

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 2022/23 Annual Governance Statement (AGS), noting that the 2021/22 and 2022/23 (2 year) External Audit Value for Money (VfM) reports are 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:

RAG Assessment	Description
5	Achieves Best Practice
4	Substantial Compliance / Minor Areas of improvement
3	Reasonable Compliance / Some Areas of improvement
2	Minimum Compliance / Significant Areas of improvement
1	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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>Compliance with FM Code requires an authority to achieve value for money and be able to demonstrate that its services represent value for money</p> <p>Promote/achieve value for money - examples</p> <ul style="list-style-type: none"> • Clear Governance structure • Corporate Plan (clear objectives and strategy based on local need) • Effective Service and Financial planning • Financial Regulations • Procurement Regulations • Contract Management • Risk Management 	<ul style="list-style-type: none"> - Governance arrangements have moved to the Committee System (Committee membership & purpose - Links below) <ul style="list-style-type: none"> ○ Structure of Committees approved ○ Committee Terms of Reference (ToR) approved ○ Chairs / Members appointed (Link below) ○ Committee meeting schedule and workplans approved ○ Annual Review of Committee System Report (CPC June 2023) ○ Reports to all decision making committees 	<ul style="list-style-type: none"> • Appointments to CLT – currently interim arrangements in place to cover the Executive Director – Corporate Services and Executive Director – Place. • CFO/S151 leaving May 2024 – Interim and permanent appointments being sought. • New Corporate Plan (CP) to be aligned to Committees • Performance Framework for Corporate Plan Actions / Measures needs to be in Service Plans • Atamis roll-out (incl dashboards and procurement pipeline) – In progress 	<p>3 Amber</p>	<ul style="list-style-type: none"> • Publish Atamis dashboards (LH) – In progress • CLT Appointments • Interim/Permanent S151/CFO appointment • Strategic Risk Register reports to progress onto the Service Committees (Done for CPC). • Potential further/ongoing work re Decisions - Wider Leadership Community (WLC) Training plus Directorate Led sessions.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<p>produced in line with a reporting protocol, DMT clearance, legal/finance review, identification of mitigation of risks re report content.</p> <ul style="list-style-type: none"> ○ MTFS aligned to Committee Structure – annual report (FSC 08.03.23 and service committees) - Corporate Leadership Team – <u>see links below</u>. A new chief executive, Rob Polkinghorne was appointed by Full Council on 13.12.2023. - Group Governance arrangements. <ul style="list-style-type: none"> ○ Cheshire East Residents First Ltd (CERF) and Cheshire East Council hold the controlling shares and provide oversight of the Council’s subsidiary companies. ○ Finance Sub Committee / Shareholder Working Group have ToR (June 2023 FSC) 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<ul style="list-style-type: none"> - Revised Constitution – <u>see links below table.</u> <ul style="list-style-type: none"> ○ 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 2022/23) ○ Governance Workstream established within Brighter Futures Commercial Board (BFCB) (completed, April 2022 agreed that BFCB had achieved its objectives) ○ Decisions, Decisions, Decisions – Wider Leadership Community (WLC) Training plus Directorate Led sessions. - Corporate Plan 2021 to 2025 (Link) 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<ul style="list-style-type: none"> ○ Aligns with MTFS proposals ○ Aligns to Service Plans ○ Performance Dashboard including Risk - Procurement System Implementation (Atamis) – Live Sept 2021 for ICT, Procurement, Childrens Services and Adults Health and Integration – ongoing through 2023 <ul style="list-style-type: none"> ○ Procurement Progress Report to FSC and A&G (Completed 2022/23) ○ Atamis Launch and Contract Manager training re Dashboards - Strategic Risk Register (Link) <ul style="list-style-type: none"> ○ Risks contained within Service Plans ○ Risks recorded in hierarchy aligned with Directorate to Team level plans ○ Risk Management Framework and Risk Management Strategy adopted ○ Risk Reporting to CLT (Completed 2022/23) 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<ul style="list-style-type: none"> ○ Council Strategic Risk Register Assurance Report – quarterly updates to Corporate Policy Committee (CPC July 2022) ○ Risk Management Report (A&G annually – 22/23 27.07.23) – latest report was presented 7.3.24 – see link below ○ Operational risk registers included in directorate and service business plans 			
<p>Demonstrate value for money - examples</p> <ul style="list-style-type: none"> ● Scrutiny/Audit Arrangements ● Benchmarking ● Peer Review, Engagement with Service Users ● Monitoring of Performance Data ● Service Reviews ● User Surveys ● External Assessments, Equality Impact Assessments 	<ul style="list-style-type: none"> - Committee System introduces cross party decision making. - 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, S151 Officer and Monitoring Officer - also meet regularly. - External Auditors (Mazars) 	<ul style="list-style-type: none"> ● Evidence of benchmarking for Committees ● Corporate overview of external assessments ● Review adequacy and extent of external assessments 	<p>3 Amber</p>	<ul style="list-style-type: none"> ● Include external assessments as part of regular Performance Reporting (PC) -Ongoing ● Peer Review scheduled for end of March 2024 follows report to Corporate Policy Committee 13 Feb 2024 – recommend to authorise the Chief Executive to make arrangements for a local government peer review (RP).

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<ul style="list-style-type: none"> ○ Appointed via PSAA procurement ○ Attend A&G Committee ○ Regular catch-ups with CFO ○ Regular, private, catch ups with Chair/Vice Chair of A&G Committee ○ Unqualified opinion (Link) ○ VFM review external audit assessment covering financial sustainability, governance, improving economy, efficiency and effectiveness - Peer Review completed - Consultation Hub (Link) - Performance Scorecards to Scrutiny - OFSTED / CQC assessment - Revised Equality Strategy (EIAs support HLBCs and other change activity) - Benchmarking data in Performance Reporting. - External Audit (EA) – met all actions arising from Public Interest Report (AGS 22/23 – A&G 08.06.23 Satisfactory assurance opinion) 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<ul style="list-style-type: none"> - Draft Financial Statements 2022/23 published on time, commencement of 2022/23 Audit deferred due to national issues (A&G July2023) 			
<p>Key Questions:</p> <ul style="list-style-type: none"> • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved? 				

Risk Management report (Latest): <http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=486&MId=9825&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

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, Executive Directors for Adults, Children's, Place (acting) and Corporate Services (vacant), the Director of Finance & Customer Services (S151 Officer) and Director of Governance & Compliance (Monitoring Officer).

