

# APPENDIX 2

## Review of Cheshire East Council's compliance with the CIPFA Financial Management Code

### Introduction

The CIPFA Financial Management (FM) code sets the standards of financial management for local authorities. It is designed to support effective practice in financial management and to assist local authorities in demonstrating their budgetary sustainability. The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks. All local authorities are required to demonstrate full compliance with the Code by 31 March 2022 or provide a full explanation relating to areas of non-compliance, noting though that a local authority can do so within a more flexible framework where a proportionate approach can be taken. In practice this means that adherence to some parts of the Code will demonstrate a direction of travel with reference made in the Annual Governance Statement in respect of the organisation's compliance with the principles of the FM Code.

Demonstrating compliance with the CIPFA FM Code is a collective responsibility including the Leader of the Council, Members, the Chief Finance Officer, and their professional colleagues in the leadership team. This report is a self-assessment and review of the Council's compliance with the standards as set out in the FM Code. It documents the detail of what is expected within the standard. It also records evidence of areas of compliance, non-compliance and documents any further actions required to meet and/or improve current processes in place.

This report is to be considered alongside the Draft 2023/24 Annual Governance Statement, noting that the 2023/24 External Audit Value for Money (VfM) report is still being finalised and that following reflection of the findings some areas of this draft assessment may be subject to change.

### Principles of good financial management

The code is a principle-based approach. There are six principles:

1. Leadership
2. Accountability
3. Transparency
4. Standards
5. Assurance
6. Sustainability

The six principles are translated into seventeen Financial Management standards - see Appendix 1.

### **Assessment of compliance**

The following tables set out the latest self-assessment of the Council's ability to demonstrate that it meets the requirements of the FM Code.

Each of the seventeen standards have been re-assessed against the following definitions:

<b>RAG Assessment</b>	<b>Description</b>
<b>5</b>	Achieves Best Practice
<b>4</b>	Substantial Compliance / Minor Areas of improvement
<b>3</b>	Reasonable Compliance / Some Areas of improvement
<b>2</b>	Minimum Compliance / Significant Areas of improvement
<b>1</b>	Does not meet requirements of the code

A full re-assessment of all the FM Code Principles and Standards is ongoing.

The aim of the full draft re-assessment is to demonstrate the overall current level of compliance in line with the above RAG Rating and highlight any key themes that have been noted for improvements and associated action plans.

# 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: The leadership team can demonstrate that the services provided by the authority provide value for money**

Key Questions:

- 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?

**What we need to do?**

Compliance with FM Code requires an authority to achieve value for money and be able to demonstrate that its services represent value for money.

Promote/achieve value for money, examples:

- 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.

**What we are doing (evidence of compliance)**

Governance arrangements have moved to the Committee System (Committee membership & purpose - Links below):

- Structure of Committees approved.
- Committee Terms of Reference approved.
- Chairs / Members appointed (see links below table).
- Committee meeting schedule and workplans approved.
- Annual Review of Committee System Report (Corporate Policy Committee March 2024 and Council May 2024).
- Reports to all decision making committees produced in line with a reporting protocol, Departmental Management Team clearance, legal/finance review, identification of mitigation of risks re report content.
- Annual Service Budget report (Finance Sub Committee March 2025 and same report to all service committees).
- LGA Peer Review and a Notice of Motion to Council which have called for a streamlining of the council's decision making framework etc. This went to CPC in February 2025 which set up a task and finish group to look into streamlining. Recommendations have been made about restructuring the committees but no clarity on outcomes yet. The Task & Finish Group must report back to Corporate Policy Committee in June 2025.

Corporate Leadership Team (see links below table):

- Chief Executive, Rob Polkinghorne was appointed by Full Council on 13.12.2023.
- Interim/Permanent S.151/CFO appointment (appointed Feb 2025) starting 1 June 2025.

Group Governance arrangements:

- Cheshire East Council hold the controlling shares and provide oversight of the Council's subsidiary companies.

- Decision taken at FSC June 2024 to bring all remaining companies back in house (Orbitas from February 2025, and ANSA from 1 April 2025).
- Finance Sub Committee / Shareholder Working Group have Terms of Reference (June 2023 FSC).

Revised Constitution (see links below table):

- Aligns Medium Term Financial Strategy (MTFS) to Committees.
- Budget & Policy Framework (see link).
- Annually Reviewed financial limits (Constitution).
- Revised Finance Procedure Rules (FPRs) and Contract Procedure Rules (CPRs).
- Definition of a Significant Decision (Completed).
- Decisions, Decisions, Decisions – Wider Leadership Community (WLC) Training plus Directorate led sessions.

A1-2 Cheshire East Plan 2025 to 2029 ([Full Council meeting - Item 80](#)):

- The new Cheshire East Plan 2025–29, approved by Full Council in February 2025.
- Aligns with MTFS proposals.
- Aligns to Service Plans.
- Performance Dashboard including Risk.

Procurement:

- A1-3 Atamis roll-out (including dashboards and procurement pipeline) (Completed)
- Procurement Progress Report to FSC (Jan 25) and A&G (Completed for 2024/25).
- Atamis Launch and Contract Manager training re Dashboards.

Strategic Risk Register:

- Risks contained within Service Plans.
- Risks recorded in hierarchy aligned with Directorate to Team level plans.
- Risk Management Framework and Risk Management Strategy adopted.
- Risk Reporting to CLT (Completed 2022/23).
- Council Strategic Risk Register Assurance Report – quarterly updates to Corporate Policy Committee (CPC March 2025 – Q3 2024/25 report).
- Risk Management Report (A&G annually – 23/24 report to meeting in July 2024 see links below table).
- Operational risk registers included in directorate and service business plans.

### Gap Analysis

- Appointments to CLT – interim arrangements in place to cover the Executive Director of Resources (Executive Director – Place has been filled).
- Completed (by March 2025) - Permanent posts filled for: Assistant CEX, Director of Children’s, Director of Place, S.151
- CFO/S.151 – Interim arrangements in place until end May 2025 when permanent appointment starts in post.
- Performance Framework for Corporate Plan Actions / Measures needs to be in Service Plans - *The associated Delivery Plan is scheduled for Corporate Policy Committee in June 2025, and the organisation-wide performance and programme management framework will be launched in May 2025.*

**2023/24 Amber (3)**

**2024/25 Green (4)**

### Action Plan

- A1-1 CLT **Appointment for Monitoring Officer to be completed early 2025/26.**

- A1-4 Strategic Risk Register reports to progress onto the Service Committees (Done for CPC). Service Committees - ***This change will be implemented after the June 2025 report to the Corporate Policy Committee with an updated and revised strategic risk register.***
- A1-5 Review of scheme of delegation and finance procedure rules ***Revised Schemes of Delegation and Financial Procedure Rules to go to Constitution Working Group 9/5/2025, Corporate Policy Committee 12/6/2025 and Full Council 16/7/2025.***
- A1-6 Recommendations have been made about restructuring the committees - ***Task and Finish group to report back in June 2025 re streamlining of committee system.***

**Standard A : The leadership team can demonstrate that the services provided by the authority provide value for money.**

**What we need to do?**

Demonstrate value for money - examples:

- Scrutiny/Audit Arrangements.
- Benchmarking.
- Peer Review, Engagement with Service Users.
- Monitoring of Performance Data.
- Service Reviews.
- User Surveys.
- External Assessments, Equality Impact Assessments.

**What we are doing (evidence of compliance)**

- Committee System introduces cross party decision making.
- Committees receive quarterly performance scorecards, in year financial monitoring reports and MTFs budget planning/setting reports relevant to their area of remit.
- Single Scrutiny Committee sets own work programme.
- In addition to meetings of CLT, the three statutory officers – Chief Executive, S.151 Officer and Monitoring Officer - also meet regularly.
- External Auditors (Mazars up to 2022/23 and Ernst & Young 2023/24 onwards).
- Appointed via PSAA procurement.
- Attend Audit & Governance Committee.
- Regular catch-ups with Chief Financial Officer.
- Regular, private, catch ups with Chair/Vice Chair of Audit & Governance Committee.
- Unqualified opinion 2022/23 ([Link](#)). The 2022/23 External Audit Findings and Action Plan were reported to the Audit & Governance Committee on 07.04.2024 – delegated authority to the S.151 Officer to sign off once the audit had concluded. Final Sign off was achieved on 12.12.2024.
- Likely Disclosed Audit Opinions 2023/24 ([Link](#)). The 2023/24 Interim Audit was reported to the Audit & Governance Committee on 24.02.2025.
- VFM review external audit assessment covering financial sustainability, governance, improving economy, efficiency and effectiveness
- Peer Review completed (March 2024).
- Consultation Hub ([Link to Website](#)).
- Performance Scorecards to Scrutiny.
- OFSTED / CQC assessment.

