

| | |
|-----------------------|---------------------------------------------|
| SUBJECT: | THE CIPFA FINANCIAL MANAGEMENT CODE |
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | JACLYN GIBSON, CHIEF FINANCE OFFICER |

1. Purpose of Report

- 1.1 To report to the Audit Committee the Council's assessment for 2022/23 against the Standards contained within the CIPFA Financial Management Code and the associated actions arising to ensure compliance.

2. Background

- 2.1 Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not previously supported by a professional code.
- 2.2 This situation changed when, in December 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. The FM Code was introduced as part of a package of measures in response to concerns around the financial resilience of Councils. These measures were driven by the exceptional financial circumstances faced by local authorities (even prior to the impact of Covid19 and the current economic factors), having revealed concerns about fundamental weaknesses in financial management. In particular there had been, and continue to be, a small number of high-profile failures across local government which threaten stakeholders confidence in the sector as a whole.
- 2.3 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.
- 2.4 The standards have different practical applications according to the size and different circumstances of individual authorities and their use locally should reflect this. The principle of proportionality applies to the FM Code and reflects a non-prescriptive approach to how each standard is met.
- 2.5 The Code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks. Demonstrating compliance with the CIPFA FM Code is a collective responsibility of the Elected Members, Corporate Leadership Team and the Chief Finance Officer.

3. The Financial Management Code

3.1 The Code focuses on value for money, governance and financial management styles, financial resilience and financial sustainability. The Code identifies the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice. The Code has been designed on a principles-based approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable. The six principles of good financial management are:

- **Organisational Leadership** Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
- **Transparency** At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
- **Professional Standards** Promoted by the leadership team, with adherence evidenced.
- **Assurance** Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
- **Long-Term Sustainability** At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

3.2 In turn the Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team
- Governance and Financial Management Style
- Long to Medium Term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

Each of these areas is supported by a set of guidance standards against which Councils should be assessed. CIPFA's expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the FM Code and to meet its statutory responsibility for sound financial administration and fiduciary duties to taxpayers, customers and lenders.

- 3.3 Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities. The Code recognises that some organisations have different structures and legislative frameworks. Where compliance with this code is not possible adherence to the principles is appropriate.
- 3.4 The Council's external auditors, from 2021/22, have regard to the FM Code. Furthermore, CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement should now include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code. Where there are outstanding matters or areas for improvement, these should be included in the action plan. The Council's Annual Governance Statement is now prepared on this basis.
- 3.5 Each local authority must demonstrate that the requirements of the FM Code are being satisfied. However, the FM Code is not expected to be considered in isolation and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken.
- 3.6 Demonstrating this compliance with the FM Code is a collective responsibility of Elected Members, the Chief Finance Officer and the Corporate Leadership Team. It is for all the senior management team to work with Elected Members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the Section 151 Officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management.
- 3.7 2021/22 Assessment
A self-assessment against the standards set out in FM Code was prepared in February 2022. This assessment sets out what is expected within each standard and records evidence of areas of compliance and documents any further actions required to meet and/or improve current processes in place. An update against the actions identified in February 2022 is provided below:

| Action Required | Timescale | Progress |
|-------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------------|
| To continue to support professional development | Ongoing | ONGOING – where required officers have achieved relevant CPD requirements of professional bodies. |
| Review of Financial Procedure Rules | Jun-22 | COMPLETE – Revised FPR's approved by Full Council January 2023 |
| Review of Contract Procedure Rules | Mar-23 | OUTSTANDING – delayed as pending Procurement Bill receiving Royal Assent |

| | | |
|----------------------------------------------------------------------------------------------|---------|------------------------------------------------------------------------------------------------------------------------------------|
| Undertake Assessment against HIA requirements | Sept-23 | OUTSTANDING – delayed due to capacity issues within Internal Audit Team |
| Assess outcome of external quality assessment of Internal Audit and develop action plan | May-22 | COMPLETE – assessment concluded Internal Audit were fully compliant with the Standards, no action required. |
| Implementation of Finance Business Partnering approach | Mar-23 | IN PROGRESS – progress slower than planned due to capacity with Financial Services Team. |
| Implement revised MRP policy, if required by DHLUC | Mar-23 | COMPLETE – DHLUC have not yet confirmed implementation date but MRP policy has been updated to reflect forthcoming changes. |
| Assess implications of changes to The Prudential Code | Mar-23 | COMPLETE – Treasury Mgmt Strategy and Prudential Indicators updated and approved by Full Council February 2023. |
| Consider further engagement with wider range of stakeholders for budget consultation | Jan-23 | COMPLETE – Budget consultation undertaken via Citizens Panel and online survey |
| Consider if other major balance sheet items can be made more visible in quarterly reporting. | Mar-22 | IN PROGRESS – progress slower than planned due to capacity in Financial Services Team. |