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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan / RAG
<p>Compliance with FM Code requires each of the following to be reliably and consistently met:</p> <ul style="list-style-type: none"> • CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest. • The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered and aligned with the authority’s overall financial strategy. • The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used 	<ul style="list-style-type: none"> - The Director of Finance & Customer Services (DF&CS) is the Authority’s CFO / s151 Officer and is a professionally qualified accountant with significant experience. - Senior Officer Structure & Statutory responsibilities reported on CEC website (June 2023) - The DF&CS is a member of CLT and leads on development of financial strategy - Pipeline of Strategic discussion to CLT via BMST - Report templates for decisions allow Financial Implications to be addressed and reports are submitted to CLT - Some ODRs are referred to CFO in advance to confirm financial implications are addressed - Improved clarity in FPRs over financial limits and decision making 	<ul style="list-style-type: none"> - Changes to personnel and approach for CLT are disrupting strategic discussion - Follow-up analysis of decisions not sufficient - Risk that not all ODRs reviewed by all necessary parties - Cascade consistent Budget Manager training of Unit4 and FP&A Forecasting tool across the Council 	<p>4 Green</p>	<ul style="list-style-type: none"> - Management Boards to be established with wider engagement of Directors and Heads of Service. - Performance Framework to include progress reporting of past recommendations / decisions (PC) - WOC Outturn reporting via CFO before Boards (AT) – in progress

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan / RAG
<p>appropriately, economically, efficiently, and effectively.</p> <ul style="list-style-type: none"> • The CFO must lead and direct a finance function that is resourced to be fit for purpose. • The CFO must be professionally qualified and suitably experienced. 	<ul style="list-style-type: none"> - The DF&CS 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 LEP / CEC Group - Regular meetings of Statutory Officers being the Chief Executive Officer (CEO), CFO and Monitoring Officer (MO) - DF&CS – supports and advises Council, Corporate Policy Committee (CPC, Finance Sub-Committee (FSC), Policy Briefing. Forums provide sufficient opportunities for the Leader of the Council, CEO / CLT to have oversight of financial matters and the DF&CS to be involved in developing and implementing strategy. - DF&CS networks externally and works with other Local Authority S151 Officers - Effective financial management is promoted throughout the whole Council through business partnering approach, regular financial reporting to CLT, FSC, CPC, Committees, Full Council. 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan / RAG
	<ul style="list-style-type: none"> - Finance Managers / Business Partners attend EDMT / DMT, Company SMT/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. - CERF WOC Draft Out-turn reports reported to FSC and A&GC (June 2023) 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan / RAG
	<ul style="list-style-type: none"> - LEP Outturn reporting via CFO before LEP before LEP Finance & Reporting Committee. - Quarterly 121 meetings for Shared Services / LEP / WOC CEOs with CFO. - WOC Out-turn reporting via CFO before Boards. - Following the publication of the council's 2023/24 First Financial Review report, in which potential gross budget deficit of £26.6m (£12.8 million after mitigation) has been identified, a budget emergency response team has been set up, called 'CEBERT' (Cheshire East Budget Emergency Response Team). CEBERT brings together Corporate Leadership Team and several senior officers from the corporate services directorate to lead on coordinating our work across the organisation to address the financial challenge and rebalance the council's budget forecast. CEBERT meets on a weekly basis to provide strategic oversight for a range of activity and workstreams and includes lead officers for each service 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan / RAG
	<p>committee to ensure that our response has appropriate political oversight and decision-making. Workstreams include Establishment Management, Spending Control Panel, Pricing Strategies and Capital Spending.</p>			
<p>Key questions:</p> <ul style="list-style-type: none"> • Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose? 				

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

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability Engages with The CIPFA publication Balance Sheet Management in the Public Services: A Framework for Good Practice (2017). 	<ul style="list-style-type: none"> Capital Schemes are monitored and reported on periodically in year. Capital Funding is reviewed by project and at strategic level. Report writing guidance has been developed to support improvement in articulating financial implications. 	<ul style="list-style-type: none"> Balance sheet review is not part of the financial monitoring process CIPFA Balance Sheet Management is not reported on Limited oversight of LEP / WOC / SS / Investment Strategy impacts on balance sheet Insufficient clarity on potential financial liability arising from risks recognised across registers being realised 	2 Red	<ul style="list-style-type: none"> ‘Decisions’ work to keep asking the so what questions so that impacts of a decision understood (financially, risk management and legal). (DB / AT) (Ongoing) Review reporting approach to impact of LEP / SS / WOC decisions on overall balance sheet – how does our existing contract management approach achieve this, what needs to change? (AT) (Ongoing)
<p>To comply with the FM Code the authority might choose to:</p> <ul style="list-style-type: none"> determine which elements of its balance sheet pose a significant risk to its financial sustainability, through a comprehensive review of its assets and liabilities 	<ul style="list-style-type: none"> Quarterly reporting includes reviews of debt and borrowing (Link examples) The deficit on the DSG has been identified as a key risk in the MTFS, monitoring reports to Committees Reserves Strategy is approved as part of the MTFS and compliance with the minimum 	<ul style="list-style-type: none"> Monitoring of entire balance sheet risk is not systematic. Limited oversight of LEP / WOC balance sheets Capital receipts strategy needs development to align with MTFS 	2 Red	<ul style="list-style-type: none"> Enhance quarterly reporting to include balance sheet management. Specifically, debt / borrowing / assets / pension fund valuation (as appropriate) (AT) (Ongoing)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • put in place mechanisms to monitor these elements of its balance sheet • respond promptly and proactively to any issues that these mechanisms identify. 	<p>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.</p> <ul style="list-style-type: none"> - Other potential key risk areas of the balance sheet – Pensions / Contingent Liabilities – captured as part of regular finance reporting. - Asset Management Report – covering property acquisitions and disposals undertaken by the Council and pending transactions (FSC 19.01.2023, next report scheduled FSC 17.01.2024) - Sundry Debt briefing report, sundry debt levels across all Council services (FSC 08.03.2023) - Sundry debt monitoring included as part of the in year finance performance report. - In year monitoring report (First Financial Review 2023/24 – Annex 1 CPC 05.10.23) includes Appendix 7 FSC and Appendix 7a Update to the Treasury Management Strategy as 			<ul style="list-style-type: none"> • Annual review of LEP / WOC balance sheet to CFO via Finance Lead (AT). • Report disposals and acquisitions to Finance Sub-Committee and reference links to MTFS (PS) (Done and Ongoing)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<p>relating Capital Strategy borrowing</p> <ul style="list-style-type: none"> - Local Government Pension Scheme (LGPS) and Cheshire Pension Fund (CPF) Report (FSC Jun 2023) – Introduction paper on the LGPS, planning and reporting for pensions and keeping members informed including CPF Committee and reporting of minutes to CPC in future (due FSC 2.11.2023) 			
<p>Key questions:</p> <ul style="list-style-type: none"> • Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? • Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? • Is the authority taking action to mitigate any risks identified? • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the 				

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
authority's management accounts reporting processes?				