<ul style="list-style-type: none"> <li>Revised Equality Strategy (Equality Impact Assessments (EIAs) support High Level Business Cases (HLBCs) and other change activity).</li> <li>Benchmarking data in Performance Reporting.</li> <li>External Audit (EA) – met all actions arising from Public Interest Report (Annual Governance Statement 22/23 – Audit &amp; Governance 08.06.23 Satisfactory assurance opinion).</li> <li>Draft Financial Statements 2022/23 published on time. Commencement of 2022/23 Audit deferred due to national issues.</li> <li>2023/24 Draft Financial Statements published, late appointment of Ernst &amp; Young (see above), likely disclaimed audit 2023/24.</li> </ul>	
<b>Gap Analysis</b>	
<ul style="list-style-type: none"> <li>Evidence of benchmarking for Committees.</li> <li>Corporate overview of external assessments.</li> <li>Review adequacy and extent of external assessments.</li> </ul>	
<b>2023/24 Amber (3)</b>	<b>2024/25 Amber (3)</b>
<b>Action Plan</b>	
<ul style="list-style-type: none"> <li>A2-1 Decision making reports to include relevant benchmarking and performance information <b><i>this remains a corporate standard rather than an issue requiring ongoing monitoring or ownership (Ongoing).</i></b></li> <li>A2-2 The Peer Review took place in March 2024 and a formal action plan was published in July 2024. <b><i>Progress against the agreed actions is currently reported to the Assurance Panel as part of the council's improvement oversight. These actions will also be incorporated into the council's Improvement Portfolio, which will be tracked internally via the Transformation and Improvement Board, ensuring internal rigour (T&amp;I Board) and external scrutiny (Assurance Panel). (Ongoing).</i></b></li> </ul>	

**Risk Management report** (Latest – item 27): <https://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=486&MId=10331&Ver=4>

### Decision making and governance

The Council's Constitution sets out the governance and decision making structures and role of the Council, the roles of Members and Committees, and the roles and delegations to officers, including senior management.

[https://www.cheshireeast.gov.uk/council\\_and\\_democracy/your\\_council/constitution.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/your_council/constitution.aspx)

It also features the Budget and Policy Framework, Finance Procedure Rules and Contract Procedure Rules.

<https://www.cheshireeast.gov.uk/pdf/council-and-democracy/constitution/january-2024/cheshire-east-council-constitution-chapter-3-december-2023.pdf>

The Corporate Leadership Team of the Council currently comprises of the Chief Executive, Assistant Chief Executive, Executive Directors for Adults, Health and Integration, Executive Director for Children's Services, Executive Director for Place, Interim Executive Director of Resources (S.151 Officer) and Acting Director of Governance & Compliance (Monitoring Officer).

[https://www.cheshireeast.gov.uk/council\\_and\\_democracy/your\\_council/corporate\\_leadership\\_structure/corporate-leadership-team.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/your_council/corporate_leadership_structure/corporate-leadership-team.aspx)

In May 2021 the Council replaced its Cabinet system with a Committee system, made up of Corporate Policy Committee and five service committees; there is also the Finance Sub-Committee (a sub-committee of Corporate Policy Committee) and an Audit & Governance Committee, as well as a number of other committees.

The purpose and membership of each committee may be found here:

<http://moderngov.cheshireeast.gov.uk/ecminutes/mgListCommittees.aspx?bcr=1>

Whilst Corporate Policy Committee and Finance Sub-Committee have specific responsibilities for financial planning and management, all service committees are responsible for the oversight, scrutiny, reviewing outcomes, performance, budget monitoring and risk management of services within their remit.

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

**Standard B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government**

Key Questions:

- 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?

**What we need to do?**

Compliance with FM Code requires each of the following to be reliably and consistently met:

- 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 that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- 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.

**What we are doing (evidence of compliance)**

- The Executive Director of Resources is the Authority's CFO / S.151 Officer and is a professionally qualified accountant with significant experience – currently Interim (April 2025) Permanent replacement wef 1.6.2025.
- Senior Officer Structure & Statutory responsibilities reported on CEC website ([April 2025](#)).
- The ED- Resources is a member of CLT and leads on development of financial strategy.
- New cross-council officer boards established for Performance and Improvement, Strategy, Policy and Legislation, Risk and Assurance with Executive Director chairs/sponsors and highlight reports to CLT.
- Pipeline of Strategic discussion to CLT via Business Management Support Team.
- Report templates for decisions allow Financial Implications to be addressed and reports are submitted to CLT.
- Some Officer Decision Records are referred to CFO in advance to confirm financial implications are addressed.
- Improved clarity in Financial Procedure Rules over financial limits and decision making.
- The ED-Resources ensures the financial statements are appropriately prepared and that they give a true and fair view.
- The Finance Team suitably resourced and qualified.
- CFO for Local Enterprise Partnership / CEC Group.
- Regular meetings of Statutory Officers being the Chief Executive Officer (CEO), CFO and Monitoring Officer (MO).
- Executive Director of Resources (S151) - supports and advises Council, Corporate Policy Committee, Finance Sub-Committee, Policy Briefing. Forums provide sufficient opportunities for the Leader of the Council, CEO / CLT to have oversight of financial matters and the ED- Resources to be involved in developing and implementing strategy.
- ED-Resources networks externally and works with other Local Authority S.151 Officers.

- Effective financial management is promoted throughout the whole Council through business partnering approach, regular financial reporting to CLT, FSC, CPC, Committees, Full Council.
- Monthly Monitoring Reports to CLT/Strategic Finance Management Board through 2024/25 plus increased oversight through SFMB, Expenditure Review Board, Assets Board.
- Approved MTFs items monitored monthly from the start of 2024/25 and reported on at each Committee cycle during 2024/25 using one single finance report for all committees – this is continuing through 2025/26.
- Finance Managers / Business Partners attend Executive and Departmental Management Teams, Company Senior Management Team/Boards, Finance is represented on internal management teams and in wider Group.
- The Finance function underwent a restructure in 2022/23 and aims to meet business needs via a permanent staffing structure. Some advisory services are commissioned (treasury management, pensions, valuations, Tax). Professional qualification development is in place and appropriate members of the team are either qualified or actively studying for a qualification – monitored by KPI (Service Plan).
- Finance Training provided to Committees in November 2022 and in 2023 following Elections, to support new and existing members.
- Member Training programme on the Committee system for existing and new members.
- Wholly Owned Companies (WOC) Draft Out-turn reports reported to Finance Sub-Committee and Audit & Governance Committee (July 2024).
- Quarterly 121 meetings for Shared Services / Local Enterprise Partnership / WOC CEOs with CFO.
- WOC Out-turn reporting via CFO before Boards.
- Following the publication of the council's 2024/25 First Financial Review report, in which potential budget deficit of £26.5m was reported (excluding £17.6m in Exceptional Financial Support that is available towards this position). A Strategic Finance Management Board was set up to lead on a number of key tasks to urgently reduce spend and identify additional savings, including:
  - Line by line reviews of all budgets to further identify immediately any underspends and/or additional funding;
  - Stop any non-essential spend;
  - Actively manage vacancies, particularly agency usage and reduce any overspends on staffing as soon as possible;
  - Review of Section 106 legacy budgets;
  - Review of capital receipts available and potentially surplus assets that can be sold (for best consideration);
  - Identification of any other areas of discretionary spend including grants awarded, where spend can be reduced or stopped.

#### Gap Analysis

- Changes to personnel and approach for CLT are disrupting strategic discussion.
- Improved clarity in Financial Procedure Rules over financial limits and decision making to avoid risks that not all Officer Decision Records reviewed by all necessary parties. Follow-up analysis of decisions not sufficient.
- Improvements in financial monitoring required.

2023/24 Green (4)

2024/25 Green (4)

#### Action Plan

- B-1 Management Boards to be established with wider engagement of Directors and Heads of Service. ***New cross-council officer boards established for Performance and Improvement, Strategy, Policy and Legislation, Risk and Assurance with Executive Director chairs/sponsors and highlight reports to CLT (Ongoing).***
- B-2 Included in scheme of delegation review ***Revised Schemes of Delegation & Financial Procedure Rules to go to Constitution Working Group 9/5/25, Corporate Policy Committee 12/6/25 and Full Council 16/7/25 (Ongoing).***

- B-3 Updated reporting on a monthly basis with formal committee reporting through financial reviews using one single finance report for all committees. ***Monthly Monitoring Reports to CLT/SFMB through 2024/25 plus increased oversight through SFMB, Expenditure Review Board, Assets Board. Approved MTFs items monitored monthly from the start of 2024/25 and reported on at each Committee cycle during 2024/25 using one single finance report for all committees – this is continuing through 2025/26 (Done & ongoing).***

<b>Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture</b>	
<b>Standard O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability</b>	
Key Questions: <ul style="list-style-type: none"> <li>• Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?</li> <li>• Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?</li> <li>• Is the authority taking action to mitigate any risks identified?</li> <li>• Does the authority report unplanned use of its reserves to the leadership team in a timely manner?</li> <li>• Is the monitoring of balance sheet risks integrated into the authority’s management accounts reporting processes?</li> </ul>	
<b>What we need to do?</b> <ul style="list-style-type: none"> <li>• The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</li> <li>• Engages with The CIPFA publication Balance Sheet Management in the Public Services: A Framework for Good Practice (2017).</li> </ul>	
<b>What we are doing (evidence of compliance)</b> <ul style="list-style-type: none"> <li>• Capital Schemes are monitored and reported on periodically in year – previously quarterly, more frequently during 2024/25 alongside ongoing Capital Review.</li> <li>• Capital Funding is reviewed by project and at strategic level.</li> <li>• Report writing guidance has been developed to support improvement in articulating financial implications.</li> <li>• Introduced Capital Board (Jan2025) S.151, CEX, ED Place + Deputy S.151 – Terms of Reference being finalised, review ahead of MTFS finalisation.</li> <li>• A review of the Capital Programme was carried out, and where feasible without unduly compromising VFM, some project spending has been deferred. However, the significant growth to the capital financing requirements of the existing programme have been recognised in the updated MTFS.</li> <li>• Treasury Management advisors commissioned in 2024/25 to carry out a review of our current approach to Minimum Revenue Provision; change in Minimum Revenue Provision effected 2024/25 - approved at February Council 2025 as part of the MTFS 25-29 – Reduced Minimum Revenue Provision charge 2024/25 £3.8m.</li> <li>• Balance sheet review – initial review by advisors LG Improve in July/Aug 2024.</li> </ul>	
<b>Gap Analysis</b> <ul style="list-style-type: none"> <li>• Balance sheet review is not part of the financial monitoring process.</li> <li>• CIPFA Balance Sheet Management is not reported on. Monitoring of entire balance sheet risk is not systematic.</li> <li>• Insufficient clarity on potential financial liability arising from risks recognised across registers being realised.</li> <li>• Limited oversight of Wholly Owned Companies / Shared Service / Investment Strategy impacts on balance sheet.</li> </ul>	
<b>2023/24 Red (2)</b>	<b>2024/25 Amber (3)</b>
<b>Action Plan</b> <ul style="list-style-type: none"> <li>• O-1 Enhance quarterly reporting to include balance sheet management - Specifically, debt / borrowing / assets / pension fund valuation (as appropriate) (Interim Director of Finance / S.151) <b><i>Understand the whole financial sustainability of the Council and recognise the medium to long term implications of decision that are made. A review of the Capital Programme was carried out, and where feasible without unduly compromising VFM, some project spending has been deferred. However, the significant growth to the capital financing requirements of the existing programme have been recognised in the updated MTFS. (Ongoing).</i></b></li> </ul>	

