

Report to Audit Committee

Subject: Financial Management Code

Date: 21 September 2021

Author: Director of Corporate Resources and Section 151 Officer

Wards Affected

All

Purpose

To inform the Audit Committee about the introduction of CIPFA's Financial Management Code (the Code) as a framework to support good practice in local authorities by the setting of standards of financial management and to outline how it is considered that the Council presently adheres to this as well as provide details of proposed actions intended to ensure full compliance.

Key Decision

This is a not a key decision.

Recommendation(s)

THAT the Audit Committee:

- 1) Note the introduction of the CIPFA Financial Management Code and that 2021/22 will be the first year for which full compliance will be required.**
- 2) Note the initial assessment set out in appendix 2 of the Council's assessed level of compliance with the standards in the Code and the resulting actions required and refer it to Cabinet for approval; and**
- 3) Note that progress towards the actions identified will be monitored by the Audit Committee through the production and monitoring of the Annual Governance Statement.**

1 Background

- 1.1 Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code. The Code has been introduced by the Chartered Institute of Public Finance and Accountancy (CIPFA) because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.
- 1.2 Local authorities were required to apply the Code with effect from 1 April 2020 with the first full year of compliance being 2021/2022. This timescale has been questioned due to the extreme pressures placed upon local authorities by the Covid 19 crisis. However, the objective of the Code is to enhance standards of financial management across the public sector and it is considered that having good financial management embedded is even more essential during the current challenging times. Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable.
- 1.3 The requirement of full compliance by 2021/2022 has not changed but the Code does allow for both flexibility and a proportionate approach which should allow local authorities to adhere to some parts of the Code whilst other parts may indicate a direction of travel with commentary within the Annual Governance Statement used to demonstrate local decisions and provide additional guidance and transparency. Demonstrating compliance with the Code is a collective responsibility of the leadership team, both the Executive and the Senior Leadership Team.
- 1.4 The Code is designed to support good practice in financial management through a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- Financially manage the short, medium and long term finances
 - Manage financial resilience to meet unforeseen demands on services
 - Manage unexpected shocks in financial circumstances

- 1.5 A more detailed analysis of the Code requirements is given in Appendix 1. whilst an initial assessment of the Council's current position against the standards set out in the Code along with identified actions is set out in Appendix 2.

2 Proposal

- 2.1 It is proposed that the requirement to comply with the CIPFA Financial Management Code with effect from 2021/22 be noted. A summary of the Code requirements including the Financial Management Standards and how compliance with those standards can be demonstrated is detailed in Appendix 1.
- 2.2 It is proposed that the initial assessment of the Council's current level of compliance with the standards set out in the Code and the outstanding actions required as detailed in Appendix 2 be noted for comment.
- 2.3 It is proposed that the progress with the implementation of actions to ensure the compliance with the Code be monitored by this Committee through the consideration of the Annual Governance Statement which will highlight areas outstanding for improvement in the action plan. Members will note that many of the actions detailed in Appendix 2 are reflected in the draft Annual Governance Statement considered by the Committee in June. Any further update required will be included in the final Annual Governance Statement to be approved alongside the Statement of Accounts in December. It should be noted that compliance with the Code is an ongoing requirement and new actions to both maintain and improve standards will be a normal feature of securing effective financial management and continuous improvement.

3 Alternative Options

An alternative option is not to comply with the Financial Management Code. This is not recommended as it would not support the statutory requirement of all local authorities to have sound financial management.

4 Financial Implications

There are no financial implications arising directly from this report.

5 Legal Implications

Compliance with the Financial Management Code is not a statutory requirement. CIPFA's intention is that the 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 supports authorities by reiterating in one place the key elements of these statutory requirements.

The Code is also further supported by: the statutory requirement for all authorities to have sound financial management; S151 of the Local Government Act 1972 requiring local authorities to 'make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'.

6 Equalities Implications

There are no equalities implications arising directly from this report.

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction or environmental sustainability implications arising directly from this report.

8 Appendices

Appendix 1 – Summary of Financial Management Code requirements.

Appendix 2 – Self assessment of the Council's current position against the standards in the Financial Management Code including identified actions.

