards for appropriate member approval Outturn reporting includes assessment of financial performance across all services and central budgets, including narrative to explain variances Outturn reporting includes analysis of impacts on reserves and treasury management Outturn and Mid-Year Review support MTFS development process Third Quarter Review forecasts outturn, which aligns to MTFS opening balances 	<ul style="list-style-type: none"> There is limited reporting of variation to budget proposals Capital performance is not strongly correlated with MTFS process 	<ul style="list-style-type: none"> Report outturn to CLT for review prior to draft accounts (AT)(Done) BPs to provide insight reports to CFO, for discussion at DMTs with CFO present (AT) (Ongoing) MTFS process must include Capital to same timescales (AT) (Done)

<ul style="list-style-type: none"> • 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"> - Consultation must include Capital and associated headlines / charts (AT) - Establish MTFS Project Team with PMO support (AT)(Done) - Enhance HLBC to align with Performance Framework and to other Strategies and Policies (AT)
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Transparency

Principle 3: Transparency – Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

Standard L(Page 81) - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The FM Code sets out clearly that stakeholder consultation can help to set the authority's priorities and to reduce the possibility of legal or political challenge. Furthermore, stakeholder consultation helps to encourage community involvement not just in the design of services but in their ongoing delivery. The FM Code requires the authority to engage, where appropriate, with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget. In complying with this element of the FM Code, there are a number of things to consider, namely: <ul style="list-style-type: none"> how to identify key stakeholders 	<ul style="list-style-type: none"> A comprehensive Stakeholder Analysis was completed Budget Consultation is on-line and (when possible) available at public buildings to maximise engagement Questions and material is co-designed with the Consultation Team Publicity is co-designed with the Communications Team All Stakeholders are communicated with and encouraged to respond through several forums, including Social Media All feedback is reported to officers to develop responses / actions All feedback is reported to members to support decision making 	<ul style="list-style-type: none"> Response numbers need to be improved, as they are limited despite the level of activity Events to discuss the MTFS with partners need to be re-instated Stakeholder analysis has not been updated recently 	<ul style="list-style-type: none"> Establish MTFS project Team with PMO and Comms support (AT)(Done) Develop stakeholder plan for MTFS process (AT) (Done) Track progress vs Stakeholder plan (AT) (Done)

<ul style="list-style-type: none"> ○ how to engage effectively with these stakeholders ○ how to use the results of this engagement wisely. <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? 	<ul style="list-style-type: none"> - Changes following consultation are reported clearly - EIAs accompany all HLBCs 		
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Principle 3: Transparency – Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

Standard M (Page 85): The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> ● As a general rule, the approach taken by the authority to option appraisal should comply with the guidance set out in the IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (2013). ● Consequently, rather than preparing its own documented appraisal methodology, the authority 	<ul style="list-style-type: none"> - HLBCs follow the Better Business Cases (5 Cases) Model which encourages options appraisal. - The s.151 Officer frequently raises the quality of options 	<ul style="list-style-type: none"> - The IFAC/PAIB publication has not been used as a guide so should be reviewed - Options appraisals are generally inadequate if even articulated 	<ul style="list-style-type: none"> - Training / presentation needed on IFAC/PAIB at EFMT at least (AT). - Amend HLBC template to require at least 3 Options

<p>might prefer to record simply that any option appraisals that it undertakes should comply with the guidance set out in this publication, or in CIPFA's own guide to undertaking an option appraisal: Option Appraisal: A Practical Guide for Public Service Organisations (2017 Edition).</p> <p>Key questions:</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 Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? • 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 recommendations and outlines the risk associated with any preferred option(s)? 	<p>development within Reports as part of CLT</p>	<ul style="list-style-type: none"> - Future options appraisals should reflect priorities within the Corporate Plan - Reporting who considered options should be enhanced as frequently only one option is articulated in reports - Quality of risk management arrangement proposals could be better aligned to risk appetite and tolerance, and support options appraisal - 	<p>(do nothing / do this / do something else) (AT) (Ongoing)</p> <ul style="list-style-type: none"> - HLBC to include additional material in options that reflect Council Priorities such as Carbon (AT) (Done) - Link HLBCs to Corporate Risk Register where applicable to enhance transparency (JG) - Risks need to be aligned (CP / MTFS / HLBC / Corporate Register) (JG) - Risks mitigation needs to be articulated as part of Finance / Performance Framework (JG) (Ongoing)
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Standards

Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced.