- O-2a Review CIPFA Balance Sheet Management publication alongside LG Improve Balance Sheet reporting information and determine links with CIPFA Balance Sheet Management and/or appropriate level of engagement compared to current reporting. **Treasury Management advisors commissioned in 2024/25 to carry out a review of our current approach to Minimum Revenue Provision; change in Minimum Revenue Provision effected 2024/25 (Ongoing).**
- O-2b Balance Sheet Review/benchmarking to be undertaken by LG Improve Further balance sheet review by LG Improve - April 2025 – additional attention on Provisions (incl but not limited to Bad Debt Provisions), Business rates appeals, asset management. **Initial review Jul/Aug 2024, further review ongoing April 2025 (Ongoing).**
- O-3 Review of financial implications from risk registers to be included in management team meetings at Directorate and Corporate level. **CLT strategic risk workshop in April 2025. Operational risk registers will be circulated to DMT meetings and oversight information will be reported to Governance Risk and Assurance Board and CLT on a regular basis. (Ongoing).**
- O-5 Review reporting approach to impact of Shared Service / WOC decisions on overall balance sheet – how does our existing contract management approach achieve this, what needs to change? **Annual review of WOC balance sheet to CFO via Finance Lead (Ongoing) re Insourced ASDV's / Shared Services (Ongoing).**

<b>Principle 1: Organisational Leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture</b>
<b>Standard O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability</b>
<p>Key Questions:</p> <ul style="list-style-type: none"> <li>• Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?</li> <li>• Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?</li> <li>• Is the authority taking action to mitigate any risks identified?</li> <li>• Does the authority report unplanned use of its reserves to the leadership team in a timely manner?</li> <li>• Is the monitoring of balance sheet risks integrated into the authority’s management accounts reporting processes?</li> </ul>
<b>What we need to do?</b>
<p>To comply with the FM Code the authority might choose to:</p> <ul style="list-style-type: none"> <li>• determine which elements of its balance sheet pose a significant risk to its financial sustainability, through a comprehensive review of its assets and liabilities.</li> <li>• put in place mechanisms to monitor these elements of its balance sheet.</li> <li>• respond promptly and proactively to any issues that these mechanisms identify.</li> </ul>
<b>What we are doing (evidence of compliance)</b>
<ul style="list-style-type: none"> <li>• Quarterly reporting includes reviews of debt and borrowing (<a href="#">Link to FR1 FSC Sept 2024</a>).</li> <li>• The deficit on the Dedicated Schools Grant has been identified as a key risk in the MTFs, monitoring reports to Committees (Update on the progress of the key areas of the Dedicated Schools Grant Management Plan 2024/25 to 2030/31 - Financial Reporting 3 2024/25 – <a href="#">C&amp;F Committee Jan 2025</a>).</li> <li>• Reserves Strategy is approved as part of the MTFs and compliance with the minimum level of reserves and the impact of in year financial performance on the reserves and balances is monitored as part of the in year performance report.</li> <li>• Other potential key risk areas of the balance sheet – Pensions / Contingent Liabilities – captured as part of regular finance reporting.</li> <li>• Asset Management Report – covering property acquisitions and disposals undertaken by the Council and pending transactions (FSC 17.01.2024, next report scheduled FSC 02.06.2025).</li> <li>• Report disposals and acquisitions to Finance Sub-Committee and reference links to MTFs (Done and Ongoing).</li> <li>• Assets Board – Capital Receipts Projections – to CLT/Strategic Finance Management Board through 2024/25.</li> <li>• In depth review of capital strategy to be completed alongside the MTFs (Completed).</li> <li>• Sundry Debt briefing report, sundry debt levels across all Council services (In Year Monitoring report).</li> <li>• Sundry debt monitoring included as part of the in year finance performance report.</li> <li>• In year monitoring report includes Update to the Treasury Management Strategy as relating Capital Strategy borrowing.</li> <li>• Local Government Pension Scheme (LGPS) and Cheshire Pension Fund (CPF) update Reports (FSC – there are three reports during 2024/25 available on the <a href="#">Members hub</a> as reports for noting).</li> </ul>
<b>Gap Analysis</b>
<ul style="list-style-type: none"> <li>• Capital receipts strategy needs development to align with MTFs (Disposal programme – Assets Board).</li> </ul>
<b>2023/24 Red (2)</b>
<b>2024/25 Amber (3)</b>

**Action Plan**

- O-4 – Strategic Asset management group to report through to Strategic Finance Management Board on potential capital receipts (*Ongoing Capital Board (established Jan 2025) plus Assets Board – synergy between the two Ongoing programme currently. A dedicated delivery team will be formed to optimise capital receipts, and report appropriately into Capital Programme Board. Asset Board, CLT.*)

## 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: The authority applies the CIPFA/Solace Delivering Good Governance in Local Government: Framework (2016)**

Key questions:

- 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 Annual Governance Statement?

**What we need to do?**

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:

- 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 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.
- This reporting on compliance, effectiveness and improvement can usually be undertaken within the authority's Annual Governance Statement, which must be published alongside its financial statements.
- Principles of the Good Governance Framework set out on p. 36 (FM Code guidance notes).

**What we are doing (evidence of compliance)**

- 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.
- 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.
- D-1 Establish Governance Workstream ensuring allocation of responsibilities is wider than Internal Audit, Director of Governance & Compliance (DoG&C) Governance Risk & Assurance Management Board established – Initial Work Programme has been developed – may be subject to further change.
- Majority of the assessment against the Code for the Annual Governance Statement is carried out by Internal Audit in addition to their annual opinion.
- Annual Governance Statement is also informed by various sources of assurance reported to the Audit & Governance Committee throughout the year; Information Governance Annual Report, Monitoring Officer annual report, regular reports on LGO complaints as well as annual summary, WARNs and risk management.
- Annual Governance Statement includes an action plan setting out improvements on significant governance issues.
- Audit & Governance Committee have delegated authority from Council to approve the Statement of Accounts and Annual Governance Statement. Draft and final statements are presented to the Committee and Statement of Accounts / Annual Governance Statement are published on the Council's website together.

- An update is presented to the Audit & Governance Committee on progress against significant governance issues where these are recognised in the Annual Governance Statement.
- Amend Service Plans to include Accountability Statements and links (Partially Done, but no links).
- Induction training for all new Members, following the May 2023 elections, includes a focus on governance, code of conduct and officer/member relations.
- D-5 Annual Governance Statement monitoring of risk & performance to committees (Head of Audit & Risk) *Progress on Annual Governance Statement Items reported to Audit & Governance Committee - providing assurance/escalation.*

#### Gap Analysis

- Work on this standard is too focused on Audit.
- Greater involvement by CLT in the production of the Annual Governance Statement via a Corporate Assurance Group.
- Wrap under the Governance Workstream for Brighter Futures Together (BFT); next phase, maintaining, developing enhanced governance – Governance. Next phase to move on from the implementation of the Committee system.
- Code of Corporate Governance needs to be updated to reflect Council governance in Committee System model.
- Wrap under the Governance Workstream for BFT; next phase, maintaining, developing enhanced governance – Governance. Next phase to move on from the implementation of the Committee system.
- Bring the Annual Governance Statement monitoring and reporting in line with quarterly risk review by CLT; draw out clearly where those Annual Governance Statement issues relate to the strategic risk registers.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- D-1 Establish Governance Workstream ensuring allocation of responsibilities is wider than Internal Audit.
- D-2 CLT to review progress against the Annual Governance Statement action plan on a regular basis ***Governance Risk & Assurance Management Board established – Initial Work Programme has been developed – may be subject to further change though.***
- Amend Service Plans to include Accountability Statements and links (***Partially Done, but no links***).
- D-3 Update COCG with appropriate consultation and approval - Organisational review of the Code of Corporate Governance, including identifying amendments as needed (Risk & Assurance Management Board) ***The Code of corporate Governance is currently being reviewed – (Ongoing)***
- D-4 Include Annual Governance Statement monitoring as part of Performance ***Framework The Audit and Governance Committee received regular risk management updates during 2023/24 and the 2023/24 Annual Risk Management Report was received at the 29 July 2024 meeting. Reports to all decision-making committees are produced in line with a reporting protocol which involves clearance of reports through the relevant directorate management team, legal and financial review and the identification and mitigation of risks associated with the report content. (Ongoing).***

**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: 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**

Key questions:

- 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?