9 Background Papers

CIPFA Financial Management Code and Code Guidance Notes

Statutory Officer approval

Approved by the Chief Financial Officer
Date: 10 September 2021

Approved by the Monitoring Officer
Date: 13 September 2021

Financial Management Code Requirements

1. Introduction

The Code does not prescribe the financial management processes that local authorities should adopt but requires a local authority to demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances.

The underlying principles which have been designed to focus on robust financial management as a way of achieving both short term financial resilience and long term financial sustainability are:

- Organisational leadership
- Accountability
- Transparency
- Adherence to professional standards
- Assurance
- Sustainability

The principles are supported by financial management standards which are described below.

2. Financial Management Standards

Each of the underlying principles is supported by a set of financial management standards which a local authority should meet. The standards are to be guided by proportionality whereby it will be appropriate to apply different financial management approaches to high value/high risk items as distinct from low value/low risk items. A local authority should demonstrate a vigorous approach to the assessment and mitigation of risk so that financial management expertise is deployed effectively given the circumstances faced by the authority. Demonstrating compliance is the collective responsibility of elected members, the Senior Leadership Team (SLT) and the Chief Finance Officer.

Leadership

- The leadership team is able to demonstrate that the services provided by the authority provide value for money.
- The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
- The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

Accountability

- The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
- 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
- The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Transparency

- The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
- The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

Standards

- The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The authority complies with its statutory obligations in respect of the budget setting process.
- 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.

Assurance

- The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
- The authority has carried out a credible and transparent financial resilience assessment.
- The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

Sustainability

- The financial management style of the authority supports financial sustainability.
- The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
- The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

3. Compliance with Standards

The Code gives further guidance on how compliance with the minimum standards may be achieved and demonstrated.

The responsibilities of the Chief Finance Officer and Leadership Team:

- Responsibility for corporate financial sustainability rests with those responsible for making executive decisions with the support of their professional advisors. Elected members need to work effectively with officers and other stakeholders to make difficult decisions and to identify and deliver savings when required.
- The statutory of the role of the Chief Finance Officer is a distinctive feature of local government in the UK. This role cannot be performed in isolation and requires the support of the other members of the Leadership Team. The Leadership Team must recognise that while statutory responsibility for the financial management of the authority rests with the Chief Finance Officer, the Chief Finance Officer is reliant on the actions of the Leadership Team, both collectively and individually as elected members and other senior officers.

Governance and financial management style:

- Without good governance a local authority cannot make the changes necessary for it to remain financially sustainable. As such, financial sustainability must be underpinned by the robust stewardship and accountability to be expected of public bodies. Good governance gains the trust of taxpayers and other funders by giving them confidence that money is being properly spent. Good governance ensures better informed and longer-term decision making and therefore is essential for good financial management. Responsibility for good governance also rests with the leadership team. The team must ensure that there are proper arrangements in place for governance and financial management, including a proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles. Good governance is evidenced by actions and behaviours as well as formal documentation and processes.
- The financial management challenges faced by many local authorities are unprecedented in recent history and show no signs of easing. This is significant because it means that different styles of financial management are necessary. Financial sustainability will not be achieved by continuing with the behaviours of the past since these do not meet the demands of the present – or the future, which may be even more challenging. To remain

financially sustainable authorities need to develop their financial management capabilities. The strength of financial management within an organisation can be assessed by a hierarchy of 3 financial management styles: delivering accountability; supporting performance; enabling transformation.

Medium to long term financial management:

- While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.
- If an authority has not tested and demonstrated its long-term financial resilience then its financial sustainability remains an open question. Authorities must critically evaluate their financial resilience. It is possible that the existing strategy is financially sustainable, but this must still have been tested and demonstrated in a financial resilience assessment.

Annual budget:

- One of the objectives of the Code is to end the practice by which the annual budget process has often become the focal point if not the limit of local authority financial planning. However, the annual budget preparation process needs to be protected at a time when the need to make difficult decisions may threaten its integrity.
- The annual report setting out the proposed budget for the coming year is a key document for the authority. The best budget plans are those owned and articulated by the whole leadership team and senior managers, not simply the Chief Finance Officer

Stakeholder engagement and business cases:

- Financial sustainability requires citizens to understand that resources are not limitless and that decisions have to be made about both the relative priority of different services and the balance between service provision and taxation levels. The leadership team collectively has an important role in reviewing priorities to enable resources to be redirected from areas of lesser priority. It is not possible to rely principally on pro rata cuts to generate the savings necessary for financial sustainability in an era of austerity.
- Stakeholder consultation can help to set priorities and reduce the possibility of legal or political challenge late in the change process. Stakeholder consultation helps to encourage community involvement not just in the

design of services but in their ongoing delivery. This is especially the case when a local authority adopts an enabling approach to public service delivery which, along with the active involvement of the third sector, may facilitate future reductions in service costs.