Accountability

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

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>To ensure compliance with the FM Code, whatever form of governance arrangements are in place across the authority, the authority should assess its governance structures against the principles contained in the framework by:</p> <ul style="list-style-type: none"> • reviewing its existing governance arrangements • developing and maintaining an up-to-date local code of governance, including arrangements for ensuring the ongoing effectiveness of this local code • reporting publicly on an annual basis its compliance 	<ul style="list-style-type: none"> - Council has moved to a Committee System of Governance - As part of the transition, a review of the Constitution will be undertaken in the first 6 months of operation, with a report back to Council - Council has a Code of Corporate Governance and adopted the model principles in the Delivering Good Governance Framework in full. An annual review is carried out against this to inform the production of the Annual Governance Statement (AGS). 	<ul style="list-style-type: none"> - Work on this standard is too focused on Audit - Decisions are not systematically reviewed to ensure they have been complied with - Code of Corporate Governance needs to be updated to reflect Council governance in Committee System model. - Greater involvement by CLT in the production of the Annual Governance Statement via a Corporate Assurance Group (does this need to be a separate group – see next point) 	<p>4 Green</p>	<ul style="list-style-type: none"> - Establish Governance Workstream within BFT, ensuring allocation of responsibilities is wider than IA (DB) (Done but stood down) - Amend Service Plans to include Accountability Statements and links (PC)(Partially Done, but no links) - Update COCG with appropriate consultation and approval (JG)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>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.</p> <ul style="list-style-type: none"> • This reporting on compliance, effectiveness and improvement can usually be undertaken within the authority's AGS, which must be published alongside its financial statements. • Principles of the Good Governance Framework set out on p. 36 (FM Code guidance notes). <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? • Does the authority have in place a suitable local code of governance? 	<ul style="list-style-type: none"> - Majority of the assessment against the Code for the AGS is carried out by Internal Audit in addition to their annual opinion. - AGS is also informed by various sources of assurance reported to the A&G Committee throughout the year; Information Governance Annual Report, MO annual report, regular reports on LGO complaints as well as annual summary, WARNs and risk management. - AGS includes an action plan setting out improvements on significant governance issues. - A&G Committee have delegated authority from Council to approve the Statement of Accounts and AGS. Draft and final statements are presented to the Committee and Statement of Accounts/AGS are published on the Council's website together. - An update is presented to the A&G Committee on progress against significant governance 	<ul style="list-style-type: none"> - 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 AGS monitoring and reporting in line with quarterly risk review by CLT; draw out clearly where those AGS issues relate to the strategic risk registers. 		<ul style="list-style-type: none"> - Include AGS monitoring as part of Performance Framework (PC/JG)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> Does the authority have a robust assurance process to support its AGS? 	<p>issues where these are recognised in the AGS.</p> <ul style="list-style-type: none"> - 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. 			

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>In order to demonstrate compliance with the requirement of the FM Code that the authority's CFO has both personal and statutory responsibilities for ensuring that its financial statements comply with the local authority accounting Code, the authority could:</p> <ul style="list-style-type: none"> • ensure that the preparation and submission of annual financial statements that comply with the local authority accounting Code is included within the CFO's job/role description and annual performance management objectives • consider the extent to which the CFO has prepared and submitted annual financial statements that comply with the local authority accounting Code as part of the CFO's performance management 	<ul style="list-style-type: none"> - Finance Team structure recognises key responsibilities for account preparation and disclosure - Ongoing team development and training supports professional requirements for account closure - The DFCS (S151) 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 DFCS (S151) role has management responsibility through the Head of Finance 	<ul style="list-style-type: none"> - account closure is not part of performance review. - Maintain appropriate staffing levels. 	<p>4 Green</p>	<ul style="list-style-type: none"> - Include SOA in performance framework (dates and qualification) (AT) - Increase engagement of Finance Team with CFO (AT) (Ongoing) - Increase reporting on CPD / PDR to ensure development ongoing (AT) - IA to attend regular wider Finance Team meetings to support development of work plan / risk review (JG) (Ongoing) - Quarterly liaison with external auditors to maintain quality of reporting (AT) (Done / Ongoing) - Create secondment opportunities for Audit / Finance staff to

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>review (or equivalent) and used to inform any performance management ratings or judgements</p> <ul style="list-style-type: none"> 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. <p>Key questions:</p> <ul style="list-style-type: none"> Is the authority’s CFO aware of their responsibilities in terms of the preparation of the annual financial statements? Are these responsibilities included in the CFO’s role description, personal objectives 	<p>(Deputy S151) and FMT for the Finance Team.</p> <ul style="list-style-type: none"> 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 DFCS (S151 Officer). The DFCS (S151) role includes responsibility for liaison with external audit Audit & Governance Committee provide suitable challenge on timeliness and quality of accounts Sufficient resources and access to systems is adequate to complete account closure. Finance Leadership Team (DFCS/Head of Finance/FMT) meet monthly. With regard to production of the statutory Statement of Accounts, the Council is essentially ‘up-to-date’ in this regard, with draft accounts being prepared by the national deadline of 31 May. 			<p>enhance skills / experience (AT / JG)</p> <ul style="list-style-type: none"> Ensure Finance Team is at appropriate capacity to function, recruitment and retention and succession planning – plan to provide capacity and resilience in meeting business demands, the complexity of solutions required to achieve balanced budget and value for money. (PG)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>and other relevant performance management mechanisms?</p> <ul style="list-style-type: none"> • 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? 				