**What we need to do?**

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:

- 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 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.
- 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.

**What we are doing (evidence of compliance)**

- P-1 Include Statement of Accounts (SOA) in performance framework (dates and qualification) New performance management framework aligned to Cheshire East Plan 2025+ Finance Key Performance Indicators to include SOA targets around Backstop Dates and new statutory Publication Dates (Draft and Audited) introduced Sept 2024.
- Increase engagement of Finance Team with CFO (Ongoing).
- Internal Audit to attend regular wider Finance Team meetings to support development of work plan / risk review (Ongoing).
- P-2 Quarterly liaison with external auditors to maintain quality of reporting (Interim Director of Finance / S.151) (Done / Ongoing).
- Finance Team structure recognises key responsibilities for account preparation and disclosure.
- Ongoing team development and training supports professional requirements for account closure.
- The ED-Resources (S.151) is responsible for ensuring that the statement of accounts produced by the Council complies with the reporting requirements of the "Code of Practice on Local Authority in the United Kingdom".
- The operational responsibility for production of the Statement of Accounts, in line with proper accounting practices rests with the Finance Team.
- The ED-Resources (S.151) role has management responsibility through the Director of Finance (Deputy S.151) and FMT for the Finance Team.
- The annual accounts have been prepared in-line with the statutory requirements and comply with CIPFAs code of practice on a timely basis.
- The annual accounts are reviewed and signed by the ED-Resources (S.151 Officer).
- The Executive Director of Resources (S.151) role includes responsibility for liaison with external audit.
- Audit & Governance Committee provide suitable challenge on timeliness and quality of accounts.

- Finance Leadership Team (ED-Resources /Director of Finance/FMT) meet monthly.
- With regard to production of the statutory Statement of Accounts, the Council met the 2022/23 Backstop date of 13.12.2024. The Council published draft Accounts for 2023/ 24 by 18.07.2024, Public Sector Audit Appointments appointed new auditors Ernst & Young in Feb2024, however the external audit started late in October 2024 and combined with meeting the newly imposed backstop dates (28.02.2025 for 2023/24) this meant that work on the accounts could not be completed in time – likely disclaimed audit for 2023/24 – awaiting Ernst & Young decision on objections to the accounts. Work on the 2024/25 Audit of Accounts has commenced and the Finance Team are working towards achieving the 30.06.2025 date for draft accounts publication.

#### Gap Analysis

- Maintain appropriate staffing levels. (Ongoing).
- Review resources and ensure adequate to complete account closure.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- P-3 CFO needs to ensure that the team is appropriately staffed with skilled, capable resources to be able to comply with codes of practice. This needs to include appropriate workforce development to ensure that there is succession planning in place for key roles where there are national skills shortages in technical finance – plus include: Increase reporting on Continuing Professional Development / Personal Development Reviews to ensure development ongoing. Create secondment opportunities for Audit / Finance staff to enhance skills / experience where appropriate. ***(Ongoing) Workforce plan in place for finance including recruitment, retention and talent management. Work on succession planning, critical roles and recruitment campaign has been undertaken through 2024/25 with wider finance team – (Ongoing). New Finance Manager (Children’s) started 3 March 2025. The CIPFA Competency Assessment has been commissioned and the Model will also be deployed to identify current skills and competencies, and help to determine if there are any gaps that require additional resources to support future change (June 2025).***

The audited accounts for 2022/23 may be found via the following link; they include the independent auditor’s report from Mazars, providing an unqualified opinion on the financial statements and a positive report with regard to the Council’s arrangements for securing economy, efficiency and effectiveness (value for money) in its use of resources:

<https://www.cheshireeast.gov.uk/pdf/council-and-democracy/statement-of-accounts/statement-of-accounts-2022-2023/statement-of-accounts-2022-23-final.pdf>

The Accounts for 2023/24 were prepared by 18 July 2024. The 2023/24 audit commenced late following the appointment of Ernst & Young (EY) in 2024, the audit not commencing until October 2024, the auditors reported their interim findings to the Audit & Governance Committee of the Council on 24 February 2025:

[Draft Statement of Accounts 23-24](#)

[Agenda for Audit and Governance Committee on Monday, 24th February, 2025, 10.00 am | Cheshire East Council](#)

**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: The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions**

Key questions:

- 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?
- 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?

**What we need to do?**

- 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.

**What we are doing (evidence of compliance)**

The Council has a well-established financial cycle – of planning, monitoring and reporting – which includes formal in-year reviews (with reports going to three committee cycles) and an outturn report after year-end.

- 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.
- Reporting out-turn forecast/variations to budget to allow strategic financial decisions – Finance Management Team/Finance Business Partners to provide insight to CFO for discussion with Directorates with CFO present.
- Line by Line Review of 2022/23 and 2023/24 Out-turn – **completed July 2024 - to be repeated as part of 2024/25 out-turn.**
- Capital Programme slippage – 2024/25 Out-turn and effects on Capital Financing – oversight by Capital Review Board / CLT.
- Capital and revenue performance through the year.
- Enhance capital performance monitoring and correlations to the MTFS process. The MTFS Consultation must include Capital and associated headlines / charts, this is to include the impacts the capital programme has on the capital financing budget which has a direct link to the Revenue Outturn (Interim Director of Finance / S.151).
- 2024/25 In year reporting included additional detail on capital monitoring and the ongoing capital review and funding. This will continue into 2025/26.
- 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.
- Outturn reported to CLT for review prior to draft accounts.

- MTFS process includes Capital performance.
- MTFS Project Team established with Programme Management Office support.
- In year reporting includes variances to approved budget proposals.

#### Gap Analysis

- Outturn reporting. Given the variations between FR3 and Out-turn 2024/25 for some Directorates – detailed review and analysis on a Line by Line basis is required to establish the ongoing nature of favourable/adverse movements on the base budget 2025/26 and future MTFS 2026/27+.
- Line by Line reviews to be repeated as part of 2024/25 out-turn (Ongoing).
- Capital performance is not strongly correlated with MTFS process.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- Q-1 Reporting out-turn forecast/variations to budget to allow strategic financial decisions – Finance Management Team/Finance Business Partners to provide insight to CFO for discussion with Directorates with CFO present. ***(Completed and ongoing). Line by Line Revenue reviews to be repeated as part of 2024/25 out-turn – May/June 2025. Capital Programme slippage – 2024/25 Out-turn and effects on Capital Financing – oversight by Capital Review Board / CLT – May/June 2025 (Ongoing).***
- Q-2 Enhance capital performance monitoring and correlations to the MTFS process. The MTFS Consultation will include Capital and associated headlines / charts and include the impacts the capital programme has on the capital financing budget which has a direct link to the Revenue Outturn ***Capital Financing budget – detail updated in each Quarterly report/MTFS update reports to show the effects of the cap programme, Dedicated Schools Grant deficit funding and Exceptional Financial Support plus given indications on forward/future spend commitment re Minimum Revenue Provision (Done and Ongoing).***
- Consultation to include capital and associated headlines/charts ***(Ongoing).***
- Enhance HLBC to align with Performance Framework and to other Strategies and Policies. ***New format (ICC) Business Case being implemented in 2025/26 for Revenue and Capital monitoring to improve consistency and provide necessary detail on full implications of proposals across the MTFS/Capital Strategy – still in progress. Capital Forecasting will continue to be improved – oversight by Capital Programme Board. Include/capture new capital proposals or changes to existing schemes on a central site with all business cases (Capital and Revenue) to ensure whole life costs/savings are in one place.***

# 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: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget**

Key questions:

- 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?

**What we need to do?**

- 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:
  - o how to identify key stakeholders.
  - o how to engage effectively with these stakeholders.
  - o how to use the results of this engagement wisely.

**What we are doing (evidence of compliance)**

- A comprehensive Stakeholder Analysis was completed.
- Budget Consultation is on-line and (when possible) available at public buildings to maximise engagement.
- Questions and material are 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. including the statutory consultation with business councillors, residents, staff, town and parish councils, local community groups and other stakeholders including trade unions.
- All feedback is reported to officers to develop responses / actions.
- All feedback is reported to members to support decision making.
- Changes following consultation are reported clearly.
- EIAs accompany all HLBCs.
- MTFS Project Team established with Programme Management Office support.
- Develop stakeholder plan for MTFS process.
- Track progress vs Stakeholder plan.
- Stakeholder involvement undertaken as part of the development and implementation of service changes and major projects, with the extent of consultation required approved by Legal Services.