- Financial sustainability will be dependent upon difficult and often complex decisions being made. The authority's decisions must be informed by clear business cases based on the application of appropriate option appraisal techniques

Performance monitoring:

- To remain financially sustainable an authority must have timely information on its financial and operational performance so that policy objectives are delivered within budget. Early information about emerging risks to its financial sustainability will allow it to make a carefully considered and therefore effective response.

External financial reporting:

- Taxpayers and citizens have a legitimate stake in understanding how public money has been used in providing the functions and services of the authority. The audited statements of account, which present the authority's financial position and financial performance, play an integral part in demonstrating this to them. The statutory accounts provide a secure base for financial management. They support accountability and thus good financial management by allowing the users of the financial statements and other stakeholders to discover how much is spent in a year on services and whether this has increased or decreased from previous years; consider the indebtedness of an organisation and how that might impact on future taxpayers; recognise the value and therefore usefulness of the assets that the organisations hold; assess what the future commitments and liabilities are, for example, for pensions or leases, and again how these are likely to impact on future generations and taxpayers.

Financial Management Code - Self Assessment 2021/22

Code Ref	Financial Management Standard	Suggested Evidence Requirements	CFO Assessment and Action(s) Required to meet minimum standards 2021/22
Responsibilities of the Chief Finance Officer and the Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<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 it has taken to promote value for money and what it has achieved.</p>	<p>The Council has a clear commitment to the provision of value for money which is embedded in the Gedling Plan, Values and Priorities i.e. to <i>be a High Performing Council</i> with associated actions for the provision of efficient and effective services.</p> <p>Performance management processes for budget and service planning are integrated and transparent with clear lines of accountability, regular frequency of monitoring and reporting to the Executive to ensure achievement of Gedling Plan Priorities.</p> <p>The Budget Strategy and Medium Term Financial Plan (MTFP) is underpinned by value for money and sustainability principles, providing a rigorous budget setting process which has received positive comments from external auditors in previous years.</p> <p>The Council has an Efficiency Strategy to guide value for money improvements in service delivery and the development of its Efficiency Programmes which are approved by elected members.</p>

			<p>The Council demonstrated its arrangements for securing value for money are effective through the achievement of an annual unqualified Value For Money conclusion from the external auditors (Mazars) in 2019/20. A similar outcome is anticipated in 2020/21.</p> <p>The Annual Governance Statement focusses on all aspects of governance but critically on processes around value for money in cost effective and sustainable service provision.</p> <p>Actions Required - None</p>
B	<p>The Authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p>	<p>The CIPFA Statement requires that the Chief Financial Officer (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 organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. 	<p>The CFO (the Director of Corporate Resources and S151 Officer) is a fully qualified CIPFA member with substantial experience in local government and reports directly to the Chief Executive.</p> <p>The CFO is a key member of the Senior Leadership Team (SLT) which comprises of the Chief Executive and Corporate Director(s).</p> <p>The CFO has direct access to elected members and is actively involved in strategic decision making, including participation in the Programme Board that oversees the implementation of all major projects.</p> <p>The CFO leads on the MTFP and ensures that all risks are considered, in conjunction with the other members of the leadership team (Executive Members and Senior Leadership Team).</p> <p>The Chief Finance Officer provides comments on all Member decision reports in advance of report publication.</p>