The audited accounts for 2021/22 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-2021-2022/statement-of-accounts-2021-22-final.pdf>

Similarly, the Accounts for 2022/23 were prepared by 31 May 2023 and the audit is nearing completion, with the auditors due to report their findings to the Audit & Governance Committee of the Council on 7 March 2024:

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

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=486&MId=9825&Ver=4>

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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> The FM Code states that effective financial reporting is key to ensuring that the authority and its leadership team understand how effectively its resources have been utilised during the year, including how material variances from initial and revised budgets to outturn have arisen and been managed. The success of these arrangements will be demonstrated by the ability of the leadership team to use them to make informed decisions about the authority's future financial strategy and plans. In some circumstances, such reporting might lead to a reappraisal of the achievability of the long-term financial strategy and of the financial resilience of the authority. 	<p>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.</p> <ul style="list-style-type: none"> Outturn reports are provided to CLT then onwards for appropriate member approval Outturn reporting includes assessment of financial performance across all services and central budgets, including narrative to explain variances Capital and revenue performance through the year Outturn reporting includes analysis of impacts on reserves and treasury management Outturn and Mid-Year Review support MTFS development process Third Quarter Review forecasts outturn, which aligns to MTFS opening balances 	<ul style="list-style-type: none"> Capital performance is not strongly correlated with MTFS process 	<p>4 Green</p>	<ul style="list-style-type: none"> BPs to provide insight reports to CFO, for discussion at DMTs with CFO present (AT) (Ongoing) Consultation must include Capital and associated headlines / charts (AT) Enhance HLBC to align with Performance Framework and to other Strategies and Policies (AT)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>Key Questions:</p> <ul style="list-style-type: none"> • Is the authority’s leadership team provided with a suitable suite of reports on the authority’s financial outturn and on significant variations from budget? • Is the information in these reports presented effectively? • Are these reports focused on information that is of interest and relevance to the leadership team? • Does the leadership team feel that the reports support it in making strategic financial decisions? 	<ul style="list-style-type: none"> • Outturn reported to CLT for review prior to draft accounts. • MTFS process includes Capital performance • MTFS Project Team established with PMO support • In year reporting includes variances to approved budget proposals 			

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<ul style="list-style-type: none"> The FM Code sets out clearly that stakeholder consultation can help to set the authority's priorities and to reduce the possibility of legal or political challenge. Furthermore, stakeholder consultation helps to encourage community involvement not just in the design of services but in their ongoing delivery. The FM Code requires the authority to engage, where appropriate, with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget. In 	<ul style="list-style-type: none"> A comprehensive Stakeholder Analysis was completed. Budget Consultation is on-line and (when possible) available at public buildings to maximise engagement. Questions and material 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, 	<ul style="list-style-type: none"> Events to discuss the MTFS with partners need 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. 	<p>4 Green</p>	<ul style="list-style-type: none"> Events to discuss the MTFS with partners need to be re-instated Provide earlier public consultation with wider options contained within HLBCs (AT)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<p>complying with this element of the FM Code, there are a number of things to consider, namely:</p> <ul style="list-style-type: none"> ○ how to identify key stakeholders ○ how to engage effectively with these stakeholders ○ how to use the results of this engagement wisely. <p>Key questions:</p> <ul style="list-style-type: none"> ● How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? ● How effective has this engagement been? ● What action does the authority plan to take to improve its engagement with key stakeholders? 	<p>town and parish councils, local community groups and other stakeholders including trade unions.</p> <ul style="list-style-type: none"> - 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 PMO 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. <p>-</p>			

Budget Engagement - The full report may be found here:

<https://www.cheshireeast.gov.uk/pdf/Council-and-democracy/Consultations/Consultation-results/Budget-Consultation-for-2024-to-2025.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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<ul style="list-style-type: none"> As a general rule, the approach taken by the authority to option appraisal should comply with the guidance set out in the IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (2013). Consequently, rather than preparing its own documented appraisal methodology, the authority 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). 	<ul style="list-style-type: none"> HLBCs follow the Better Business Cases (5 Cases) Model which encourages options appraisal. The s.151 Officer frequently raises the quality of options 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) 	<ul style="list-style-type: none"> The IFAC/PAIB publication has not been used as a guide so should be reviewed. Options appraisals are generally inadequate / 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 . 	<p>3 Amber</p>	<ul style="list-style-type: none"> Training / presentation needed on IFAC/PAIB at EFMT at least (AT). Amend HLBC template to require at least 3 Options (do nothing / do this / do something else) (AT) (Ongoing) Link HLBCs to Corporate Risk Register where applicable to enhance transparency (JG) Risks need to be aligned (CP / MTFS / HLBC / Corporate Register) (JG) Risks mitigation needs to be articulated as part of Finance / Performance Framework (JG) (Ongoing)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<p>Key questions:</p> <ul style="list-style-type: none"> • Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? • Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty? • Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)? 				

Standards

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

Standard H : The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities S

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<ul style="list-style-type: none"> • The FM Code requires the authority to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), though there is an exception for chief constables in England and Wales as they only have very limited and specific borrowing powers. • In setting or revising its prudential indicators, the authority is required to have regard to the following matters: <ul style="list-style-type: none"> ○ service objectives, e.g. strategic planning for the authority 	<ul style="list-style-type: none"> - The Council complies with the Prudential Code and monitors adherence through the Treasury Management Plan and as part of the MTFS approval process. - Borrowing is reviewed as part of the process to set the Capital Budget and is supported by frequent contract management and engagement meetings with Treasury Management Advisors - The Capital Programme Board (not currently happening but do have annual reviews) - board reviews schemes and funding to assess impact on borrowing / financing. - Options to manage funds are completed across the 	<ul style="list-style-type: none"> - The impact of the MTFS proposals should be more clearly articulated in the Treasury Management Strategy (TMS). - Reporting against funding targets should be enhanced and assessed against risk. - Reporting to CLT should be simplified to enhance engagement with TMS - Capital Programme Board need resurrecting but in a different format/membership. - Capital Strategy Review to be undertaken to make the Capital Programme affordable 	<p>3.Amber</p>	<ul style="list-style-type: none"> - Capital Strategy Review Process – see detail notes below this table – page 32. - Capital Strategy Review by 31.03.2024, Feedback 17.05.2024 – update Out-turn report June 24. - 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)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<ul style="list-style-type: none"> ○ stewardship of assets, e.g. asset management planning ○ value for money, e.g. option appraisal ○ prudence and sustainability, e.g. risk implications for external debt and whole life costing ○ affordability, e.g. implications for council tax/district rates ○ practicality, e.g. achievability of the forward plan. <ul style="list-style-type: none"> ● The Prudential Code also requires that, in making its capital investment decisions, the authority should have explicit regard to option appraisal and risk, asset management planning, strategic planning for the authority and achievability of the forward plan. <p>Key questions</p> <ul style="list-style-type: none"> ● Has the authority prepared a suitable capital strategy? 	<p>programme, and not simply on a single item.</p> <ul style="list-style-type: none"> - Quarterly reports on Capital to include impact on CFB and management of this through the Financing Reserve (Done) - Capital Strategy features a number of sections, including an overview from the S151 Officer, prioritisation of capital expenditure, investment and risk strategy and governance; as well as the Capital Programme itself from page 379 – see link below. 	<p>for 2024/25 and beyond – See Capital Strategy – MTFS starting Page 361 – see link below table</p> <ul style="list-style-type: none"> - Capital HLBC's to include whole life costs - Importantly in the context of the Council's current circumstances, the following extracts from the S151 Officer's overview are particularly relevant – see extract below. 		<ul style="list-style-type: none"> - Align MTFS to cashflow, remove assumptions on slippage moving to risk assumptions instead. - Focus TMS reporting on MTFS and high level borrowing / investment targets and actions to change them if necessary - Widen HLBCs to cover whole life costs and cashflow implications (such as PMO dashboard)

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	GAP	Action Plan
<ul style="list-style-type: none"> Has the authority set prudential indicators in line with the Prudential Code? Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 				

The Capital Strategy may be found in the MTFs, starting on page 361.