- L-2 Provide earlier public consultation with wider options contained within HLBCs. *The business planning process consisted of a business community survey, mirroring the main public engagement survey, which opened on 19th Dec following the Local Government Provisional Finance settlement announcement on 18th Dec and closed on 2 February 2025. Public consultation on the MTFS took place via a resident engagement survey and business community survey between 19 December 2024 and 2 February 2025, following the provisional finance settlement. While the timeline was compressed, the consultation team supported the process. Planning for earlier and broader engagement is in progress for 2025/26.*

#### Gap Analysis

- Events to discuss the MTFS with partners to be re-instated.
- The number of budget consultation engagements in 2024 was similar to 2023 (2,267), and significantly higher than in previous years.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- L-1 Events to discuss the MTFS with partners will be re-instated. ***The timeline for consultation during 2024/25 did not align to the published plan which was shared at Finance Sub Committee in June 2024. The communications team, including the consultation service, is ready to support colleagues in finance with any future engagement on the MTFS or budget. Forward planning for the 2025/26 cycle is already underway and reflected under L3.***
- L-3 MTFS timeline for 2025/26 sets out earlier engagement with key stakeholders and partners for example earlier sight of the Budget Consultation material before public launch. The Communications Team maintain a detailed stakeholder engagement list and sessions with each are to be run during the consultation period (Oct-Dec) so allow adequate engagement. (Interim Director of Finance / S.151). ***For 2025/26 we are aiming to hit the original planned timetable of public consultation at the beginning of October 2025 with scrutiny through the November Committee suite of meetings and then again to the January meetings to include public feedback to the proposals at that time. The consultation and communications teams are working with finance colleagues to deliver a public consultation on the 2025/26 MTFS in October 2025, in line with the published timetable. Stakeholder engagement sessions will be coordinated during the consultation period to ensure appropriate reach and input.***

Budget Engagement - The full report may be found here:

<https://moderngov.cheshireeast.gov.uk/ecminutes/documents/s122840/APPENDIX%20B%20-%20Budget%20Engagement%20Report.pdf>

**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: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions**

Key questions:

- Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB (Professional Accountants in Business) 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)?

**What we need to do?**

- 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 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).

**What we are doing (evidence of compliance)**

- HLBCs follow the Better Business Cases (5 Cases) Model which encourages options appraisal.
- The S.151 Officer frequently raises the quality of options development within Reports as part of CLT.
- HLBCs include additional material in options that reflect Council Priorities such as Carbon.
- Amend HLBC template to require at least 3 Options (do nothing / do this / do something else) (Ongoing).

**Gap Analysis**

- The IFAC/PAIB publication has not been used as a guide so should be reviewed.
- Options appraisals are generally inadequate / articulated.
- Future options appraisals should reflect priorities within the Corporate Plan / Council 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.

**2023/24 Amber (3)**

**2024/25 Amber (3)**

**Action Plan**

- M-1 Consider Training / presentation on IFAC/PAIB and/or CIPFA's own guide to undertaking an option appraisal: Option Appraisal: A Practical Guide for Public Service Organisations (2017 Edition) for Finance Management Group at least.
- M-2 Risks need to be aligned (Cheshire East Plan / MTFs / HLBC / Strategic Risk Register) to enhance transparency.
- M-3 Amend HLBC template to require at least 3 Options (do nothing / do this / do something else) (Ongoing).

- M-4 Risks mitigation (considered options) needs to be articulated as part of Finance / Performance Framework (**Ongoing**).  
***Fully aligned MTFS and Corporate Plan will provide stronger value for money evidence, based on consistent options appraisal methodology. These actions relate to business case design and option appraisal, we recognise the limitations of the current approach. There is a case for reviewing the council's methodology for business case development, including how options, risks and value for money are presented. This will be considered as part of wider governance and transformation activity at an appropriate point.***

## Standards

<b>Principle 4: Standards – Adherence to professional standards is promoted by the leadership team and is evidenced</b>
<b>Standard H: The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities</b>
Key questions: <ul style="list-style-type: none"><li>• Has the authority prepared a suitable capital strategy?</li><li>• Has the authority set prudential indicators in line with the Prudential Code?</li><li>• Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?</li></ul>
<b>What we need to do?</b> <ul style="list-style-type: none"><li>• 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.</li><li>• In setting or revising its prudential indicators, the authority is required to have regard to the following matters:<ul style="list-style-type: none"><li>• service objectives, e.g. strategic planning for the authority.</li><li>• stewardship of assets, e.g. asset management planning.</li><li>• value for money, e.g. option appraisal.</li><li>• prudence and sustainability, e.g. risk, implications for external debt and whole life costing.</li><li>• affordability, e.g. implications for council tax/district rates.</li><li>• practicality, e.g. achievability of the forward plan.</li></ul></li><li>• 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.</li></ul>
<b>What we are doing (evidence of compliance)</b> <ul style="list-style-type: none"><li>• The Council complies with the Prudential Code and monitors adherence through the Treasury Management Plan and as part of the MTFS approval process.</li><li>• 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.</li><li>• The Capital Programme Board (re-established Jan2025) - board reviews schemes and funding to assess impact on borrowing / financing.</li><li>• Options to manage funds are completed across the programme, and not simply on a single item.</li><li>• Quarterly reports on Capital to include impact on Capital Financing Budget and management of this through the Financing Reserve (Done).</li><li>• Capital Strategy features a number of sections, including an overview from the S.151 Officer, prioritisation of capital expenditure, investment and risk strategy and governance; as well as the Capital Programme itself.</li><li>• H-4 Capital Strategy Review Process – see detail notes below this table. During 2024/25 there has been reviews of the Capital Programme and where feasible some project spend has been deferred (Cross Ref to Financial Review 2 report) However, the significant growth to the capital financing requirements of the existing programme and new schemes for 2025/26 have been recognised in the updated MTFS. Further ongoing review needed under the scrutiny of the Capital Programme Board.</li><li>• Capital Strategy Review by 31.03.2024, Feedback 17.05.2024 – update Out-turn report June 24.</li></ul>

<ul style="list-style-type: none"> <li>• H-3 Whole organisation ‘benefit’ approach to strategic capital investment and prioritisation (following an effective review of current programme and its unaffordability against the available financing envelope) Capital Programme Board – established in Jan 2025, Terms of References being finalised – streamlined senior leadership by the Executive Directors of Place and Resources and the Assistant Chief executive, will further strengthen programme management and the expectation for improved quality project forecasting.</li> <li>• H-2 Focus Treasury Management Strategy reporting on MTFS and high level borrowing / investment targets and actions to change them if necessary.</li> <li>• Treasury Management Strategy and Capital update is included in the quarterly in year monitoring reports to Committee. Includes focus on reducing borrowing – i.e. capital programme review.</li> </ul>	
<b>Gap Analysis</b>	
<ul style="list-style-type: none"> <li>• The impact of the MTFS proposals should be more clearly articulated in the Treasury Management Strategy (TMS).</li> <li>• Reporting against funding targets should be enhanced and assessed against risk.</li> <li>• Reporting to CLT should be simplified to enhance engagement with TMS.</li> <li>• Capital HLBC’s to include whole life costs.</li> </ul>	
<b>2023/24 Red (2)</b>	<b>2024/25 Amber (3)</b>
<b>Action Plan</b>	
<ul style="list-style-type: none"> <li>• H-1 Align MTFS to cashflow, remove assumptions on slippage moving to risk assumptions instead. <b><i>Per Combined MTFS &amp; Transformation timetable – Budget Consultation period Improvements in forecasting actual capital spending requirements by project managers will be required to bring about improvements in cashflow and financial/borrowing costs planning by Finance. Reintroduction of a Capital Programme Board (see H-3), with streamlined senior leadership by the Executive Directors of Place and Resources and the Assistant Chief executive, will further strengthen programme management and the expectation for improved quality project forecasting.</i></b></li> <li>• H-5 Widen HLBCs to cover whole life costs and cashflow implications (such as PMO dashboard). <b><i>CEC is adopting the ICC business case template for Rev/Cap projects. Methods such as Net Present Value are already used when developing capital schemes, however a formal and consistent approach will be proposed to be agreed at the outset with the newly established Capital Programme Board.</i></b></li> </ul>	

The Capital Strategy may be found in the MTFS, starting on page 108.

<https://moderngov.cheshireeast.gov.uk/ecminutes/documents/s122838/APPENDIX%20A%20-%20MTFS%202025-2029%20FINAL.pdf>

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

**Standard J: The authority complies with its statutory obligations in respect of the budget setting process**

Key questions:

- 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?

**What we need to do?**

- 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 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.

**What we are doing (evidence of compliance)**

- The authority has an established process for setting a balanced budget in line with statutory obligations.
- The process for developing and setting the budget is set out in the policy and budget framework.
- 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.
- The MTFS / budget includes assumptions on funding, cost pressures, savings planning and delivery, the impact of any changes in key planning assumptions such as pay awards. The outcome provides an indication of the range of mitigation requirements (additional savings required) and levels of risk and resilience reserves.
- Decisions are supported by HLBCs, including EIAs and proposals are subject to Consultation.
- HLBC's for 2024/25 published alongside draft MTFS report on website.
- 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 levying bodies as required.
- in-year budget monitoring process highlights risk and potential for overspend and ongoing impacts for the MTFS.
- In year reporting for 2023/24 and 2024/25 has recognised the scale of the recent financial challenges, in line with many councils in England and has highlighted the risk associated with this and that the Council could act illegally, triggering the requirement for a Section 114 report from the Chief Financial Officer. The sources that could trigger a S114 have been set out and the consequences of issuing a S114 are also clearly stated. Exceptional Financial Support is being drawn down to support the 2024/25 overspend which maintains the legality of the budget.
- 2025/26 – 2028/29 MTFS & 25/26 Draft Budget - Corporate Policy Committee 06.02.2025.