			<p>Actions Required</p> <ul style="list-style-type: none"> – Review the working practices and structure of the Financial Services team to deliver required efficiencies and ensure it remains fit for purpose to support continued good financial management across the Council (including building in suitable succession arrangements where possible) – Rollout a fraud awareness training to staff and Member - To continue to support professional development – ongoing
Governance and Financial Management Style			
C	<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<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 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>The Nolan principles are embedded in the Council’s Constitution in the Members Code of Conduct, the employee handbook and Counter Fraud and Corruption Strategy.</p> <p>The Constitution contains the rule governing how we operate and how decisions are made, including the Contracts Procedure Rule and Financial Regulations, to ensure procedures are efficient, transparent and accountable. The Constitution is being fully reviewed with adoption anticipated in 2021/22</p> <p>The Code of Corporate Governance provides the clear framework for governance and internal control which is reviewed annually by Audit Committee.</p> <p>The Council has an internal audit function (provided by BDO) that reviews and reports to the Audit Committee on the adequacy and effectiveness of the internal control system to</p>

			<p>ensure the achievement of the Council's objectives in the areas reviewed as set out in an agreed annual programme of work.</p> <p>BDO provide an annual report to the Audit Committee on the work they have undertaken that includes an overall opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes.</p> <p>BDO reported to the Audit Committee in June 2021 that that they were able to provide moderate assurance that in 2020/21 the Council had a sound system of internal control designed to meet the Council's objectives and that controls were being applied consistently. This opinion represented BDO's second highest level of assurance in a challenging year and none of their local authority clients achieved substantial assurance in 2020/21.</p> <p>Action Required</p> <ul style="list-style-type: none"> - The Council's Constitution is being reviewed and will be consider by Council for adoption during 2021/22, this includes a fundamental review of Contract Procedure Rules and Financial Regulations. - Improve the process for Officer Declaration Interests as detailed in the Counter Fraud and Corruption Strategy Action Plan. - Ensure all agreed internal audit recommendations from 2020/21 that were not
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			implemented by the agreed implementation date are implemented in 2021/22.
D	The Authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	<p>The authority is 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>The authority has in place a suitable code of governance.</p>	<p>The Council has an approved Local Code of Corporate Governance consistent with the CIPFA Delivering Good Governance Framework available on its website. The Local Code is reviewed annually by Audit Committee.</p> <p>The production of the Annual Governance Statement (AGS) as part of the Statement of Accounts also includes a review of compliance with the CIPFA Framework including an update on progress towards the completion of actions previously identified to address control or risk issues along with proposed actions for the following year.</p> <p>Action Required - None</p>
E	The Financial Management Style of the authority supports financial sustainability	<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>The Council's Constitution (due to be updated in 2021/22) sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are transparent to the local community.</p> <p>The Financial Regulations included in the Constitution establish the system of control for financial decisions including the roles and responsibilities of Members and officers.</p> <p>There is an effective performance management framework in place with quarterly finance and performance reporting to Cabinet. The Finance</p>

			<p>team provide a Finance Business Partnering Role in support of services.</p> <p>The Chief Finance Officer is a member of the Programme Board which oversees all major projects. Finance Business Partner are members of each project team to ensure effective advice is provided to transformation projects.</p> <p>Action Required –</p> <p>As included at C above a review the Constitution, including Financial Regulations is due to be completed in 2021/22 with training to be provided to Members and Officers once it has received approval by Council, to ensure it is effectively embedded</p>
Long to Medium Term Financial Management			
F	<p>The Authority has carried out a credible and transparent Financial Resilience Assessment.</p>	<p>The authority has undertaken a financial resilience assessment.</p> <p>The 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>A full risk assessment of the Council's financial resilience is undertaken as part of the production of the updated 5 year Medium Term Financial Plan (MTFP) presented to Cabinet in February each year.</p> <p>The corporate risk register has a specific risk (2 – Failure to maintain financial integrity) dedicated to the Council's financial resilience with defined controls and agreed actions that are reviewed by the Senior Leadership Team on a quarterly basis.</p> <p>Action Required</p> <ul style="list-style-type: none"> - Consider further enhancing financial resilience reporting by utilising tools such as the CIPFA Financial Resilience Index