<https://www.cheshireeast.gov.uk/pdf/council-and-democracy/budget-report/appendix-c-mtfs-2024-2028.pdf>

Capital Strategy:

In the context of the Council's current circumstances, the following extracts from the S151 Officer's overview are particularly relevant:

2023/24 has proven to be a difficult year for Cheshire East Council financially and the rise in interest rates has heavily impacted on the Capital Financing Budget. The revised Capital Financing Budget required for 2024/25 is £28.5m, an increase of £9.5m from 2023/24.

The Council also has a need to borrow and interest costs are anticipated to be in the region of £16.1m in 2024/25 and only reducing slightly in the following three years. Action needs to be taken to reduce the capital programme so that it is affordable and financially sustainable in the years to come.

A review of the programme commenced in October 2023. This work is ongoing but only schemes that are fully funded or of a nature where expenditure is essential whether that is a legal or compliance requirement will be allowed to continue in 2024/25.

The review will ensure projects have been prioritised, de-scoped or removed entirely, so that the Council can reduce the need borrow and reduce the minimum repayment of capital that is charged to the revenue account. Any scheme in one of the following categories must not proceed without further review from the s.151 Officer:

- 1. Scheme requires Cheshire East resources, either immediate or in the future.*
- 2. Scheme requires forward funding from the Council that will impact the revenue budget.*
- 3. Scheme is due to commence in 2024/25 or is at a point where work / contracts can be ceased.*
- 4. Scheme is not essential for an invest-to-save business case scheme and does not bring a financial benefit to the revenue budget.*

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • One of the principal objectives of the FM Code is to end the practice by which the annual budget process has often become the focal point of, if not the limit to, authorities’ financial planning. • The annual budget should be merely one element in a longer-term approach to ensuring financial sustainability. However, the annual budget preparation process must nevertheless be protected at a time when the need to make difficult decisions may threaten its integrity. • The FM Code requires the authority to be familiar with its statutory obligations in respect of the budget-setting process, to comply with these requirements, and to be able to demonstrate 	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Significant information within HLBCs and EIAs should be capable of publication (and be published) - Identify solutions – with Government – to the exceptional financial challenges of: <ul style="list-style-type: none"> a. Abortive costs of HS2 and potentially other capital projects (post-review) b. The High Needs/ DSG deficit, per se, and the directly related cashflow effects of interest costs c. Underlying operational deficits on our revenue account in 2024/25 	<p>4 Green</p>	<ul style="list-style-type: none"> - Identify solutions – with Government – to the exceptional financial challenges of: <ul style="list-style-type: none"> ○ Abortive costs of HS2 and potentially other capital projects (post-review) ○ The High Needs/ DSG deficit, per se, and the directly related cashflow effects of interest costs ○ Underlying operational deficits on our revenue account in 2024/25 - Publish HLBCs, embed EIAs within HLBC template (Ongoing) - Enhance MSBI output to analyse / scenario plan demand led spending requirements.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>that it has complied with them.</p> <ul style="list-style-type: none"> 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. <p>Key questions</p> <ul style="list-style-type: none"> Is the authority aware of its statutory obligations in respect of the budget-setting process? Has the authority set a balanced budget for the current year? Is the authority aware of the circumstances under 	<p>levels of risk and resilience reserves.</p> <ul style="list-style-type: none"> Decisions are supported by HLBCs, including EIAs and proposals are subject to Consultation. HLBC’s 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 2023/24 has recognised the scale of the current in year 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 			<ul style="list-style-type: none"> Develop Service Plans to address a profile aligned to MTFS, to move away from central bidding process. 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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>which it should issue a Section 114 notice and how it would go about doing so?</p>	<p>and the consequences of issuing a S114 are also clearly stated.</p> <ul style="list-style-type: none"> - 2024/25 – 2027/28 MTFS & 24/25Draft Budget - Corporate Policy Committee 13.02.2024 - Urgent Decision – Exceptional Financial Support for 23/24 and 24/25 re (i) HS2 and (ii) High Needs Education spending The total request is therefore £17.6m (£11.6m 2023/24 / £6.0m 2024/25). The impact of approving the application is that the Council would have access to reserves of approximately 5% of the net revenue budget. This is in-line with frequently quoted guidance levels for Council reserves. At this level of reserves the Council would not have an immediate risk of Section114 Notice. 			