2022/23 Assessment

- 3.8 The 2021/22 assessment has now been updated for the actions completed and in progress above, and in light of other developments during 2022/23. This has resulted in an updated self-assessment, as attached at Appendix A. The assessment now also includes a RAG rating against each of the standards against the following definitions:

| Assessment | Description |
|------------|------------------------------------------------------|
| | Substantial compliance |
| | Reasonable compliance/Some areas for improvement |
| | Minimum compliance/significant areas for improvement |

In summary the 17 standards have been assessed as follows:

| Ref | Standard/Description | RAG |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| A | The leadership team is able to demonstrate that the services provided by the authority provide value for money | |
| B | The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. | |
| C | The leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control. | |
| D | The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). | |
| E | The financial management style of the authority supports financial sustainability. | |
| F | The authority has carried out a credible and transparent financial resilience assessment. | |
| G | The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. | |
| H | The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities. | |
| I | The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. | |
| J | The authority complies with its statutory obligations in respect of the budget setting process. | |
| K | The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. | |
| L | The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget. | |
| M | The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. | |
| N | The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial. | |
| O | The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability. | |
| P | The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local | |

| | | |
|---|--------------------------------------------------------------------------------------------------------------------------------------------|--|
| | authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. | |
| Q | The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions. | |

This demonstrates an overall substantial level of compliance (65%) with the underlying principles of the FM Code. There are areas for improvement in 6 (35%) of the standards, the actions for which are set out below. It is not expected that there will be full compliance across all standards, continual improvement, the routine revision of policies and procedures and assessment against best practice is likely to result in there being actions to be implemented following each annual assessment. The Council can be assured that it has achieved this level of substantial and reasonable assurance and that there are no areas of minimum compliance and no significant areas for improvement.

3.9 The actions arising from this updated assessment (which incorporates those outstanding from 2021/22) are as follows:

| Standard | Action Required | Responsible Officer | Timescale |
|-----------------|----------------------------------------------------------------------------------------------|----------------------------|-----------------------------------------|
| B | To continue to support professional development | CFO | Ongoing |
| C | To review Contract Procedure Rules | PM | TBC – dependent on Procurement Bill/Act |
| C | To review the Terms of Reference of the Audit Committee | AM | Jun-23 |
| D | Assess HIA against CIPFA requirements | AM | Sept-23 |
| D | Complete bi-annual assessment of Internal Audit against PSIAS | AM | Jul-23 |
| E | Review Finance Business Partnering Action Plan | FSM | Mar-24 |
| H | Benchmark the Treasury Mgmt and Capital Strategies against best practice | FSM | Mar-24 |
| H | Introduce quarterly reporting of treasury management activities | FSM | Jul-23 |
| L | Review engagement approach for budget/strategic plan consultation | CFO/ Policy Unit | Nov-23 |
| O | Consider if other major balance sheet items can be made more visible in quarterly reporting. | FSM | Sept-24 |

As set out above these areas for improvement will be included in the Annual Governance Statement and progress monitored through the Audit Committee.

4. Strategic Priorities

- 4.1 Compliance with the FM Code will contribute to sound decision making. This will support the Medium Term Financial Strategy, enabling Members to monitor progress against Vision 2025 in a timely manner to ensure resources are allocated in line with the strategic priorities of the Council.

5. Organisational Impacts

5.1 Finance

The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility (supported by the Corporate Leadership Team and Elected Members) for ensuring compliance with the FM Code.

5.2 Legal Implications including Procurement Rules

CIPFA's intention is that the FM Code will have the same scope as the Prudential Code for Capital Finance in Local Authorities, so although the FM Code does not have legislative backing, it applies to all local authorities. In addition to its alignment with the Prudential Code the FM Code also has links to the Treasury Management in the Public Sector Code of Practice and Cross Sectoral Guidance Note and the annual Code of Practice on Local Authority Accounting in the United Kingdom. In this way the FM Code support authorities by re-iterating in one place the key elements of these statutory requirements.

5.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of the report, no specific Equality Impact Analysis is required.

6. Risk Implications

6.1 (i) Options Explored

There are no alternative options available.

6.2 (ii) Key risks associated with the preferred approach

If compliance with the CIPFA Financial Management Code is not demonstrated, the Council's financial sustainability could be brought into question which in turn could result in a negative impact on its reputation with stakeholders.

