

THE CIPFA FINANCIAL MANAGEMENT CODE

A. The Leadership Team is able to demonstrate that the services provided by the Council provide value for money.

The Council has the following frameworks and systems in place to support the delivery of value for money (VFM) in service delivery.

Governance

- A Governance Structure in the Council's Constitution, governs how decisions on policy, service delivery and spending are made.
- A Committee reporting structure for which reports to decision-makers are based on a standard template; this effectively sets out a business case for the consideration of major policy, service change and spending proposals, etc.

Planning

- An evidence based 4-year Corporate Plan which sets out the Council's vision and its priorities
- A Delivery Plan and Service Plans are in place to support and measure performance against the Corporate Plan.

Allocation of Resources

- The Council's Constitution contains a Budget and Policy Framework, Financial Regulations and detailed Financial Procedure Rules. These set out the way in which resources are allocated, controlled and reported upon, etc.
- An annual Base Budget review is undertaken to determine how Services are funded.
- The Council's Procurement Service is provided through a shared service arrangement. They apply the Council's Contract Procedural Rules in purchasing with associated guidance for Officers.

Monitoring

- The Overview and Scrutiny and the Audit Sub-Committee are open to scrutinise decisions and the delivery of services, including their efficiency and effectiveness.
- A performance management system which measures success or failure against priorities in the Corporate Plan, together with a suite of corporate indicators.
- A Risk Management system which includes quarterly risk registers being reported to Council Committees.

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- Contract management arrangements are in place for major contracts and in particular the Housing Repairs and Planned Maintenance, Waste Recycling and Leisure Management Contracts.

Demonstrating VFM

- A VFM test is included in the Capital Evaluation process
- Explicit demonstration of VFM is being introduced in proposals for service development and restructures, etc.
- An annual VFM report published alongside the Accounts and Financial Statements; this sets out case studies to demonstrate how VFM has been achieved.
(This is a new Report which will be presented to the Finance and Management Committee in July 2020).

B. The Council complies with the CIPFA statement on the Role of the Chief Finance Officer in Local Government.

- Evidence of compliance is reported annually to the Audit Sub-Committee.

C. The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control.

The Council has the core frameworks and systems in place expected of a local authority to support proper governance and internal control, which are endorsed and overseen by the Council's Leadership Team.

This includes a Constitution, decision making through Committees, an Internal Audit function which focuses on governance, together with Codes of Conduct for Members and Officers, registers of gifts, hospitality and interests, etc.

To support this, the Council's Monitoring Officer sits on the Leadership Team and also attends meetings of Full Council and the Audit Sub-Committee.

To further demonstrate the importance of governance and internal control, the Council should work towards implementing the 15 best practice standards contained in the "Nolan" principles, as recommended by the Government Committee on Standards in Public Life.

Many of these principles are embedded in the Council's Governance arrangements, but this will need to be reviewed if the Council is to fully demonstrate compliance with this particular FM Standard.

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D. The Council applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2016.

- A regular assessment and evidence of compliance with the Framework principles is reported six monthly to the Audit Sub-Committee. The Framework and evidence of its effectiveness forms the basis of the Annual Governance Statement.

E. The financial management style of the Council supports financial sustainability.

The Council's financial management style has the following characteristics:

- It is prudent and cautious, as highlighted in the Chief Finance (Section 151) Officer's Annual Report to Council.
- However, it is forward looking with a rolling 5 year General Fund Medium Term Financial Plan (MTFP) and Capital Investment Programme, together with a 10 year financial plan for the Housing Revenue Account (HRA).
- Probity and the use of resources are controlled through the Constitution, Financial Regulations and Procedural Rules, together with a Finance and Management Committee.
- The management of Finance is centralised with a corporate Financial Services Unit who lead and co-ordinate the Accounts, budget preparation and monitoring.
- The Financial Strategy sets targets based on a minimum level of General Reserves by the end of each rolling financial planning period.
- All resource proposals and spending decisions, including budgets, are referred from Policy Committees to the Finance and Management Committee for consideration and approval.
- All resource proposals and spending decisions are channelled through the Chief Finance (Section 151) Officer and/or their Deputy for prior sign-off.
- All reports to Council Committees are required to detail Financial Implications separately even to state that there are none.
- There is a principle that "money is generated before it is spent".
- Financial literacy across the Council can be varied and therefore regular training sessions are held for Elected Members. In addition, Core Briefings for staff and the workforce provide broad updates regarding the Council's financial position to ensure that a financial message is disseminated across the Council.