Standard H (Page 62): The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The FM Code requires the authority to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), though there is an exception for chief constables in England and Wales as they only have very limited and specific borrowing powers. In setting or revising its prudential indicators, the authority is required to have regard to the following matters: <ul style="list-style-type: none"> service objectives, e.g. strategic planning for the authority stewardship of assets, e.g. asset management planning 	<ul style="list-style-type: none"> The Council complies with the Prudential Code and monitors adherence through the Treasury Management Plan and as part of the MTFS approval process. Borrowing is reviewed as part of the process to set the Capital Budget and is supported by frequent contract management and engagement meetings with Treasury Management Advisors The Capital Programme Board reviews schemes and funding to assess impact on borrowing / financing. Options to manage funds are completed across the programme, and not simply on a single item. 	<ul style="list-style-type: none"> The impact of the MTFS proposals should be more clearly articulated in the Treasury Management Strategy (TMS). Reporting against funding targets should be enhanced and assessed against risk. Reporting to CLT should be simplified to enhance engagement with TMS 	<ul style="list-style-type: none"> Quarterly reports on Capital to include impact on CFB and management of this through the Financing Reserve (Done) Align MTFS to cashflow, remove assumptions on slippage moving to risk assumptions instead. Focus TMS reporting on MTFS and high level borrowing / investment targets and actions to change them if necessary

<ul style="list-style-type: none"> ○ value for money, e.g. option appraisal ○ prudence and sustainability, e.g. risk, implications for external debt and whole life costing ○ affordability, e.g. implications for council tax/district rates ○ practicality, e.g. achievability of the forward plan. <ul style="list-style-type: none"> ● The Prudential Code also requires that, in making its capital investment decisions, the authority should have explicit regard to option appraisal and risk, asset management planning, strategic planning for the authority and achievability of the forward plan. <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 			<ul style="list-style-type: none"> - Widen HLBCs to cover whole life costs (such as PMO dashboard)
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against the prudential indicators that it has set?			
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Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced.

Standard J (Page 73): The authority complies with its statutory obligations in respect of the budget setting process

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> One of the principal objectives of the FM Code is to end the practice by which the annual budget process has often become the focal point of, if not the limit to, authorities' financial planning. The annual budget should be merely one element in a longer-term approach to ensuring financial sustainability. However, the annual budget preparation process must nevertheless be protected at a time when the need to make difficult decisions may threaten its integrity. The FM Code requires the authority to be familiar with its statutory obligations in respect of the budget-setting process, to comply with these requirements, and to be able to demonstrate that it has complied with them. While, in times of routine business, compliance is straightforward, it is in times of financial stress – when 	<ul style="list-style-type: none"> Financial Planning, Monitoring and Reporting are consistent with each other and remain compliant. The requirement to produce a balanced budget is well publicised and has been enhanced to recognise the importance of each single year being part of the MTFS. Decisions are supported by HLBCs, including EIAs and proposals are subject to Consultation The S.25 Statement of the s.151 Officer is personal and not subject to influence (see below) Setting of the Council Tax is compliant and engages precepting and 	<ul style="list-style-type: none"> Significant information within HLBCs and EIAs should be capable of publication (and be published) 	<ul style="list-style-type: none"> Publish HLBCs, embed EIAs within HLBC template (Ongoing) Enhance MSBI output to analyse / scenario plan demand led spending requirements Develop Service Plans to address a profile aligned to MTFS, to move away from central bidding process

<p>there may be pressures for delay or obfuscation in budget setting – that a comprehensive understanding of these statutory requirements is crucial. The same is true in placing reliance on information for budget-setting purposes from other authorities, such as independent precepting bodies.</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>levying bodies as required</p>		
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Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced.