7. Recommendation

7.1 Audit Committee are asked to:

- a) Review the progress of the actions arising from the 2021/22 self-assessment
- b) Review and comment upon the 2022/23 self-assessment, as attached at Appendix A, and the resulting actions required,

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

Lead Officer: Jaclyn Gibson
Telephone (01522) 873258

| Ref | Description | Pages of Code | Detail | CFO assessment and actions required | RAG |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Responsibilities of the Chief Finance Officer and Leadership Team | | | | | |
| A | The leadership team is able to demonstrate that the services provided by the authority provide value for money | 17/18 | <p>The authority has a clear and consistent understanding of what value for money means to it and its leadership team.</p> <p>There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services.</p> <p>The authority is able to demonstrate the action that is has taken to promote value for money and what it has achieved.</p> | <p>The Council has clear accountability and arrangements to deliver value for money. The Council has a Value for Money Statement that was last refreshed in February 2021. This sets out why VFM is important and what the Council's approach to ensure delivery of VFM is, this includes:</p> <ul style="list-style-type: none"> • VFM is a key part of any business case submitted and all decision-making groups take decisions with a focus on VFM. • Performance Scrutiny Committee reviews service and financial performance (against cost, performance, and satisfaction) on a quarterly basis and uses its remit to periodically review key (off target) services. • Policy Scrutiny ensures that any changes to policy with financial aspects delivers VFM as part of the proposal – e.g. restructures, retention of discretionary services etc. • The Annual Governance Statement focuses on all aspects of governance, including processes around VFM in service provision • Lincoln Project Management Model – this compulsory method of managing projects within the council contains key | |

| | | | | | |
|--|--|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>templates for financial assessments and risk management</p> <ul style="list-style-type: none"> • The MTFS delivers a robust financial plan through a rigorous budget setting process. One of the key objectives of the MTFS is to provide cost effective services which demonstrate value for money. • The performance framework includes, regular monitoring of Vision 2025 projects to ensure that the key aims of the council are progressed to budget, timescales, and outcomes. • The performance framework includes regular service monitoring of detailed performance trends covering: <ul style="list-style-type: none"> ○ Performance measures – e.g. throughput, time taken and outstanding work ○ Volumetric measures to add contextual background data ○ Customer satisfaction - feedback through satisfaction monitoring and complaints and compliments monitoring ○ Quarterly Dashboard summarising all aspects of performance within the VFM chain • Communication of VFM to customers and staff through a variety of channels. • Delivering excellent customer service which is a key component of VFM. <p>External Audit provide a VFM assessment in although the final outcome of the 2021/22 audit is still awaiting, the audit completion report</p> | |
|--|--|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | | |
|---|---------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>stated, “we anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources”.</p> <p>The last Peer Challenge review conducted by LGA, including a review of financial processes. The initial review led to a glowing report, with minimal suggested improvements. Monitoring of all aspects, to ensure standard are maintained is undertaken.</p> <p>The council has a strong record of identifying and delivering efficiency savings with clarity about any impacts on services. Annual savings of c£10m have been delivered over the past decade.</p> <p>ACTION REQUIRED - NONE</p> | |
| B | The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. | 18/19 | <p>In summary this Statement requires that the CFO:</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material business decisions • Must lead the promotion and delivery by the whole | <p>The Chief Finance Officer post is a key member of the Corporate Leadership Team, reporting to the Chief Executive.</p> <p>She is actively involved in, and does influence, all material business decisions.</p> <p>The CFO personally leads on the MTFs and ensures that all risks are considered and detailed as part of the MTFs, in conjunction with the other members of the senior leadership team (Executive Members and Corporate Leadership Team).</p> <p>She is ACCA qualified with significant experience of local government finance.</p> | |

| | | | | | |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.</p> <ul style="list-style-type: none"> • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. | <p>Continuing professional development is undertaken as required by her accounting body.</p> <p>There are contracts in place for specialist financial advice (technical accounting, treasury management, financial management & planning and taxation)</p> <p>The CFO through the Finance team provides the financial reporting and monitoring to the Corporate Management Team and Members, with the Treasury Management reporting going through Audit Committee and Council as prescribed in the CIPFA Prudential Code and the CIPFA Treasury Management Code.</p> <p>The Finance Team is suitably resourced with appropriately qualified staff, and is fit for purpose. This team includes 2 qualified accountants, 2 part qualified accountant and 6 qualified accounting technicians and 1 part qualified accounting technicians. All officers undertake continuing professional development as required by their accounting bodies.</p> <p>ACTION REQUIRED – TO CONTINUE TO SUPPORT PROFESSIONAL DEVELOPMENT - ONGOING</p> | |
| Governance and Financial Management Style | | | | | |
| C | The leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control. | 21 | <p>The leadership team espouses the Nolan principles.</p> <p>The authority has a clear framework for governance and internal control.</p> | <p>The leadership exhibit the Nolan principles of public life.</p> <p>There are Financial Procedure Rules which are subject to a full review on a 3-yearly basis, these have been reviewed during the last year,</p> | |