- Urgent Decision – Exceptional Financial Support Dec 2024 re 2023/24 use in 2024/25 £17.6m and new request for 2025/26 £25.3m.
- 2023/24 and 2024/25 Exceptional Financial Support Report taken to Corporate Policy Committee 13.02.2024. Exceptional Financial Support request approved by Government 29.02.2024. The MTFS February 2025 then set a balance budget with the use of £25.3m for 2025/26. This was in the form of a capitalisation directive.
- Further Exceptional Financial Support request, approved via an urgent item at Dec full Council meeting,
- J-4 Develop Service Plans to address a profile aligned to MTFS, to move away from central bidding process. 2025-26 MTFS balanced through use of Exceptional Financial Support. MTFS includes Transformation Plan savings to reduce the budget over the medium term. Budget funding gap 2026-27 onwards.
- Ongoing delivery of 2025-26 Budget and savings and further reductions to address the future shortfall.
- J-3 MTFS Assumptions / scenario plan demand led spending requirements Report to Finance Sub Committee June24 on MTFS Assumptions including requirement to increase general reserves to more appropriate levels, to support the future financial sustainability of the Council. Including proposals to build general reserves to the required levels plus make provision for Contingency/ Risk budgets.
- Follow up report to Finance Sub Committee September 2024 – including alternative scenarios around funding.
- One all Council finance report to go to every committee to enhance cross budget oversight. This happened during 2024/25 and will continue into 2025/26.
- Implementation of Transformation Board from May 2025.

#### Gap Analysis

- Identify solutions – with Government – to the exceptional financial challenges of:
  - Abortive costs of HS2 and potentially other capital projects (post-review).
  - The High Needs/ Dedicated Schools Grant deficit, per se, and the directly related cashflow effects of interest costs.
  - Underlying operational deficits on our revenue account in 2024/25 and 2025/26.
- Significant information within HLBCs and EIAs should be capable of publication (and be published).
- HLBC's not published alongside 2025/26 MTFS report.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- J-1 Identify solutions – with Government – to the exceptional financial challenges of:
  - Abortive costs of HS2 and potentially other capital projects (post-review).
  - The High Needs/ Dedicated Schools Grant deficit, per se, and the directly related cashflow effects of interest costs.
  - Underlying operational deficits on our revenue account in 2024/25 (**Ongoing**).
- J-2 Publish HLBCs, embed EIAs within HLBC template (**Ongoing**) ***HLBCs for the 2025/26 budget were not published, and EIAs are not currently embedded in the business case template. We expect both areas to be revisited as part of future reforms to the business case process, aligned to wider governance and transformation priorities. These reforms will clarify ownership and ensure that decision-making documentation supports transparency and compliance.***
- J-5 Budget setting can be improved by greater focus of senior management in understanding and engagement on whole-Council strategies and need for transformation, and supporting processes, as well as Service-level focus and support for financial risk management, recognising the Council's low levels of reserves, and need to build greater resilience ***Dependant on Revised Cheshire East Plan / Transformation Plan / Peer Review / Decision Making Accountability (DMA) Review outcomes, actions and timelines.***

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

**Standard 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**

Key questions:

- 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 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?

**What we need to do?**

- 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.

**What we are doing (evidence of compliance)**

- 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 Committee / Council.
- Report reflects all elements of the financial cycle and the associated engagement
- Report highlights risks and performance in a strategic context.
- Widened engagement in drafting s.25 statement to allow more input. Added to timetable and request from EFMT (Done).
- Isolated S.25 statement within MTFs as a specific recommendation to note it. Also issued to Group Leaders.
- Staff briefings (In the Know) Finance & Budget Consultation Update (AT) 21&23.01.2025 – specific coverage on the robustness of the budget estimates and adequacy of reserves.
- K-1 Enhance CFO communications with planned conversations, BLOG, DMT attendance (Ongoing) Manager Share & Support Briefing on the MTFs and in year position 21&23.01.2025 – specific coverage on the robustness of the budget estimates and adequacy of reserves.
- K-2 Use CIPFA FM Code review to report problem areas 2024/25 update June 2025 Ongoing updates built into the Committee forward plan
- K-3 Exceptional Financial Support (Ministry of Housing, Communities & Local Government) – Report to Corporate Policy Committee (approved). Transformation Plan required by August 2024 (Chief Executive).
- Transformation Programme Plan in place/submitted – Aug 2024.
- CIPFA Review (Exceptional Financial Support) - published March 2025 - CIPFA review report and an update on our progress at the Finance sub-committee meeting 02 June 2025

- K-4 Continue to explore options with Department of Levelling-Up, Housing & Communities, Department for Education and Department of Transport to resolve material issues regarding HS2 and High Needs (SEND) education expenditure.
- Next steps - dependant on 2024/25 in year reporting and deliverability of approved 24/25 MTFS proposals / Transformation Programme / Peer Review action plan / DMA Review outcome and their impact on 2024/25 and MTFS cycle 2025/26 to 2028/29.
- K-5 Budget delivery 2024/25.
  - monitor progress and performance against MTFS proposals delivery and developing MTFS 25 – 29 to CLT/Strategic Finance Management Board (SFMB)/Committees.
  - monthly financial forecasting to CLT/SFMB.
  - In year reporting to Committees.
  - MTFS tracking to each Committee cycle (Done & Ongoing).
- K-6 Adequacy of reserves – 2024/25 and MTFS 2025 – 2029.
  - Out-turn 2023/24 report.
  - In year monitoring 2024/25 – delivery of proposals.
  - MTFS Assumptions - Funding, income, expenditure.
  - MTFS Development.

*MTFS included the topping up of General Fund reserves to £20m over the life of the MTFS to help restore financial stability. Following Strategic earmarked reserves were approved within the Reserves Strategy. Budget provision made in the MTFS for Contingency & Risk budgets to manage in year inflationary impacts and delivery of savings (overseen/approved by CEX/S.151).*

#### Gap Analysis

- None

**2023/24 Green (4)**

**2024/25 Green (5)**

#### Action Plan

- None

Exceptional Financial Support Report – Link (see item 69):

<https://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=239&MIId=10284>

Submission of Transformation Plan – Link (see item 22): [Agenda for Corporate Policy Committee on Wednesday, 21st August, 2024, 5.30 pm |](#)

[Cheshire East Council](#)

## 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: The leadership team demonstrates in its actions and behaviours, responsibility for governance and internal control**

Key questions:

- 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?

**What we need to do?**

- 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).

**What we are doing (evidence of compliance)**

- The Audit & Governance Committee Terms of References are reviewed frequently and reflect input of the S.151 Officer.
- Annual Governance Statement is prepared within Audit Team and reviewed by CLT / Audit & Governance.
- 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.
- CFO promotes ethics and Nolan Principles.
- Procurement pipeline reviewed at Finance Sub-Committee, including backwards look.
- The behaviours and values are part of appraisal conversations as well as key to the way we recruit and develop colleagues.
- We have arrangements to provide assurance that our behaviours are being upheld and that members and officers demonstrate high standards of conduct. These include:
  - codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud, and whistleblowing); and
  - inclusion of ethical values in policies and procedures for all areas including procurement and partnership working.
- Our Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements.
- We have governance arrangements for our wholly owned trading companies.
- Executive Director of Resources (S151) and Monitoring Officer both attend Corporate Policy Committee to ensure strong financial governance and oversight of decision-making.
- All reports to Committees, CLT, Departmental Management Team are required to include a financial implications section overseen by Senior Finance Officer and a representative of the Finance Service attends all meetings.

- C-5 Ensure oversight and spot-check reviews of spend. *All spend (requisitions) for £5k and above is sent to procurement using a workflow in Unit 4. This is reviewed to ensure it has a contract in place and has been approved by the expenditure control panel.*

#### Gap Analysis

- Adherence to Nolan Principles is not frequently assessed by CLT / Wider Leadership Team / Wider Leadership Community.
- There is evidence of confusion over some decision making – Officer Decision Records / Financial Procedure Rules / Delegations.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- C-1 Add recognition of Nolan principles to Annual Governance Statement. Allow areas of development to be flagged via Annual Governance Statement. (Head of Audit & Risk) ***The Code of Corporate Governance is currently being reviewed, needs to align to timeline for Annual Governance Statement update (Ongoing Dec 2025).***
- C-2 Develop accountability statement for Service Plans (including links to supporting policies and guidance) and require positive acknowledgement of agreement. ***(Ongoing) A new Delivery Plan and performance reporting framework are in development, aligned to the Cheshire East Plan 2025–29. A report is going to Corporate Policy Committee in June 2025 – this may need to be reviewed during 2025. Enable regular scrutiny of financial proposals by relevant committees, including recording (or approval) of mitigating actions.***
- C-3 Adequate review of Internal Audit action completion as part of internal control framework. (Head of Audit & Risk). ***The approach to follow up on agreed internal audit recommendations has been reviewed, and a number of changes introduced. This will ensure that progress on implementation is being reviewed by senior management, the Corporate Leadership Team and the Audit and Governance Committee more regularly. Progress updates provided by Internal Audit on the delivery of the 2024/25 internal audit plan will include an indication of whether there is improvement against the previous year’s opinion.***

**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: The authority has carried out a credible and transparent financial resilience assessment.**

Key questions:

- 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?

**What we need to do?**

- 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 resilience. This is undertaken by means of an explicit financial resilience assessment.