Standard K (Page 77): 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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> In line with Section 25 of the Local Government Act 2003, the FM Code requires the authority's section 151 officer (for authorities in England and Wales) to report alongside the annual budget, when it is submitted for approval, on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals The aim of this report is to provide information and assurance in respect of the estimates included within the annual budget, so that those responsible for scrutinising and approving the budget can take these into account as part of the scrutiny and approval process. <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 	<ul style="list-style-type: none"> The S.25 Report is written by the s.151 Officer and expresses their professional views. The report is included within the MTFS and members are asked to take this report in to account as part of the recommendations of the Report to Cabinet / Council Report reflects all elements of the financial cycle and the associated engagement Report highlights risks and performance in a strategic context. 	<ul style="list-style-type: none"> Promotion of the s.25 Statement is limited so needs to be subject to a communication plan Report is not subject to specific scrutiny so should be considered as a specific agenda item for Committee S.25 Statement is personal to s.151 Officer, but should be co-designed with the Finance Team. Insufficient focus on 'problem' areas that need to be resolved, such as AMP and Capital Profiling. 	<ul style="list-style-type: none"> Enhance CFO comms with planned conversations, BLOG, DMT attendance Isolate S.25 statement within MTFS as a specific recommendation to note it. Also issue to Group Leaders (Done) Widen engagement in drafting s.25 statement to allow more input. Add to timetable and request from EFMT (Done) Use CIPFA FM Code review (via BFTP) to report problem areas

<p>the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?</p> <ul style="list-style-type: none"> • Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? • 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? 			
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Assurance

Principle 5: Assurance – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Standard C (Page 31): The leadership team demonstrates in its actions and behaviours, responsibility for governance and internal control.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> In setting out the requirement for the authority's leadership team to demonstrate in its actions and behaviours responsibility for governance and internal control, the FM Code emphasises the importance of the 'Nolan principles' (listed p. 32 FM Code Guidance Notes). <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 	<ul style="list-style-type: none"> The Audit & Governance Committee ToRs are reviewed frequently and reflect input of the s.151 Officer. AGS is prepared within Audit Team and reviewed by CLT / A&G S.151 Officer stresses requirement for appropriate ethics and behaviours from Team and Peers. Code of Ethics specific for Internal Audit Officer Code of Conduct Member Code of Conduct 	<ul style="list-style-type: none"> Adherence to Nolan Principles is not frequently assessed by CLT / WLT / WLC There is evidence of confusion over some decision making. Examples of non-compliance are not systematically used to provide learning. Publication of spend analysis is not reviewed or promoted. 	<ul style="list-style-type: none"> Use CFO comms to promote ethics and Nolan Principles. (Done) Develop accountability statement for Service Plans and require positive acknowledgement of agreement. (Ongoing) Allow areas of development to be flagged via AGS. Add recognition of principles to AGS. Use CFO comms to articulate issues and solutions. Procurement pipeline to be reviewed at FSC,

<p>governance and internal control?</p> <ul style="list-style-type: none"> 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>including backwards look. (Done)</p> <ul style="list-style-type: none"> Ensure IA manage spot-check reviews of spend.
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Principle 5: Assurance – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Standard F (Page 49) - The authority has carried out a credible and transparent financial resilience assessment

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The FM Code sets out that if the authority has not tested and demonstrated its long-term financial resilience, then its financial sustainability remains an open question. The FM Code requires, therefore, that the authority assesses critically its finance 	<ul style="list-style-type: none"> Growth and Savings feature in equal prominence within the MTFS. The MTFS process reflects impact of MYR / TQR at key stages. 	<ul style="list-style-type: none"> There is no specific format to the testing of resilience A detailed resilience assessment is not publicised CIPFA Resilience Index is not specifically shared with A&G Cttee 	<ul style="list-style-type: none"> Review CIPFA assessment tool (Done) Produce timely resilience report for A&G. Include key indicators plus external assessment – EA, CQC, OFSTED, ICO, LGO