| | | | | | |
|--|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>The leadership team has established effective arrangements for assurance, internal audit and internal accountability.</p> <p>The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p> | <p>with consideration by Audit Committee and then approval by Full Council in January 2023. There are also separate Contract Procedure Rules, also subject to Audit Committee and Full Council approval. Both documents are clear about the respective authorisation limits for authorisation of contracts and the subsequent commitment/incurrence of expenditure. The Contract Procedure Rules are due to be refreshed, but are pending Royal Assent of the Procurement Bill (this is expected around Spring 2024).</p> <p>The Council's Audit Committee has an independent member as well as Councillor representation. The committee considers all aspects of audit activity and the regulatory framework including corporate governance, as part of its Terms of Reference. Following the publication by CIPFA of an updated Position Statement on Audit Committees, along with additional guidance for local authority audit committees, a review of the Audit Committee's Terms of Reference and work programmes now needs to be undertaken to ensure this reflects the latest guidance and best practice.</p> <p>All Committees have separate Terms of Reference.</p> <p>There is a Code of Conduct for Members which is overseen by the Ethics and Engagement Committee and was last updated in January 2021. In addition, there is a Code of Conduct for Officers.</p> | |
|--|--|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | | |
|---|----------------------------------------------------------------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>The authority has in place a clear framework for governance and internal controls through its Code of Corporate Governance. The Code of Corporate Governance is reviewed on an annual basis, with the last comprehensive review undertaken in 2021.</p> <p>There are effective arrangements for assurance, internal audit and internal accountability. Any areas of concern raised through those arrangements are managed robustly and transparently.</p> <p>The leadership team espouses high standards of governance and internal control and communicates these clearly to all staff.</p> <p>There is a culture of effective governance and robust internal control. Internal audit is used to bring focus to any areas of concern and to ensure that standards remain high.</p> <p>ACTION REQUIRED:</p> <ol style="list-style-type: none"> 1. REVIEW OF CONTRACT PROCEDURE RULES – TBC (dependent on Procurement Act) 2. REVIEW TERMS OF REFERENCE OF AUDIT COMMITTEE – JUNE 2023 | |
| D | The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). | 22 | <p>The authority of aware of the provisions of the CIPFA Delivering Good Governance Framework.</p> <p>The authority has sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements.</p> | <p>There is a strong internal audit function which produces reporting and recommendations across all functions. This is subject to external review every 5 years, with the latest review undertaken in 2022. This concluded that the service fully conformed to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.</p> | |