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> In line with Section 25 of the Local Government Act 2003, the FM Code requires the authority’s section 151 officer (for authorities in England and Wales) to report alongside the annual budget, when it is submitted for approval, on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals The aim of this report is to provide information and assurance in respect of the estimates included within the annual budget, so that those responsible for scrutinising and approving the budget can take these into account as part of the scrutiny and approval process. <p>Key questions</p> <ul style="list-style-type: none"> Does the authority’s most recent budget report include a statement by the CFO on the 	<ul style="list-style-type: none"> The S.25 Report is written by the s.151 Officer and expresses their professional views. The report is included within the MTFs and members are asked to take this report in to account as part of the recommendations of the Report to Cabinet / Council Report reflects all elements of the financial cycle and the associated engagement Report highlights risks and performance in a strategic context. 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) 30.01.2024 – 	<p>Promotion of the s.25 Statement is limited so needs to be subject to a communication plan Report is not subject to specific scrutiny so should be considered as a specific agenda item for Committee</p> <p>Insufficient focus on ‘problem’ areas that need to be resolved, such as AMP and Capital Profiling.</p>	<p>4 – Green</p>	<ul style="list-style-type: none"> Enhance CFO communications with planned conversations, BLOG, DMT attendance (Ongoing) Use CIPFA FM Code review to report problem areas Exceptional Financial Support (DLUHC) – Urgent decision CPC 13.02.2024 (approved in principle by DLUHC). Continue to explore options with DLUHC, DfE and DfT to resolve material issues regarding HS2 and High Needs (SEND) education expenditure. Self-assessment of the Council against the Local Government Association – Transformation Capability Framework.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>robustness of the estimates and a statement of the adequacy of the proposed financial reserves?</p> <ul style="list-style-type: none"> • Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? • Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? • Does the report set out the current level of the authority’s reserves, whether these are sufficient to ensure the authority’s ongoing financial sustainability and the action that the authority is to take to address any shortfall? 	<p>specific coverage on the robustness of the budget estimates and adequacy of reserves.</p> <ul style="list-style-type: none"> - 2023/24 S25 - The Section 25 report supporting the 2023/24 budget stated that “The balanced position relies on achieving each proposal within the strategy without delays. Low levels of reserves present limited scope to manage any unforeseen financial difficulties in the medium-term.” Savings targets were achieved by the Council, although some were realised later than planned. But the level of growth materially exceeded forecasts and created in-year overspending. The issue of having low levels of reserves must be addressed within the next 12 months. - 2024/25 S25 (CPC 13.02.24)- The Council must react to the financial deficit in this budget. Change and transformation is particularly important as overspending occurred in 			<ul style="list-style-type: none"> - LGA Peer Review – CPC 13.02.2024 approved. - Whole organisation Transformation Plan / Programme – needed to help address the financial deficit will focus on: <ul style="list-style-type: none"> • Reprioritisation to create an opportunity to invest in critical areas but also disinvest from areas • Customer engagement and experience through using technology to streamline service delivery enabling self-service available 24/7 whilst ensuring specialised support and guidance is given to those that need it • Achieving value for money in, and across all services, by reducing manual, repetitive tasks through automation of systems and processes

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<p>2022/23 and is forecast in 2023/24. This is a trend that cannot be sustained or managed through reserves.</p> <ul style="list-style-type: none"> - Spending in 2022/23 alongside forecasts for 2023/24 and 2024/25, are reducing total reserves to an inadequate level. There are ongoing financial risks associated with High Needs grant (SEND) and the Private Finance Initiative (PFI) that the Council may have to address in the medium-term. - The 2024/25 budget presents a robust set of forecasts, but that the Council must address the current trend of overspending. This requires further engagement of the Committees alongside enhanced controls associated with adherence to the CIPFA Financial Management Code. - Based on S151 Officer assessment of the risks that the Council can currently value S151 Officer is not satisfied that the Reserves Strategy presents an 			<ul style="list-style-type: none"> • Reviewing organisational structures and operating models to maximise performance and outcomes • Developing the right skills and behaviours across the entire workforce to achieve high productivity levels • Achieving financial targets through the effective implementation of well informed and clear decisions informed by data and insight • Developing the Asset Management Plan to align it to service requirements and dispose of surplus assets

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<p>adequate level of reserves to support the MTFs.</p> <ul style="list-style-type: none"> - To mitigate the risk of financial failure, and the consequential impact on local services, S151 Officer has been in regular contact with the Exceptional Financial Support Team of DLUHC, alongside the Council's Chief Executive. - Exceptional Financial Support Report taken to Corporate Policy Committee 13.02.2024 – see link below to report. - EFS request approved by Government 29.02.2024 (see below). <p>In addition:</p> <ul style="list-style-type: none"> - The Chief Executive has taken the initiative to engage senior officers in self-assessment of the Council against the Local Government Association – Transformation Capability Framework. <p>The results will inform a programme of activity across the Council.</p> <p>This will include reviewing how senior officers can work more</p>			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<p>collaboratively within a management board operating model. The intention being to provide more opportunities to focus on strategic outcomes and manage change.</p> <ul style="list-style-type: none"> - Members have also discussed options related to LGA Peer Review which will input into the Council's transformation ambitions. (Also CPC 13.02.2024) - Exceptional Financial Support granted by Government 29.02.2024 This request has been approved by Government, with the official announcement being made after the Council set its budget. Consequently it may be viewed that our revenue reserves will be 'saved' from incurring these costs and provide some 'relief' as regards reserves levels in the short term. 			

Exceptional Financial Support Report – Link: <http://moderngov.cheshireeast.gov.uk/ecminutes/documents/b25707/Urgent%20Decision%20-%20Exceptional%20Financial%20Support%2013th-Feb-2024%2014.00%20Corporate%20Policy%20Committee.pdf?T=9>

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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> In setting out the requirement for the authority's leadership team to demonstrate in its actions and behaviours responsibility for governance and internal control, the FM Code emphasises the importance of the 'Nolan principles' (listed p. 32 FM Code Guidance Notes). <p>Key questions</p> <ul style="list-style-type: none"> Does the leadership team espouse the Nolan principles? Does the authority have in place a clear framework for 	<ul style="list-style-type: none"> The Audit & Governance Committee ToRs are reviewed frequently and reflect input of the s.151 Officer. AGS is prepared within Audit Team and reviewed by CLT / A&G S.151 Officer stresses requirement for appropriate ethics and behaviours from Team and Peers. Code of Ethics specific for Internal Audit Officer Code of Conduct Member Code of Conduct CFO promotes ethics and Nolan Principles. 	<ul style="list-style-type: none"> Adherence to Nolan Principles is not frequently assessed by CLT / WLT / WLC There is evidence of confusion over some decision making. Examples of non-compliance are not systematically used to provide learning. Publication of spend analysis is not reviewed or promoted. 	<p>4 – Green</p>	<ul style="list-style-type: none"> Develop accountability statement for Service Plans (including links to supporting policies and guidance) and require positive acknowledgement of agreement. (Ongoing) Allow areas of development to be flagged via AGS. Add recognition of principles to AGS. Use CFO comms to articulate issues and solutions. Ensure IA manage spot-check reviews of spend.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>governance and internal control?</p> <ul style="list-style-type: none"> • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<ul style="list-style-type: none"> - Procurement pipeline reviewed at FSC, 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: <ul style="list-style-type: none"> > 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. 			<ul style="list-style-type: none"> - Enable regular scrutiny of financial proposals by relevant committees, including recording (or approval) of mitigating actions

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<ul style="list-style-type: none"> - We have governance arrangements for our wholly owned trading companies - DFCS and Monitoring Officer both attend Corporate Policy Committee to ensure strong financial governance and oversight of decision-making. - All reports to Committees, CLT, DMT are required to include a financial implications section overseen by Senior Finance Officer and a representative of the Finance Service attends all meetings. 			