Therefore, the Council's financial management style supports financial sustainability because it:

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- **Delivers Accountability** – this is embedded as financial resources are controlled, led centrally and meet regulatory requirements.
- **Supports Performance** – it ensures sufficient long-term resources in Budgets to provide on-going services and to deliver priorities in the Council's Corporate Plan.
- **Enables Transformation** – it provides resources for investment through a Growth Reserve and a Business Change Unit, together with capital sums for asset replacement, IT investment and to develop digitisation of services.

F. The Council has undertaken a credible and transparent financial resilience assessment.

The assessment is based on CIPFA's Financial Resilience Index and is integral to the Chief Finance Officer's Annual Report (*Standard K*).

The assessment is used to support the Chief Finance Officer's opinion on the sustainability of the Council's finances.

G. The Council understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.

As above, this is set out in the Annual Budget and Section 25 Report. It is also reviewed in the ½ yearly reviews of the MTFP.

Financial sustainability is a key risk on the Council's Corporate Risk Register. This highlights the risk, the potential impact and mitigating measures in place. This risk is reviewed and reported to Members quarterly.

H. The Council complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council has complied since the introduction of the Code several years ago and sets a suite of Prudential Indicators to monitor capital expenditure and financing in accordance with the Code.

These are considered by the Finance and Management Committee based on the recommendation of the Section 151 Officer as part of the Treasury Management Strategy.

Indicators are reviewed annually as part of the budget setting process and cover a 5 year rolling period. Compliance is monitored throughout the financial year in a quarterly report to the Finance and Management Committee.

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Following an update to the Code in December 2017, the Council has adopted a Capital Strategy. This sets out the principles on which capital expenditure is financed in light of Council priorities and resources to ensure that decisions are being made with sufficient regard to the long term financing implications and potential risks to the Council.

I. The Council has a rolling multi-year MTFP consistent with sustainable service plans.

This has been established for many years and is the cornerstone for financial planning. The General Fund is guided by a 5 year rolling plan and the HRA by a longer term, 10 year plan. This ensures that there is sufficient investment to maintain the Housing Stock and that sufficient resources are set-aside to repay HRA debt.

Plans are updated quarterly for the effects of any in-year budget changes and are reviewed and updated in detail every 6 months. The broad aims of the Plans are to:

- Provide a prudent but realistic Direction of Travel.
- Model known and anticipated changes to Council spending and financing.
- Ensure sufficient resources are in place to meet Council priorities and external pressures.
- Ensure that the Council is operating within its Reserves Target into the medium term.

J. The Council complies with its statutory obligations in respect of the budget setting process.

The Annual Budget Round is integral to the Council's financial framework and is given dedicated time in the decision making process. The timetable and process involved is summarised below:

Action	Timetable
Financial Services review base spending with budget managers and Heads of Service	October and November
Draft budgets and major variances considered by Strategic Directors and the Leadership Team	December
Special Budget Committees convened to consider proposals at policy committee level	Early January
Finance and Management Committee consider consolidated proposals and recommend level of Council Tax	Mid-January
Consultation	

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<ul style="list-style-type: none"> Local businesses invited to meet with the Chief Finance Officer and Leader of the Council Proposals disseminated to residents at Area Forums Proposals also communicated to staff Proposals presented to the Local South Derbyshire Partnership Proposals scrutinised by the Overview and Scrutiny Committee 	Mid-Jan to Mid-February
Finance and Management Committee propose final budget to Full Council	Mid-February
Leader's Statement and Council Tax set at Full Council	End of February

K. The Budget Report includes a statement by the Chief Finance Officer (CFO) on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.

This is integral to the Annual Report of the CFO (Strategic Director of Corporate Resources) under Section 25 of the Local government Act 2003.

This report is made separately, but alongside the Annual Budget Report to the Leadership Team and Members. It is then subsequently presented to Full Council in February ahead of the final budget proposals being considered and agreed.

L. The Council has engaged where appropriate with key stakeholders in developing its long term financial strategy, MTFP and annual budget.

This has not been undertaken.

M. The Council uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

This used in appropriate circumstances and in particular when considering options for service delivery (in-house, partnership, shared service, etc.).

The Capital Evaluation Framework is based on bids for finite resources being subject to a business case. Each project is then assessed against other bids to ensure that investment is steered towards the Council's Corporate Plan priorities and provides Value for Money.

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N. The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

The Council has an established Performance and Financial Monitoring system in place with quarterly reports to Policy Committees. As part of this process, information is presented to the Leadership Team so that it can assess any issues in order to advise and make recommendations for corrective action.

Reports focus on areas where planned performance (both financial and non-financial) is not as expected or budgeted. Reports include the risks of not meeting anticipated performance, with quarterly financial reports highlighting any variances which have an impact on the MTFP.

O. The Leadership Team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

The Chief Finance Officer has identified those elements of the Balance Sheet which pose the most significant risk to the Council's financial sustainability.