| | | | | | |
|--|--|--|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>The authority has in place a suitable code of governance.</p> | <p>The Council's Code of Corporate Governance was comprehensively reviewed in July 2021 and is refreshed annually. The last review took place in March 2023.</p> <p>The Framework recommends that a local code of governance is developed and reported against annually. The Council's Annual Governance Statement details how the Council has complied with its own Code of Corporate Governance over the preceding year and meets the statutory requirements with areas of concern reported and monitored.</p> <p>Internal Audit assess their compliance against the Public Sector Internal Audit Standards on a bi-annual basis. This was last undertaken and reported to the Audit Committee July 2021. The next review will be undertaken in 2023.</p> <p>Following the recruitment of a new Internal Audit Manager in 2022, an assessment against the CIPFA document "The Role of the Head of Internal Audit 2019" will now be undertaken.</p> <p>ACTION REQUIRED:</p> <ol style="list-style-type: none"> 1. ASSESS NEW HIA AGAINST CIPFA REQUIREMENTS – SEPTEMBER 2023 2. COMPLETE BI-ANNUAL ASSESSMENT OF INTERNAL AUDIT FUNCTION AGAINST PSIAS – JULY 2023 | |
|--|--|--|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | | |
|----------|------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>E</p> | <p>The financial management style of the authority supports financial sustainability</p> | <p>22/23</p> | <p>Strong financial management is assessed against a hierarchy of</p> <ol style="list-style-type: none"> 1. delivering accountability, 2. supporting performance 3. enabling transformation. <p>Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.</p> | <p>Achieving stage 1 of the hierarchy. The Council has an effective framework of financial accountability through:</p> <ul style="list-style-type: none"> • Member delegations which include financial responsibilities; • Officer delegations which include financial responsibilities; • Financial Procedure Rules which set out financial responsibilities for Directors, Assistant Directors Budget Managers and all employees of the Council and all Members. <p>Achieving stage 2 of the hierarchy. The Council has an effective performance management framework in place including, performance measures, volumetric measures, customer satisfaction, monitoring of key strategic projects, quarterly performance reporting, quarterly dashboard across all aspects of performance within the VFM chain.</p> <p>The Finance Team have implemented a Finance Business Partnering approach, although full role out has been delayed due to staff capacity, but this is continuing through 2023/24.</p> <p>Working towards stage 3 of the hierarchy. There are many examples of financial management supporting transformation specifically in relation to key strategic projects, but further work is required towards acting as an enabler.</p> | |
|----------|------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | | |
|-------------------------------------------------|------------------------------------------------------------------------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | ACTION REQUIRED: REVIEW OF FINANCE BUSINESS PARTNERING ACTION PLAN AND IMPLEMENTATION – MARCH 2024 | |
| Long to Medium Term Financial Management | | | | | |
| F | The authority has carried out a credible and transparent financial resilience assessment | 26 | <p>The authority has undertaken a financial resilience assessment.</p> <p>That assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment</p> | <p>The Council has reviewed the CIPFA Financial Resilience index and reviewed whether it is comfortable with the areas that the index flags as more concerning, given the specific natures of Lincoln as an authority and the impact of Covid on the index. Reference is made to this in the MTFS, with clear reasons for it’s use of reserves and reasons for fluctuations during the period covered by the index.</p> <p>There has not been an independent assessment of the local authority’s financial resilience other than the CIPFA index and the annual external audit.</p> <p>The level of prudent minimum balances in the MTFS is based on a financial risk assessment of the key variables in the budget and the probability of variations (the MTFS also contains a full risk register with details of mitigations in place and to be undertaken). This is then further expanded over the period of the MTFS to produced various scenarios as to assess the impact of key assumptions in the budget. This is documented in the MTFS. In addition, the pre-cursor report to the main MTFS sets out more detail on the key variables and the impact of changes in the underlying budget assumptions.</p> <p>This financial planning and risk assessment, over a 5-year period, allows the Council to</p> | |

| | | | | | |
|---|------------------------------------------------------------------------------------------------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>identify potential funding gaps and ensure action is taken in advance, e.g. through it's TFS Programme.</p> <p>ACTION REQUIRED – NONE</p> | |
| G | <p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p> | 26 | <p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making.</p> | <p>The Council produces a 5-year MTFs and a 30-year Housing Business Plan incorporating revenue and capital models using a range of assumptions for economic factors and service related factors. This is currently undergoing a full refresh.</p> <p>The current high levels of uncertainty around future funding for local government and the current economic volatility make producing a meaningful long term plan very challenging. This risk to financial planning is clearly set out in the MTFs and has been communicated to the Leadership Team and Members.</p> <p>The MTFs also includes a risk assessment of the key financial risks the Council faces over the 5-year period. The risks modelled include the level of inflation, the council tax base, the business rates base, pay inflation, interest rates as well as service income, housing rents/voids, and a range of capital implications e.g. cost overruns.</p> <p>The pre-cursor report to the main MTFs sets out in more detail changes in key variables since the development of the previous Strategy and the impact of these on the budget and likely budget gap. Further, more, detailed reports are provided to the Corporate</p> | |

| | | | | | |
|---|-------------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>Management Team as part of the budget development.</p> <p>In addition, Member briefings are delivered to individual political groups and to all Members as a whole. This was evident during 2022/23 given the escalating cost pressures that arose during the past 12 months.</p> <p>The Council has a robust approach to risk management with Strategic and Directorate Risk Registers, with clear lines of escalation, supported by specific project and programme risk registers.</p> <p>The Council's Vision 2025 contains a range of projects and programmes, not all of which are financially resourced. The MTFS is very clear on this and specifically in relation to the larger scale capital investments emphasises the need to seek external partner contributions or grant support. In addition, the MTFS includes a specific earmarked reserve to support the roll out of some of the projects.</p> <p>ACTION REQUIRED - NONE</p> | |
| H | The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities. | 26/27 | <p>The authority is aware of its obligations under the Prudential Code.</p> <p>The authority has prepared a suitable capital strategy.</p> <p>The authority has a set of prudential indicators in line with the Prudential Code.</p> | <p>The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with those obligations. Like the Financial Management Code, there are many areas of compliance where the guidance allows for the Council to decide what an appropriate fit is; and there is not a single way to be compliant.</p> | |