**What we are doing (evidence of compliance)**

- Growth and Savings feature in equal prominence within the MTFS.
- The MTFS process reflects impact of Financial Review 2 / Financial Review 3 at key stages.
- The MTFS includes an assessment of resilience issues.
- Unachievable proposals within the MTFS are addressed and reversed / amended when necessary.
- The Reserves Strategy identified key risks and potential values.
- Strategic Reserves identified as part of setting the 2025/26 MTFS.
- MTFS 2025/26-2028/29 includes Risk and Contingency Budgets and building back General Fund Reserves over period of MTFS.
- The CIPFA Resilience Index is reviewed when published and discussed by CEO / S.151 / Monitoring Officer.
- First Finance Review of financial outlook prompts and highlights early pressures and mitigations that might be required. Supplemented in 2024/25 by MTFS Tracking of progress of policy proposals re growth/savings and the extent agreed/achieved/not achieved/mitigations – reported to CLT and Committees through 2024/25. Also monitored through the year at Strategic Finance Management Board weekly meetings across all Directorates/Committees.
- Value for Money and Financial Resilience 2023/24 published on website 1.3.24 - see link below. *2024/25 Data update in progress and ongoing.*
- Alongside Oflog (Office for Local Government), Department of Levelling-Up, Housing & Communities is publishing performance data on a new stat tool – the Local Authority Data Explorer – 4 initial areas of performance – Adult Social Care, Waste Management, Adult Skills, Local Authority Finance *This area is subject to changes depending on government policy on data publications Finance Stats reviewed (Ongoing).*

**Gap Analysis**

- 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 Audit & Governance Committee.
- HLBCs frequently do not link to data analysis or Key Performance Indicators to support decision.
- HLBCs tend to provide a single figure and not a range, often linked to limited options appraisal work.

**2023/24 Amber (3)****2024/25 Amber (3)****Action Plan**

- F-1 Review CIPFA assessment tool. ***Review as part of financial monitoring report development and MTFs development to be reviewed in 2025/26.***
- F-2 Review the inclusion of relevant data and benchmarking information around financial resilience in all relevant finance reporting including HLBC's ***to be reviewed in 2025/26.***

Value for Money 2023-24:

[https://www.cheshireeast.gov.uk/council\\_and\\_democracy/your\\_council/council\\_finance\\_and\\_governance/value\\_for\\_money/value-for-money-and-financial-resilience-202324.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/your_council/council_finance_and_governance/value_for_money/value-for-money-and-financial-resilience-202324.aspx)

**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: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability**

**Key questions:**

- 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 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?

**What we need to do?**

- 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:
  - 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.

**What we are doing (evidence of compliance)**

- The Council has a well-established financial cycle - of planning, monitoring and reporting – which includes formal in-year reviews (with reports going to three committee cycles) and an outturn report after year-end.
- Financial Review 2 / Financial Review 3 / Outturn Reports are supported by Finance Business Partners.
- Financial Reports are reviewed by CLT monthly.
- Budget Managers use monitoring reports and MTFS Tracker to support process of budget monitoring.
- Service areas whose budgets are forecast to be over budget 5% or more are subject to weekly monitoring meeting with S.151 Officer.
- Reporting considers Revenue / Capital / Reserves / Debt Grants / Budget Changes.
- Reporting focuses on Income and Expenditure.
- Reports to members include mitigating activity and indications of how this will be achieved.
- Reporting to members on approved Policy Proposals through 2024/25 RAG rating re deliverability/achievement and mitigations.
- Reporting to service committees through the year provides significant visibility and transparency for Members, and accountability for officers with regard to use of resources and delivery to budgets.
- In year reporting includes variances to approved budget proposals.
- CLT/Strategic Finance Management Board – MTFS Proposal Tracking and Monthly Monitoring of financial forecast (wef June 2024 onwards) tracking of progress of policy proposals re growth/savings and the extent agreed/achieved/not achieved/mitigations.

- Following the publication of the council's 2024/25 First Financial Review report, in which potential budget deficit of £26.5 million has been identified. A Strategic Finance Management Board has been set up to lead on a number of key tasks to urgently reduce spend and identify additional savings, including:
  - Line by line reviews of all budgets to further identify immediately any underspends and/or additional funding;
  - Stop any non-essential spend;
  - Actively manage vacancies, particularly agency usage and reduce any overspends on staffing as soon as possible;
  - Review of Section 106 legacy budgets;
  - Review of capital receipts available and potentially surplus assets that can be sold (for best consideration);
- Identification of any other areas of discretionary spend including grants awarded, where spend can be reduced or stopped. Procurement Pipeline reports to Finance Sub-Committee / Audit & Governance.
- Quarterly performance reports to Committees.
- Risk Reporting to CLT / Risk & Assurance Board.
- Council Strategic Risk Register Assurance Report – quarterly updates to Corporate Policy Committee.
- Risk Management Report (A&G annually – 23/24 on 29.07.24).
- N-6 Governance Workstream to establish review of decisions (ensure clear, complete and monitored) (Done/Ongoing) Governance colleagues have recently reviewed the decision-making process to ensure reports pass through appropriate stages before sign-off.
- N-4 Improve the quality of spend control and financial information and intelligence. *Monthly monitoring implemented. Weekly officer CEBERT (Cheshire East Budget Emergency Recovery Team) replaced by Strategic Finance Management Board + Task & Finish Groups (Peer Review Action 1). Expenditure Control Panel - reviews all requisitions above £5k to ensure they are essential spend.*
- N-5 Shareholder oversight of Wholly Owned Company Business Plans and In-year performance (Ongoing).
- Ansa and Orbitas decision to bring back in house. Out-turn reporting and Financial Statements for 2024/25 to be produced.
- Whole organisation transformation programme to change service budget envelopes and re-establish corporate financial resilience and sustainability, including adequate reserves.
- Capital Review Board reinstated Jan 2025. Capital monitoring frequency increased 2024/25.
- Monitoring of policy proposals throughout 2024/25 and continuing 2025/26 (monthly).

#### Gap Analysis

- Whilst there are examples of sound integration of monitoring and forecasting within projects and recognition of wider effects on service/ organisational reporting, there is room for improvement to ensure necessary quality is realised across all areas.
- Revenue / Capital reporting is not entirely inter-linked.
- Financial Implications in reports are not regularly reviewed to reflect if achieved or not.
- Individual transaction processes and approval limits are built into systems – though improvements could be made in service and project management with regard to overall budgetary control, with greater focus on high risk areas of activity.
- FP&A Forecasting tool (post modifications) to be rolled out.

**2023/24 Amber (3)**

**2024/25 Green (4)**

**Action Plan**

- N-1 Develop Unit4 enquiries to provide up to date monthly info Unit4 – ***Super Users to help develop reporting (including Statutory Reports / ad-hoc reports and Enquiries to aid Finance and Budget Managers to Monitor and Forecast budgets and develop scenario planning from Unit4. (Ongoing).***
- N-2 Develop Unit4 / MSBI to develop scenario / forecasting data for review as part of MTFS ***process Unit4 – Super Users to help develop reporting (including Statutory Reports / ad-hoc reports and Enquiries to aid Finance and Budget Managers to Monitor and Forecast budgets and develop scenario planning from Unit4 (Ongoing).***
- N-3 Enabling of Services and service management to meet their financial management responsibilities through technology and training (including FP&A for budget management and forecasting) all Directorates/Services. ***FP&A – There have been significant modifications to FP&A (forecasting tool) throughout 2024/25, testing the stability of the environment early 2025/26, awaiting sign off. Finance will need to review/revise/develop a roll out plan once testing is signed off to ensure are full trained and engaged to use FP&A in the future. This could easily be a 12 month programme given other Transformation Work underway (Ongoing).***

Examples of in year reports to Service Committees may be found via the following links:

[Agenda for Finance Sub-Committee on Thursday, 12th September, 2024, 5.00 pm | Cheshire East Council](#)

[Agenda for Finance Sub-Committee on Thursday, 7th November, 2024, 10.00 am | Cheshire East Council](#)

[Agenda for Finance Sub-Committee on Thursday, 9th January, 2025, 10.00 am | Cheshire East Council](#)

# 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: The financial management style of the authority supports financial sustainability.**

Key questions:

- 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 skills and training to fulfil these responsibilities?

**What we need to do?**

- 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:
  - 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 European Union.
  - new risks associated with commercialisation.

**What we are doing (evidence of compliance)**

- 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 un-identified savings proposals.
- Strategy focuses on reducing reliance on government funding.
- Revenue impact of Capital expenditure is reflected in MTFS.
- Enablers are included in the MTFS development process.
- All HLBCs to reflect 4yr impact on Capital and Revenue..
- Monitor progress of HLBCs across all years.

- Align performance reporting to Corporate Plan / Cheshire East Plan to allow review of achievement against priorities.
- Financial management framework in place: Corporate Plan / MTFS / Capital Strategy / Annual Budget (underpinned by Policy & Budget Procedure Rules, Financial Regulations, Scheme of Delegation , Procurement Regulations, risk management) / in Year monitoring / Statement of Accounts.
- Finance Service has a Business Partner approach, attend Executive and Departmental Management Teams, regularly.
- Annual budgets and policy proposals/HLBC's are verified by Executive Directors. Regular meetings with budget holders as part of in year monitoring.
- In year reports to CLT/Committees on forecast financial information – oversight and scrutiny of Council's financial position and any ongoing funding pressures.
- Strategic Finance Management Board (2024/25) – MTFS Tracking of approved policy proposals and included in quarterly reports to Service Committees.
- Finance representation on major projects.
- Reports include financial implications section signed off by a senior finance officer and a Finance Manager attends Committee meetings.
- E-1 Peer Review underway March 2024. *Action Plan approved August 2024 – Corporate Policy Committee to lead on Financial Recovery Transformation Plan / MTFS / Council Plan – approved Feb 2025.*
- E-2 Corporate financial challenge – a need for a whole-Council response; and the committee system and the wider engagement of elected Members *Action Plan August 2024 Corporate Policy Committee to lead on Financial Recovery Transformation Plan / MTFS / Council Plan – approved Feb 2025*
- E-3 Whole organisation transformation programme to change service budget envelopes and re-establish corporate financial resilience and sustainability, including adequate reserves *MTFS/Transformation – proposals development 2025/26 – 2028/29 MTFS – 2025/26 Balanced through Exceptional Financial Support, future years unbalanced – ongoing Transformation Plan, Budget Delivery 2025/26, Mitigations.*

#### Gap Analysis

- 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 Key Performance Indicators is not reflected in HLBCs.
- HLBCs are not subject to individual risk assessment / provisions.
- Investment / Savings are not led by Corporate Plan.
- Some reticence to recognise forecasts of pressures early in the year.
- Capital spend forecasting is overly optimistic.
- Pricing strategies are not consistent or published.