These are detailed in **Appendix 1** together with the potential risk each element poses and the mitigation and monitoring measures in place which are designed to combat those risks.

P. The CFO has personal responsibility for ensuring that the statutory accounts provided to the Council comply with the Code of Practice on Local Authority Accounting in the UK.

This is a key element of the Section 151 duties. The Strategic Director (Corporate Services) in their role as CFO certifies the Accounts to confirm that they have been prepared to comply with the Accounting Code. This is also highlighted in the covering report to Finance and Management Committee when the Accounts are presented for review and adoption.

Note: *Although delivery of the Section 151 role is stated as a responsibility in the Job Description (JD) of the Strategic Director (Corporate Resources) responsibility for compliance with the Accounting Code is not specifically mentioned. To ensure greater transparency, the JD should be amended to reflect this good practice requirement.*

Q. The presentation of final out-turn figures and variations from budget allow the Leadership Team to make strategic financial decisions.

As part of the financial planning system, a separate budget out-turn report is produced. This reports the final accounts of the Council in a form that allows actual figures to be compared to Budget, with detailed commentary on variances. The out-turn report also shows any effects on the MTFP. The report is based on quarterly performance reports that are produced and reported during the year.

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APPENDIX 1: STANDARD O: BALANCE SHEET MONITORING

Balance Sheet Element	Potential Risk	Risk Mitigation Measures and Monitoring Arrangements
Fixed Assets	They are not suitably maintained and unforeseen expenditure is incurred or loss of value leads to impairment costs.	<ul style="list-style-type: none"> Recent stock condition surveys identify maintenance requirements. Planned maintenance programmes in place and these are monitored as part of the Financial Management framework. Vehicle replacement and ICT upgrade programmes in place with resources set-aside to fund these programmes. Any major unforeseen expenditure would be financed from General Reserves in the short term.
Long Term Investments	The Council has £4m invested in the Local Authority Property Fund. Its value could go down.	<ul style="list-style-type: none"> The investment has been made on a long-term basis so that any short-term fall in property values is evened out over time.
Short Term Cash Deposits	<p>Financial markets are uncertain and this could threaten the security of deposits.</p> <p><i>(Note: the Council's financial plans are not dependent on achieving a specific yield from interest on deposits).</i></p>	<ul style="list-style-type: none"> Strict lending criteria with an associated Counterparty List are in place as part of the Treasury Management Strategy. The principle of investment is "security and liquidity before yield". The Counterparty List is kept under review with the Council's Treasury Advisors who issue alerts regarding economic data and any effects for the Council's Counterparty List. A large amount of cash is on deposit with other local authorities and no investment is made longer than for 364 days. Cash on deposit with banks and in Money Market Funds is on an instant access basis.
Debtors	Collection falls which builds up arrears and potential bad debts. Cost of Provisions to meet bad	<ul style="list-style-type: none"> Debt Recovery Team in Customer Services dedicated to arrears collection; quarterly report produced on activity.

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	and doubtful debts charged to revenue accounts,	<ul style="list-style-type: none"> • Specific resources in Housing team to support tenants affected by Universal Credit. • Provisions made in the Accounts as a contingency to meet the cost of write-offs. Budgets included in revenue accounts to top these up if required.
Provisions	<p>In accordance with accounting practice, provisions are set up from time-to-time to meet issues arising from day-to-day activity which incur a one-off cost in a future accounting period, such as a legal appeal, an inquiry or a contractual issue, etc.</p> <p>The risk is that the amount calculated and set-aside in the Accounts is not sufficient to meet the final outcome.</p>	<ul style="list-style-type: none"> • The Provision itself is the mitigating factor. Amounts are kept under review as part of quarterly financial reporting. Any shortfall would be financed from general reserves.
Long-Term Borrowing	Interest rates rise or repayment schedules on HRA debt become unaffordable.	<ul style="list-style-type: none"> • 80% of debt is at fixed interest rates. • Variable rate debt currently at an interest rate less than 1% with provision in the HRA Financial Plan of 3% per year. This part of the debt is due to be repaid in 2021/22. • Surpluses in the HRA being set-aside to repay debt in accordance with the repayment schedule. • Situation monitored and reported quarterly. • If there is a significant change in the position, debt could be rescheduled to alleviate any short term issues.

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Usable Reserves	These deplete greater than planned. In particular general reserves and those used to fund on-going base budget expenditure, mainly in Cultural and Community Services.	<ul style="list-style-type: none">• The monitoring of reserves is a fundamental element of the Council's financial planning framework.• The planned use of reserves and their balances are projected over the life of the MTFP. This means timely action could be undertaken where there is unplanned use.
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