| | | | | | |
|--|--|--|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p> | <p>An updated Prudential Code was published in December 2021 and applied with immediate effect, except that authorities may defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The revised reporting requirements include changes to the capital strategy, prudential indicators and investment reporting. The Council opted to defer full implementation of the revised reporting requirements until the 2023/24 financial year. The general ongoing principles of the revised Prudential Code, including the requirement that an authority must not borrow to invest primarily for financial return, was though applied during 2022/23. The Council's Treasury Management Strategy and Capital Strategy for 2023/24 have now been prepared in accordance with the revised reporting requirements. However, it would be beneficial to undertake a further exercise to benchmark both strategies against best practice.</p> <p>Previous commercial investments were undertaken in line with the Council's Commercial Property Investment Strategy and funded through prudential borrowing. In line with updated requirements the Council has no plans for further debt for yield schemes.</p> <p>The Council has assessed the implications of the 2021 consultation by DHLUC on proposed changes to Minimum Revenue Payment (MRP) requirements and, in advance of any changes being put into operation, it has amended it's MRP Policy. This now provides for MRP being set aside on all borrowing.</p> | |
|--|--|--|--------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | | |
|--|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>The Council has a 5- year Capital Strategy (The Code suggests up to 20 but the authority has judged that 5 years is a reasonable period over which to have meaningful plans) and within that prudential indicators are set in line with the Code. The Capital Strategy sets out the high-level plans, with individual decisions made about investments or capital schemes through separate reports to members.</p> <p>The Council also has a 30-year Housing Business Plan which includes a 30-year capital investment programme. This plan is usually reviewed on a 3-5 year basis and has been subject to a high level review in 2022 with a full refresh currently in progress and set to report in Summer 2023.</p> <p>Individual financial modelling of capital schemes covers a longer-term frame, typically over the asset life and is factored into investment decisions.</p> <p>There are effective mechanisms in place to monitor performance against the code, with 6-monthly reporting to the Performance Scrutiny Committee and the Executive on the performance against the prudential indicators which the Council has set for itself through the strategy. As required under the revised Treasury Management and Prudential Codes, reporting on treasury activities must, from 2023/24, be reporting on a quarterly basis, the Council will therefore ensure it's reporting arrangements reflect this.</p> | |
|--|--|--|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | <p>ACTION REQUIRED:</p> <ol style="list-style-type: none"> 1. BENCHMARK THE TREASURY MANAGEMENT AND CAPITAL STRATEGIES AGAINST BEST PRACTICE – MARCH 2024 2. INTRODUCE QUARTERLY REPORTING OF THE COUNCIL'S TREASURY MGMT ACTIVITIES – JULY 2023 | |
|---|--------------------------------------------------------------------------------------------------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| I | <p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p> | 27 | <p>The authority has in place an agreed medium term financial plan.</p> <p>The medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p> <p>The medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand.</p> | <p>The Council has in place an agreed 5-year MTFS. This plan is consistent with the capital strategy and refreshed annually to reflect relevant strategic priorities, commitments, underlying assumptions and emergent issues and to agree future savings targets. This ensures that the Council always has a 5-year balanced budget, allowing for sufficient time to plan and deliver any required savings.</p> <p>The development of service budgets is Directorate led. Cost drivers and demand are considered within each directorate and used to form the basis of pressures identified and mitigations/savings put forward. The detail of the analysis of cost drivers is not contained specifically in the MTFS but forms part of the internal budget setting process, though reference is made to particularly large changes in the narrative and in the financial planning report seen as the pre-cursor to the main MTFS.</p> <p>The MTFS is the best assessment of each Directorate of what their demand pressures will be.</p> | |

| | | | | | |
|--------------------------|------------------------------------------------------------------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>Although the plan is set on a rolling 5-year basis, there is the opportunity annually to revisit plans where the latest data indicates that there have been material changes to assumptions, as demonstrated in recent years.</p> <p>The Council undertakes an annual service plan process at an Assistant Director level. These service plans are driven by to both the Council's Vision (Annual Delivery Plans) and the MTFS in terms of the delivery of key projects but also into the MTFS in relation to specific savings programme required to be delivered.</p> <p>ACTION REQUIRED - NONE</p> | |
| The Annual Budget | | | | | |
| J | The authority complies with its statutory obligations in respect of the budget setting process | 29 | <p>The authority is aware of its statutory obligations in respect of the budget-setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p> <p>The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.</p> | <p>The Council understands its obligation in respect of the budget-setting process and has set a balanced budget for the current year, and the four following years. The Council's MTFS process is designed to deliver a full five- year balanced budget each year.</p> <p>The authority is aware of the circumstances under which it should issue a section 114 notice and how it would go about doing so. This includes updated guidance issued by CIPFA in light of COVID-19.</p> <p>ACTION REQUIRED - NONE</p> | |
| K | The budget report includes a statement by | 29/30 | The authority's most recent budget report includes a statement by the | The most recent budget report includes a statement by the Chief Finance Officer on the | |