<p>resilience. This is undertaken by means of an explicit 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? 	<ul style="list-style-type: none"> - HLBCs supports inclusion of data analysed to support the proposal - Unachievable proposals within the MTFS are addressed and reversed / amended when necessary - The Reserves Strategy identified key risks and potential values - The CIPFA Resilience Index is reviewed when published and discussed by CEO / s.151 / MO 	<ul style="list-style-type: none"> - HLBCs frequently do not link to data analysis or KPIs. - HLBCs tend to provide a single figure and not a range, often linked to limited options appraisal work 	
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Principle 5: Assurance – Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Standard N (Page 93) - The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The earlier the authority identifies that it is deviating from its plans, the easier it is to get things back on course. Consequently, proactive review of focused financial and activity performance reports should be a regular task for the leadership team. In order for the leadership team to have access to the information it needs to identify emerging risks, the authority needs to ensure that its leadership team: <ul style="list-style-type: none"> receives reports about the right things receives reports at the right time receives reports in the right format takes action in respect of any issues identified. <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 	<ul style="list-style-type: none"> MYR / TQR / Outturn Reports are supported by Finance Business Partners. Financial Reports are reviewed by CLT Budget Managers use forecasting tools to support process of budget monitoring. All Directors meet 121 with CFO on a quarterly basis. Reporting considers Revenue / Capital / Reserves / Change Reporting focuses on Income and Expenditure Reports to members include mitigating activity and indications of how this will be achieved 	<ul style="list-style-type: none"> There is no monthly reporting of financial activity Forecasting is not consistent Revenue / Capital reporting is not entirely inter-linked Financial Implications in reports are not regularly reviewed to reflect if achieved or not. 	<ul style="list-style-type: none"> Develop Unit4 enquiries to provide up to date info Develop Unit4 / MSBI to develop scenario / forecasting data for review as part of MTFS process Governance Workstream to establish review of decisions (ensure clear, complete and monitored) (Ongoing)

<p>and to correct emerging risks to its budget strategy and financial sustainability?</p> <ul style="list-style-type: none"> • Do the reports cover both forward and backward-looking information in respect of financial and operational performance? • 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? 			
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Sustainability

Principle 6: Sustainability – The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Standard E (Page 42) - The financial management style of the authority supports financial sustainability

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> Financial sustainability is about the ability of the authority to continue to fund its activities not just in the present, but also in an increasingly uncertain future. Developing a robust approach to ensuring the financial sustainability of the authority's activities is central to compliance with the FM Code. Achieving financial sustainability requires the authority to have the capacity, the capability and the confidence to plan for the long term and to focus on the achievement of longer-term objectives, rather than to exist simply from year to year. Challenges to the above include: 	<ul style="list-style-type: none"> The MTFS is supported by HLBCs that focus on 4yr estimates MTFS is forecast over 4yrs with allocations between Revenue / Capital / Reserves HLBCs include growth and savings with supporting evidence for forecasts HLBCs are prepared and owned by Service Directors MTFS does not include unidentified savings proposals Strategy focuses on reducing reliance on government funding 	<ul style="list-style-type: none"> HLBCs tend to focus on proposals in year 1 with less planning for new proposals in yrs 2+ Beneficial impacts of capital investment are rarely reflected in Revenue budget Impact on KPIs are not reflected in HLBCs Capital spend forecasting is overly optimistic Pricing strategies are not consistent or published Investment / Savings are not lead by Corporate Plan 	<ul style="list-style-type: none"> All HLBCs to reflect 4yr impact on Capital and Revenue. (Done) All HLBCs to consider whole life impact to support decision Monitor progress of HLBCs across all years (Done) Income targets must be aligned to pricing strategies (and articulated in HLBCs if necessary) (Ongoing) Align performance reporting to Corporate Plan to allow review of achievement against priorities (Done)