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • The FM Code sets out that if the authority has not tested and demonstrated its long-term financial resilience, then its financial sustainability remains an open question. • The FM Code requires, therefore, that the authority assesses critically its finance resilience. This is undertaken by means of an explicit financial resilience assessment. <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority undertaken a financial resilience assessment? • Has the assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios? • Has the authority taken appropriate action to address 	<ul style="list-style-type: none"> - Growth and Savings feature in equal prominence within the MTFS. - The MTFS process reflects impact of MYR / TQR at key stages. - The MTFS includes an assessment of resilience issues. - HLBCs supports inclusion of data analysed to support the proposal - Unachievable proposals within the MTFS are addressed and reversed / amended when necessary - The Reserves Strategy identified key risks and potential values. - The CIPFA Resilience Index is reviewed when published and discussed by CEO / s.151 / MO - First Finance Review of financial outlook prompts and highlights early pressures and mitigations that might be required. Supplemented in 23/24 by Big 	<ul style="list-style-type: none"> - There is no specific format to the testing of resilience - A detailed resilience assessment is not publicised - CIPFA Resilience Index is not specifically shared with A&G Cttee - HLBCs frequently do not link to data analysis or KPIs. - HLBCs tend to provide a single figure and not a range, often linked to limited options appraisal work - Alongside Oflog (Office for Local Government), DLUHC is publishing performance data on a new stat tool – the Local Authority Data Explorer – 4 initial areas of performance – Adult 	<p>3 - Amber</p>	<ul style="list-style-type: none"> - Review CIPFA assessment tool (Done) - Produce timely resilience report for A&G. Include key indicators plus external assessment – EA, CQC, OFSTED, ICO, LGO - Review DLUHC Local Authority Data Explorer performance stats – Finance Stats reviewed (Ongoing) - Value for Money and Financial Resilience – review and publish annually

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
any risks identified as part of the assessment?	<p>Board tracking of progress of policy proposals re growth/savings and the extent agreed/achieved/not achieved/mitigations, and later in year as a consequence of the financial position, introduction of CEBERT weekly meetings across all Directorates/Committees.</p> <ul style="list-style-type: none"> - Value for Money and Financial Resilience 2023/24 published on website 1.3.24 -see link below 	Social Care, Waste Management, Adult Skills, Local Authority Finance - review		

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

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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • The earlier the authority identifies that it is deviating from its plans, the easier it is to get things back on course. • Consequently, proactive review of focused financial and activity performance reports should be a regular task for the leadership team. • In order for the leadership team to have access to the information it needs to identify emerging risks, the authority needs to ensure that its leadership team: <ul style="list-style-type: none"> ○ receives reports about the right things ○ receives reports at the right time ○ receives reports in the right format ○ takes action in respect of any issues identified. <p>Key questions</p>	<ul style="list-style-type: none"> - 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. - MYR / TQR / Outturn Reports are supported by Finance Business Partners. - Financial Reports are reviewed by CLT - Budget Managers use forecasting tools to support process of budget monitoring. - All Directors meet 121 with CFO on a quarterly basis. - Reporting considers Revenue / Capital / Reserves / Debt Grants / Budget Changes - Reporting focuses on Income and Expenditure - Reports to members include mitigating activity and 	<ul style="list-style-type: none"> - There is no monthly reporting of financial activity - 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 	<p>3 - Amber</p>	<ul style="list-style-type: none"> - Develop Unit4 enquiries to provide up to date info - Develop Unit4 / MSBI to develop scenario / forecasting data for review as part of MTFS process - Governance Workstream to establish review of decisions (ensure clear, complete and monitored) (Ongoing) - Enabling of Services and service management to meet their financial management responsibilities through technology and training (including FP&A for budget management and forecasting) - Improve the quality of spend control and

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? • Do the reports cover both forward and backward-looking information in 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? 	<p>indications of how this will be achieved.</p> <ul style="list-style-type: none"> - 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 - Big Board tracking of progress of policy proposals re growth/savings and the extent agreed/achieved/not-achieved/mitigations . - Following the publication of the council's 2023/24 First Financial Review report, in which potential budget deficit of £12.8 million has been identified, a budget emergency response team has been set up, called 'CEBERT' (Cheshire East Budget Emergency Response Team). CEBERT brings together Corporate Leadership Team and a number of senior officers from the corporate services 	<p>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.</p> <ul style="list-style-type: none"> - 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 		<p>financial information and intelligence.</p> <ul style="list-style-type: none"> - Shareholder oversight of Wholly Owned Company Business Plans and In-year performance (Ongoing) - Whole organisation transformation programme to change service budget envelopes and re-establish corporate financial resilience and sustainability, including adequate reserves.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
	<p>directorate to lead on coordinating our work across the organisation to address the financial challenge and rebalance the council's budget forecast. CEBERT meets on a weekly basis to provide strategic oversight for a range of activity and includes lead officers for each service committee to ensure that our response has appropriate political oversight and decision-making.</p> <ul style="list-style-type: none"> - Procurement Pipeline reports to FSC / A&G - Quarterly performance reports to Committees - Risk Reporting to CLT (Completed 2022/23) - Council Strategic Risk Register Assurance Report – quarterly updates to Corporate Policy Committee - Risk Management Report (A&G annually – 22/23 27.07.23) 			