| | | | | | |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | <p>the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</p> | | <p>CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p> <p>The report sets 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 taking to address any shortfall.</p> | <p>robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The budget report sets out the detail of estimates in terms of key estimates e.g. business rates, council tax grants, housing rents, specific grants, fees and charges etc. It does not set out specific service assumption details and the impact of variations in those.</p> <p>The Council currently has sufficient reserves, which ensures its sustainability for the foreseeable future. This position has though been impacted by COVID-19 and the current economic conditions with the required use of reserves (earmarked and general balances) over the period of the MTFS, whilst a savings programme is delivered. These reserves include general balances as well as specific covid reserves. The authority has a prudent approach to what is needed to manage risks.</p> <p>The report sets out the current level of the authority’s reserves, the sufficiency of them and the plans for the use of reserves in the future and a requirement to ensure reserves are replenished over the period of the MTFS through achievement of the savings programme.</p> <p>ACTION REQUIRED - NONE</p> | |
| Stakeholder Engagement and Business Plans | | | | | |
| L | <p>The authority has engaged where appropriate with key</p> | 31 | <p>The authority knows who its key stakeholders are.</p> | <p>The Council is aware of who its key stakeholders are.</p> | |

| | | | | | |
|---|-------------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | <p>stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.</p> | | <p>The authority has sought to engage with key stakeholders in developing its long-term financial strategy, its medium term financial plan and its annual budget.</p> <p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improve its engagement with key stakeholders.</p> | <p>The Council's view is that widespread engagement with the public on council spending is still hard for residents to engage with in a meaningful way and is not entirely effective in influencing the budget plans. The Council does though engage with its stakeholders on its medium term financial strategy, annual budget and strategic plan. This is undertaken through an online survey covering; key projects in Vision 2025, savings programme proposals, Council Tax proposals and overall VFM. This survey is specifically sent to the Citizens Panel and is also available to all on the Council's website and is actively promoted through social media. Following on from the January/February 2023 consultation exercise a review of the method of public engagement will be undertaken to inform the 2024 consultation to ensure this remains effective.</p> <p>In addition, engagement with residents/service users is conducted in line with individual service changes proposed within the budget, as part of the development and delivery of those proposals. This allows the engagement to be more targeted to affected groups and ensures that the engagement is meaningful.</p> <p>ACTION REQUIRED – REVIEW ENGAGEMENT APPROACH FOR BUDGET/STRATEGIC PLAN CONSULTATION – NOVEMBER 2023</p> | |
| M | <p>The authority uses an appropriate documented option appraisal</p> | 31/32 | <p>The authority has a documented option appraisal methodology that is consistent with the guidance set out</p> | <p>The Council does not currently have a consistent process for undertaking and documenting option appraisals. These are</p> | |

| | | | | | |
|--|-------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | <p>methodology to demonstrate the value for money of its decisions.</p> | | <p>in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.</p> <p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p> <p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).</p> | <p>undertaken on a case-by-case basis, influenced by the scale of investment and also the requirements of external funders, e.g. green book requirements. For all projects these covers as a minimum the 5-year MTFS period and for larger scale investment these are usually based on a whole life cycle basis.</p> <p>In considering a number of development projects the Council also undertakes a development appraisal from a commercial developer perspective to assess overall scheme viability, as well as financial modelling from a LA perspective.</p> <p>Senior members of the Finance Team are involved in the preparation of all financial modelling with key input from the service area leading on delivery. Property Services and the Major Developments Team also play a key role in the development of scheme viability assessments and external support is also commissioned as required.</p> <p>The Council's project management framework is clear that that there are no major investments or service changes without developing a business case including an options appraisal and project initiation documents. These are reviewed and managed through DMTs and project/ programme/ visions boards, and ultimately inform decision making reports to members.</p> <p>These contain both quantitative evaluation of costs and benefits and qualitative evaluation of</p> | |
|--|-------------------------------------------------------------------------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| | | | | | |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | | <p>fit to service objectives and outcomes for residents/service users.</p> <p>The project documentation includes an evaluation of risk and uncertainty and the extent that this can be mitigated for given options.</p> <p>Reports for decision set out the outcomes of these business case/option appraisals with clear recommendations and risk. Risks from agreed options are then managed through the corporate risk management approach.</p> <p>ACTION REQUIRED – NONE</p> | |
| Monitoring Financial Performance | | | | | |
| N | The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial | 33 | <p>The authority provides 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.</p> <p>The reports cover both forward- and backward looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the authority’s significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> | <p>Quarterly financial monitoring reports are provided to Directorate Management Teams, Corporate Management Team, Performance Scrutiny and the Executive, which identify significant variances and corrective actions being taken. The reports cover the position to date and the forecast for the remainder of the financial year. It also includes progress against savings targets and planned use of/contributions to earmarked reserves.</p> <p>Quarterly reporting is also provided in respect of the Council’s basket of key operational performance indicators.</p> <p>Reporting to officers is periodically 1-month after the quarter end with reporting to Members in the following two weeks, which creates a time lag. Financial information, forecasts are available on a more regular basis and</p> | |