**2023/24 Amber (3)**

**2024/25 Amber (3)**

#### Action Plan

- E-4 All HLBCs to consider whole life impact to support decision **Covered in Section H.**
- E-5 Continue to develop the financial literacy of managers/budget holders to ensure that they have access to the performance and financial information needed to deliver their services effectively. Consider mandatory training **Needs to be a recognition that finance is everyone's business by ensuring that our budget mangers have the right tools and training to do their jobs and make appropriate decisions.**
- E-6 Update Council charging strategy. Income targets must be aligned to pricing strategies (and articulated in HLBCs if necessary) **(Ongoing).**

**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: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.**

Key questions:

- 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?

**What we need to do?**

- 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.
- 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.

**What we are doing (evidence of compliance)**

- Strategic Risks are reported to Audit & Governance Committee.
- S.25 Statement includes reflection of risks and how they are being managed.
- Financial Reports include responses to mitigate adverse forecasts.
- MTFS reflects impact of quarterly reporting issues.
- Members receive quarterly reports, including key decisions.
- Reserves Strategy reflects analysis of risk.
- CEO / Monitoring Officer / CFO meet regularly and discuss key risks.
- In February 2024, the Council approved a 1-year balanced budget (balanced with the use significant General Fund and Earmarked Reserves), the Medium Term Financial Strategy (MTFS) – Link below was not balanced beyond 2024/25.
- Early monitoring and forecasting during 2024/25 showed clear evidence of the full effects on the Council of the period of ongoing effects high inflation and interest rates, as well as increasing demand and complexity of cases in social care (see below) and the achievement of significant level of savings in 2024/25. Prior to approving the 2024/25 budget, the Council sought Exceptional Financial Support from Government re 2023/24 out-turn and 2024/25 in year pressures linked to Government decision on HS2 and the impact of SEN costs / Dedicated Schools Grant deficit on the Council.

- Due to these pressures – and in recognition of a very uncertain environment for local government where many experts in the sector are reporting the view that the funding system is ‘broken’ – in February 2024 Council considered and approved its updated MTFS, but only the 2024/25 budget presents a balanced position – Link Below.
- High Needs / Dedicated Schools Grant Deficit - The Council’s spending on High Needs does not match the funding received via Dedicated Schools Grant, due to the growth in the number of pupils with an Education Health and Care Plan. This has resulted in a significant deficit, which is currently permitted to be held on the Balance Sheet in a ‘negative Dedicated Schools Grant reserve’ (i.e. a temporary accounting ‘override’, approved by the Department for Levelling Up, Housing and Communities). This override has been extended to 31 March 2026 – Risks included in the MTFS approved February 2023, in year reporting and MTFS approved February 2024.
- MTFS / Capital Strategy, set out key financial principles and reflects the main risks to sustainability.
- MTFS/Annual Budget agreed at Full Council annually and reported on through the financial cycle in monitoring reports to officers/members.
- MTFS development reports to Committees – to engage and input into the development of the MTFS and budget.
- Finance training provided to members.
- MTFS/Budget – member briefings to explain key assumptions and risk areas in financial planning.
- Value for Money and Financial Resilience 2023/24 published on website 1.3.24 -see link at Std F.
- G-2 Financial monitoring to committees to include mitigation of overspending as opposed to single CEC response (Ongoing) In year progress reports on the 2024/25 approved policy proposals undertaken and contained mitigation items and this will continue into 2025/26.
- G-3 MTFS to be clearly linked with transformation plan and identify options to close the financial gap with a clearly articulated financial strategy. *MTFS 2025/26 balanced with the use of Exceptional Financial Support and transformation targets, both service specific and cross council items and referenced accordingly in the MTFS Approved Feb 2025. Transformation board are monitoring the service specific items and also managing the allocation of the council wide items during early 2025/26.*

#### Gap Analysis

- Scenario planning is not a specific exercise within financial planning.
- Financial Reports include responses to mitigate adverse forecasts and need to include information on actions that are being taken to address financial sustainability.
- MTFS clearly articulated the need to address the medium term gap but that plan needs to be agreed alongside the transformation delivery plan.

**2023/24 Green (4)**

**2024/25 Green (4)**

#### Action Plan

- G-1 Develop Unit4 / Microsoft Business Intelligence to develop scenario / forecasting data for review as part of MTFS process ***MTFS to be clearly linked with transformation plan and identify options to close the financial gap with a clearly articulated financial strategy that aligns with the corporate plan. Second MTFS update report included funding scenario options - FSC report September 2024. Transformation targets included in 2025/26 MTFS - Cross cutting Transformation Savings not allocated to Service by 31.03.2025. (Ongoing).***
- G-3 MTFS to be clearly linked with transformation plan and identify options to close the financial gap with a clearly articulated financial strategy that aligns with the corporate ***plan MTFS 2025/26 balanced with the use of Exceptional Financial Support and transformation targets. Transformation board are monitoring the service specific items and also managing the allocation of the council wide items during early 2025/26. MTFS Gap 2026/27+ (Ongoing).***

Medium Term Financial Strategy - Link MTFS Feb 2024:

[https://www.cheshireeast.gov.uk/council\\_and\\_democracy/your\\_council/council\\_finance\\_and\\_governance/cheshire\\_east\\_budget/cheshire-east-budget.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/your_council/council_finance_and_governance/cheshire_east_budget/cheshire-east-budget.aspx)

MTFS Feb 2025: [Agenda for Council on Wednesday, 26th February, 2025, 11.00 am | Cheshire East Council](#)

**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: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.**

Key questions:

- 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?

**What we need to do?**

- 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.

**What we are doing (evidence of compliance)**

- The 2024/25 MTFS covers 1yr of activity with HLBCs linked to appropriate years. Future years remain unbalanced and the Council sought Exceptional Financial Support in February 2024 to meet 2023/24 out-turn pressures/2024/25 forecast pressures – HS2 and Special Educational Needs & Disabilities / Dedicated Schools Grant.
- 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 although only 2024/25 is balance in the 2024/25 MTFS.
- HLBC's published alongside MTFS Report.
- The MTFS forecasts the Council's financial position considering known service pressures, major issues affecting the Council's finances, global, national and local economic influences, as well as local priorities, internal/external risk factors and opportunities.
- Annual budget aligned with Service Planning – collaboration and consultation across the Council and with members, in developing the budget.
- 2024/25 – 2027/28 MTFS – balanced for 2024/25 only.
- 2025/26 - 2028/29 MTFS balanced only for 2025/26 and this is achieved through additional Exceptional Financial Support for 2025/26 of £25.3m, on top of £17.6m to be utilised to meet the forecast 2024/25 out-turn position.– See also Standard K re S25 Statement re robustness of estimates and adequacy of reserves and proposed actions.

- I-1 MTFS is being refreshed during 2024/25 including the alignment of the Council’s published transformation plan and to align with the Council’s Target Operating Model.  
*The MTFS was streamlined for 2025-29 to ensure that key messages and direction of travel were articulated much more clearly and succinctly to help with readability and understandability. Risks within the budget were clearly set out.*
- I-2 The refreshed MTFS will include sensitivity analysis and will include risk.  
*Sensitivity analysis was included in the Financial Sub-Committee reports on budget setting during 2024/25 to help articulate possible scenarios at varying stages of the budget setting process. Alternative Council Tax scenarios also presented in the report to Corporate Policy Committee as a means of balancing the budget but subsequently not pursued due to Government not agreeing to the Council increasing above the referendum level.*
- I-6 Review Capital Strategy for 2024/25 re affordability - target 31.03.2024.  
*Capital Review ongoing through 2024/25, some schemes deferred, reprofiled, none stopped in entirety. Borrowing profile therefore revised but not curtailed. Further “new” schemes added in addition through the development of the MTFS - further increase in the Capital Financing Budget in addition to the effects of financing Exceptional Financial Support for 2024/25 Out-turn and 2025/26 budget. The MTFS February 2025 set a balanced budget with the use of £25.3m Exceptional Financial Support for 2025/26. This included the topping up of General Reserves to a forecast level of £20m over the medium term and building in Contingency and Risk budgets over the medium term.*

#### Gap Analysis

- 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.

#### 2023/24 Amber (3)

#### 2024/25 Amber (3)

#### Action Plan

- I-3 Transformation Plan / Corporate Plan / balance MTFS in the medium term and increase GF reserves to sustainable level.
- ***The MTFS February 2025 set a balanced budget with the use of £25.3m Exceptional Financial Support for 2025/26. This included the topping up of General Reserves to a forecast level of £20m over the medium term and building in Contingency and Risk budgets over the medium term. Future years in the MTFS remain unbalanced – (Ongoing).***
- I-5 Align Capital Strategy to AMP ***Capital Board reestablished January 2025. Terms of References still being refined. Strategic oversight of Capital Programme and Investments Strategy plus proposed link to Asset Board (Ongoing).***