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

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=959&MId=9839&Ver=4>

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=965&MId=9863&Ver=4>

<http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=965&MId=9939&Ver=4>

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> Financial sustainability is about the ability of the authority to continue to fund its activities not just in the present, but also in an increasingly uncertain future. Developing a robust approach to ensuring the financial sustainability of the authority’s activities is central to compliance with the FM Code. Achieving financial sustainability requires the authority to have the capacity, the capability and the confidence to plan for the long term and to focus on the achievement of longer-term objectives, rather than to exist simply from year to year. Challenges to the above include: 	<ul style="list-style-type: none"> The MTFS is supported by HLBCs that focus on 4yr estimates MTFS is forecast over 4yrs with allocations between Revenue / Capital / Reserves HLBCs include growth and savings with supporting evidence for forecasts HLBCs are prepared and owned by Service Directors MTFS does not include un-identified savings proposals Strategy focuses on reducing reliance on government funding Revenue impact of Capital expenditure is reflected in MTFS 	<ul style="list-style-type: none"> HLBCs tend to focus on proposals in year 1 with less planning for new proposals in yrs 2+ Policy proposals taking too long to realise, or not achieving the extent of savings originally envisaged. Some reticence to recognise forecasts of pressures early in the year. Beneficial impacts of capital investment are rarely reflected in Revenue budget Impact on KPIs is not reflected in HLBCs 	<p>3 - Amber</p>	<ul style="list-style-type: none"> All HLBCs to consider whole life impact to support decision Update Council charging strategy Income targets must be aligned to pricing strategies (and articulated in HLBCs if necessary) (Ongoing) 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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> ○ changes to the nature and level of public funding ○ an ageing population ○ ongoing pressures on adult and children’s social care and other service areas ○ a drive for greater efficiency in response to resource constraints ○ increased demand for affordable housing ○ uncertainty regarding the UK’s ongoing relationship with the EU ○ new risks associated with commercialisation. <p>Key questions:</p> <ul style="list-style-type: none"> ● Does the authority have in place an effective framework of financial accountability? ● Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? ● Does the authority’s finance team have appropriate input 	<ul style="list-style-type: none"> - 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 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 EDMTs, DMT regularly. - Annual budgets and policy proposals/HLBC’s are verified by ED’s. Regular meetings with budget holders as part of in year monitoring. - In year reports to CLT/Committees on forecast 	<ul style="list-style-type: none"> - Capital spend forecasting is overly optimistic - Pricing strategies are not consistent or published - Investment / Savings are not led by Corporate Plan - HLBCs are not subject to individual risk assessment / provisions 		<ul style="list-style-type: none"> - Consider mandatory training - Peer Review underway March 2024. - Corporate financial challenge – a need for a whole-Council response; and the committee system and the wider engagement of elected Members - Whole organisation transformation programme to change service budget envelopes and re-establish corporate financial resilience and sustainability, including adequate reserves

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<p>into the development of strategic and operational plans?</p> <ul style="list-style-type: none"> • 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? 	<p>financial information – oversight and scrutiny of Council’s financial position and any ongoing funding pressures.</p> <ul style="list-style-type: none"> - CLT – Big Board tracking of approved policy proposals and included in quarterly reports. - Finance representation on major projects - Reports include financial implications section signed off by a senior finance officer and a Finance Manager attends Committee meetings. 			

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

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> The FM Code sets out that, having carried out a finance resilience assessment, the authority should demonstrate how the risks identified have informed the development of its longer-term financial strategy. The authority should, furthermore, report the implications of these risks on its future financial sustainability to its leadership team, including its elected members. 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. 	<ul style="list-style-type: none"> Strategic Risks are reported to A&G Committee S.25 Statement includes reflection of risks and how they are being managed Financial Reports include responses to mitigate adverse forecasts MTFS reflects impact of quarterly reporting issues Members receive quarterly reports, including key decisions Reserves Strategy reflects analysis of risk CEO / MO / CFO meet regularly and discuss key risks In February 2023, as in previous years, Council approved a 4-year balanced Medium Term Financial Strategy (MTFS) – Link below. Early monitoring and forecasting during 2023/24 showed clear evidence of the full effects on the Council of the period of high inflation and interest rates, as well as increasing demand and 	<ul style="list-style-type: none"> CIPFA Resilience Index is not specifically shared with members. HML forecasts do not feature are part of financial implications of member reports. Scenario planning is not a specific exercise within financial planning List of ‘difficult events’ needs further development as part of approach to risk management. Members rarely focus or take the opportunity to reflect on areas of overspending 	<p>4 - Green</p>	<ul style="list-style-type: none"> Options appraisals can include HML approach to allow more risk managed approach Financial monitoring to committees to include mitigation of overspending as opposed to single CEC response (Ongoing) Develop Unit4 / MSBI to develop scenario / forecasting data for review as part of MTFS process CIPFA Resilience Index – See Std F

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> Other approaches to complying with this financial management standard are available. It is up to the authority to select an approach that is commensurate with its own requirements and with the resources that it has available. <p>Key questions:</p> <ul style="list-style-type: none"> Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)? Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for 	<p>complexity of cases in social care (see below).</p> <ul style="list-style-type: none"> 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 / DSG Deficit - The Council’s spending on High Needs does not match the funding received via DSG, 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 DSG 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 			

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
short and medium-term decision making?	<p>and MTFS approved February 2024.</p> <ul style="list-style-type: none"> - 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 			

Medium Term Financial Strategy - Link

MTFS Feb 2023: https://www.cheshireeast.gov.uk/council_and_democracy/your_council/council_finance_and_governance/cheshire_east_budget/cheshire-east-budget-2023-24.aspx

MTFS Feb 2024:

https://www.cheshireeast.gov.uk/council_and_democracy/your_council/council_finance_and_governance/cheshire_east_budget/cheshire-east-budget.aspx

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.

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • The FM Code does not anticipate that a longer-term financial strategy will – or, indeed, should – provide sufficient detail to allow for it to be translated directly into an annual income and expenditure budget. • To bridge this gap, therefore, and to allow the authority to ensure that its annual budget is in alignment with its longer-term financial aims, the FM Code requires the authority to prepare a multi-year medium-term financial plan. • Furthermore, this plan should also be consistent with associated service plans for the authority’s principal services. <p>Key questions</p>	<ul style="list-style-type: none"> - The 2023/24 MTFS covers 4yrs of activity with HLBCs linked to appropriate years. - Annual budgets are approved, using the additional years of the MTFS as evidence of the robustness and whole life impact of yr1 proposals. - Income and expenditure forecasts are consistent and reflect up to date analysis to support longer term planning. - The MTFS is provided in full as part of the Council approval of the annual budget. - All strategies within the MTFS reflect the 4yr planning timeframe. - HLBC’s published alongside MTFS Report 	<ul style="list-style-type: none"> - There is potential ambiguity over the ‘approval’ of proposals beyond yr1. - The MTFS does not compare scenarios, such as HML, but is presented as a single plan. - The Asset Management Plan (AMP) is not suitably aligned to the MTFS. - Lifetime costs of assets does not systematically feature within the MTFS. 	<p>3 - Amber</p>	<ul style="list-style-type: none"> - Develop approach to vary MTFS as opposed just to vary current year - Review Capital Strategy for 2024/25 re affordability - target 31.03.2024 - Transformation Plan / balance MTFS in the medium term and increase GF reserves to sustainable level - Publish HLBCs to demonstrate options (ongoing) - Align Capital Strategy to AMP

What we need to do	What we are doing (evidence of compliance)	Gap Analysis	RAG	Action Plan
<ul style="list-style-type: none"> • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims? 	<ul style="list-style-type: none"> - 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, future years as yet to be balanced – See also Standard K re S25 Statement re robustness of estimates and adequacy of reserves and proposed actions. 			