G	<p>The Authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.</p>	<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>A 5 year Medium Term Financial Plan (MTFP) is presented to Cabinet in February each year which fully identifies the risks to financial sustainability and impact on reserves.</p> <p>It was reported to Cabinet in February 2021 that it is anticipated that a minimum General Fund balance of £1m will be maintained through to the end of 2025/26. However, this is subject to a number of assumptions which will need to be reviewed and revised in future iterations of the MTFP.</p> <p>A fuller understanding of long term financial sustainability will only come when the current uncertainties and risks associated with the review of local government funding and Covid-19 are reduced and reflected in the medium term financial planning process.</p> <p>The financial implications of major projects are monitored through the Programme Board and any revised assumptions need to be reflected in future medium term financial planning along with any priority work identified in the production of an Asset Management Plan.</p> <p>The corporate risk register has a specific risk (2 – Failure to maintain financial integrity) dedicated to the Council's financial resilience with defined controls and agreed actions that are reviewed by the Senior Leadership Team on a quarterly basis.</p> <p>Action Required</p> <ul style="list-style-type: none"> - Present an updated Medium Term Financial Plan (MTFP) to Cabinet in February 2022
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			considering the risk of Covid and outcome of the expected Comprehensive Spending Review and review of local government funding.
H	The Authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	<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 authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>	<p>The Council has all the strategies/policies in place as required and recommended by the Prudential Code.</p> <p>The Capital Investment Strategy and Treasury Management Strategy Statement are presented to Cabinet and Full Council for approval each year. The Strategies currently cover a 5-year planning horizon consistent with the MTFP.</p> <p>Business cases for major capital investment decisions are developed over a longer time frame consistent with the life of the asset to ensure the affordability and sustainability of the project.</p> <p>Quarterly treasury management updates (including compliance with prudential indicators) are reported to Cabinet.</p> <p>This is supplemented by specialist advice received from the Council's treasury advisors</p> <p>Actions Required</p> <ul style="list-style-type: none"> - Ensure the Council complies with any new requirements as set out in the revised versions of the Prudential Code and Treasury Management Code – ongoing - Consider the implementation of a longer term planning horizon for current asset maintenance

			linked to the Asset Management Plan which is currently under review.
I	<p>The Authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans.</p>	<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 5 year rolling Medium Term Financial Plan (MTFP) is updated and reported to Cabinet in February each year as part of the budget setting process. The plan is consistent with the capital investment strategy and is 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 time to plan and deliver any required savings.</p> <p>The MTFP is linked to the Gedling Plan to ensure that measures to deliver the priorities are properly resourced.</p> <p>Service Plans are developed based on Gedling Plan priorities and the service planning and budget process are integrated.</p> <p>The Council maintains a number of earmarked reserves to manage any significant in year variances, particularly in respect of initiatives planned as part of the delivery of the Efficiency Programme.</p> <p>Action Required – None</p>

The Annual Budget			
J	<p>The Authority complies with its statutory obligations in respect of the budget setting process</p>	<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 sets a balanced budget along with a council tax increase that is within the council tax referendum limits. A properly recorded vote on the budget takes place at Council meetings.</p> <p>The Council consults with the local business community on its budget proposals in accordance with the statutory requirement.</p> <p>The Council has a balanced medium term financial plan (MTFP) through to 2025/26 with the General Fund balance projected to be above a minimum £1m.</p> <p>The Council is aware of the circumstances and the process in issuing a Section 114 notice, but does not envisage this to be an issue over the medium term.</p> <p>Action Required - None</p>
K	<p>The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p>	<p>The authority's most recent budget report includes a statement by the 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 Medium Term Financial Plan (MTFP) presented to Cabinet in February 2021 by the Chief Finance Officer included details of the robustness of the estimates and the adequacy of the anticipated reserves through to 2025/26. This was then presented to Full Council in March 2021.</p> <p>The Council maintains number of reserves to mitigate against future financial risks including, for example, the Insurance Reserve, the Efficiency and Innovation Reserve and the Asset Management Reserve.</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>Action Required - None</p>
<p>Stakeholder Engagement and Business Plans</p>			
<p>L</p>	<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.</p>	<p>The authority knows who its key stakeholders are.</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 improvement its engagement with key stakeholders.</p>	<p>Officers engage with and work closely with the Leader, Deputy Leader, Portfolio Holders and other Cabinet members on the medium term financial strategy and annual budget.</p> <p>Officers brief other members (including opposition parties) on the budget proposals and other financial matters.</p> <p>Consultation on the annual budget takes place via the Council's website and networks with the local business community.</p> <p>Regular consultation with the community through the Gedling Conversation includes a Residents Survey which informs the development of the Gedling Plan, which directly inform the development of the budget through the integrated budget and service planning process.</p> <p>Consultation with residents/service users is conducted in respect of the development of new policy or individual service changes, which informs budget priorities. This allows the engagement to be more targeted to affected</p>