<ul style="list-style-type: none"> ○ changes to the nature and level of public funding ○ an ageing population ○ ongoing pressures on adult and children's social care and other service areas ○ a drive for greater efficiency in response to resource constraints ○ increased demand for affordable housing ○ uncertainty regarding the UK's ongoing relationship with the EU ○ new risks associated with commercialisation. <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 	<ul style="list-style-type: none"> - Revenue impact of Capital expenditure is reflected in MTFS - Enablers are included in the MTFS development process 	<ul style="list-style-type: none"> - HLBCs are not subject to individual risk assessment / provisions 	
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<p>and to be held accountable for doing so?</p> <ul style="list-style-type: none"> • 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 skills and training to fulfil these responsibilities? 			
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Principle 6: Sustainability – The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Standard G (Page 57) - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> • The FM Code sets out that, having carried out a finance resilience assessment, the authority should demonstrate how the risks identified have informed the development of its longer-term financial strategy. The authority should, furthermore, report the implications of these risks on its future financial sustainability to its leadership team, including its elected members. 	<ul style="list-style-type: none"> - Strategic Risks are reported to A&G Committee - S.25 Statement includes reflection of risks and how they are being managed - Financial Reports include responses to mitigate adverse forecasts 	<ul style="list-style-type: none"> - CIPFA Resilience Index is not specifically shared with members. - HML forecasts do not feature as part of financial implications of member reports. 	<ul style="list-style-type: none"> - Options appraisals can include HML approach to allow more risk managed approach - Statutory officers to meet on

<ul style="list-style-type: none"> • This requires consideration of how financial resilience is integrated into the authority's strategic plan and into the financial strategy associated with the delivery of this strategic plan. • One way in which this can be achieved in an uncertain and dynamic operating environment is through the use of scenario planning, which is introduced here as a suggestion. • Other approaches to complying with this financial management standard are available. It is up to the authority to select an approach that is commensurate with its own requirements and with the resources that it has available. <p>Key questions:</p> <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? 	<ul style="list-style-type: none"> - MTFS reflects impact of quarterly reporting issues - Members receive quarterly reports, including key decisions - Reserves Strategy reflects analysis of risk - CEO / MO / CFO meet regularly and discuss key risks 	<ul style="list-style-type: none"> - Scenario planning is not a specific exercise within financial planning - List of 'difficult events' needs further develop as part of approach to risk management. - Members rarely focus or take the opportunity to reflect on areas of overspending 	<p>regular basis to address difficult events (Done)</p> <ul style="list-style-type: none"> - Financial monitoring to committees to include mitigation of overspending as opposed to single CEC response (Ongoing)
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Principle 6: Sustainability – The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Standard I (Page 66) - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	Action Plan
<ul style="list-style-type: none"> The FM Code does not anticipate that a longer-term financial strategy will – or, indeed, should – provide sufficient detail to allow for it to be translated directly into an annual income and expenditure budget. To bridge this gap, therefore, and to allow the authority to ensure that its annual budget is in alignment with its longer-term financial aims, the FM Code requires the authority to prepare a multi-year medium-term financial plan. Furthermore, this plan should also be consistent with associated service plans for the authority's principal services. <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 	<ul style="list-style-type: none"> The MTFS covers 4yrs of activity with HLBCs linked to appropriate years. Annual budgets are approved, using the additional years of the MTFS as evidence of the robustness and whole life impact of yr1 proposals. Income and expenditure forecasts are consistent and reflect up to date analysis to support longer term planning. The MTFS is provided in full as part of the Council approval of the annual budget. All strategies within the MTFS reflect the 4yr planning timeframe. 	<ul style="list-style-type: none"> There is potential ambiguity over the 'approval' of proposals beyond yr1. The MTFS does not compare scenarios, such as HML, but is presented as a single plan. The Asset Management Plan (AMP) is not suitably aligned to the MTFS. Lifetime costs of assets does not systematically feature within the MTFS. 	<ul style="list-style-type: none"> Develop approach to vary MTFS as opposed just to vary current year Publish HLBCs to demonstrate options Align Capital Strategy to AMP

<p>assessment of relevant drivers of cost and demand?</p> <ul style="list-style-type: none"> • 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? 			
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