| | | | | | |
|---|-------------------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action</p> | <p>accessible by budget managers, this would highlight significant variances earlier. Services will compile performance information on a more regular basis and where relevant highlight the impacts of these.</p> <p>There are mechanisms established to report the performance of the authority's significant delivery Partnerships. Annual assurance assessments for the Council's significant partners are now undertaken and reported to the Audit Committee.</p> <p>The leadership team are happy with the reports it receives and with its ability to use these reports to take appropriate action, this has been particularly evident during 2022/23 and the significant number of budget variances due to external factors.</p> <p>ACTION REQUIRED – NONE</p> | |
| O | <p>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p> | 33 | <p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p> | <p>The Council has historically considered its reserves position, investments and borrowing, and debt levels as most critical and therefore regular reporting is currently only made on these elements of the balance sheet.</p> <p>Forecast use/contribution of/to reserves is reported on a quarterly basis to the Corporate Management Team, Performance Scrutiny and the Executive. This highlights any changes to planned use/contribution to balances as well as movements in budgeted contributions to/from earmarked reserves. This then feeds into any MTFS refresh, along with intelligence about key risks.</p> | |

| | | | | | |
|--|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>The authority reports unplanned use of its reserves to the leadership team in a timely manner.</p> <p>The monitoring of balance sheet risks is integrated into the authority's management accounts reporting processes.</p> | <p>Borrowing and investments are reported to Performance Scrutiny Committee and the Executive on a 6-monthly basis as part of the Treasury Management reporting. Prudential Code requirements are adhered too to provide the risk management of treasury activity. The frequency of these reports will be increased to quarterly from 2023/24 onwards in line the revised Treasury Management and Prudential Codes.</p> <p>The level of arrears for Council Tax, Business Rates, Housing Benefit Overpayments and Former Tennant Arrears are reported to the Performance Scrutiny Committee on an annual basis. In addition, key service areas are provided with arrears information as part of account management meetings.</p> <p>Housing Rent arrears are reported to Performance Scrutiny and the Executive on a quarterly basis.</p> <p>Other assets and liabilities are only included in the Annual Statement of Accounts report to Audit Committee, Executive and Full Council.</p> <p>Officers will review if other major balance sheet items can be made more visible in quarterly financial reporting.</p> <p>ACTION REQUIRED - CONSIDER IF OTHER MAJOR BALANCE SHEET ITEMS CAN BE MADE MORE VISIBLE IN QUARTERLY FINANCIAL REPORTING – SEPTEMBER 2024</p> | |
|--|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

| External Financial Reporting | | | | |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| P | The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom | 35 | <p>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</p> <p>The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p> | <p>The authority's leadership team and the CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities form part of the CFO's role description and personal objectives.</p> <p>The authority's financial statements have been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom, and have been consistently given an unqualified opinion by external auditors (current 2021/22 opinion is awaited, although draft report concludes an unqualified opinion).</p> <p>ACTION REQUIRED - NONE</p> |
| Q | The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions | | <p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget.</p> <p>The information in these reports is presented effectively.</p> <p>These reports are focused on information that is of interest and relevance to the leadership team.</p> | <p>The presentation of the final outturn position to the Corporate Management Team and Executive compares the outturn to the revised budget and explains the reasons for any key variances from budget. The report sets out the impact of these variances on general balances and earmarked reserves and makes proposals for further contributions to/or from these.</p> <p>The report also sets out the impact of key variances on the MTFs/future years budgets and any mitigating action being taken.</p> |

APPENDIX A

| | | | | | |
|--|--|--|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | | | <p>The leadership team feels that the reports support it in making strategic financial decisions.</p> | <p>These reports focus on material issues, which require action or awareness from the leadership team and therefore are appropriately focused.</p> <p>The leadership team agreed that the reports support it in making strategic financial decisions.</p> <p>ACTION REQUIRED – NONE</p> | |
|--|--|--|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|