			<p>groups and ensures that the engagement is meaningful.</p> <p>Action Required –</p> <p>Review the current budget consultation processes with a view to improving engagement and encouraging active participation in respect of the whole budget.</p>
M	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.</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>The Council has a developed a robust corporate project management methodology designed to ensure that projects achieve deliverables on time and within budget. The project management framework contains key templates for business cases, project initiation documents (PIDs) and highlight reports. The highlight reports include separate sections on financial implications and mitigations to address any key risks identified.</p> <p>All major projects are monitored via the Programme Board and assigned a Project Manager to oversee and be accountable for the project. Updates on key projects including proposals to amend budgets are presented to Cabinet when necessary.</p> <p>The 5 year Capital Investment Strategy presented to Cabinet in February and then approved by Council in March each year includes a Capital Resource Development Bid scoring methodology linked to Gedling Plan priorities used to assess bids for their suitability for inclusion in the capital programme.</p> <p>Action Required - None</p>

Monitoring Financial Performance

N	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<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>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>Cabinet receive quarterly performance and budget monitoring reports which highlight any significant variances that are emerging and include updates on progress towards meeting targets set out in the Efficiency Programme. Any significant variances identified continue to be tracked and additional information provided in subsequent quarterly reports if necessary.</p> <p>Quarterly treasury management update reports are also presented to Cabinet whilst the Medium Term Financial Plan (MTFP) is updated and reported to Cabinet in February each year as part of the budget setting process.</p> <p>The Chief Finance Officer provides a 'going concern' report to the Audit Committee alongside the external auditor's report on the conclusion of the audit of the Council's annual accounts.</p> <p>Action Required - None</p>
O	<p>The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.</p>	<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 regularly monitors and report through quarterly monitoring procedures on key balance sheet risks including its reserves position, provisions and investments and borrowing.</p> <p>The Council's balance sheet includes a number of provisions including one for business rate appeals.</p> <p>Cash flow is managed through a robust treasury management processes which involves quarterly updates being presented to Cabinet.</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>The Council also includes consideration of balance sheet elements, such as the use of reserves and requirement for provisions, in its medium term financial plan (MTFP). The planned use of reserves is monitored through the quarterly budget and performance review process included outturn reports.</p> <p>Other assets and liabilities are not routinely reported on.</p> <p>Action Required</p> <ul style="list-style-type: none"> - Consider how, when and by who a more detailed and frequent analysis of the Council's balance sheet can be undertaken to enhance medium and long term financial planning.
External Financial Reporting			
P	<p>The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	<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</p>	<p>The Chief Finance Officer (CFO) conducts their duties in accordance with the Constitution and the Scheme of Delegation.</p> <p>The CFO is aware of their responsibility for the preparation of the annual financial statements and ensures that they are completed both on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting. This is evidenced by the fact that the Council has received an unqualified opinion from the external auditors on its annual financial statements for a number of years.</p> <p>Action Required</p> <ul style="list-style-type: none"> - As detailed in Standard B - Ensure that the Financial Services team has sufficient

		Code of Practice on Local Authority Accounting in the United Kingdom.	resources in terms of number of staff as well as their knowledge, skills and expertise to produce the annual financial statements in accordance with the timescales set out in the Accounts and Audit Regulations.
Q	The presentation of the final outturn figures and variations from budget allow 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 leadership team feels that the reports support it in making strategic financial decisions.</p>	<p>The Senior Leadership Team (SLT) along with Cabinet are provided with an outturn report detailing significant variations to the revised revenue and capital budgets. The reports include requests for revenue and capital carry forwards (above those delegated to the Chief Finance Officer) and proposals for transfers to and from of earmarked reserves.</p> <p>SLT on the advice of the Chief Finance Officer consider the treatment of any surpluses and reserves before discussion with Members and formal approval.</p> <p>SLT maintain a specific focus on the development of the MTFP and provide a strategic overview to ensure the priorities set out in the Gedling Plan are adequately resourced and are considered within the overall financial position</p> <p>Action Required - None</p>