

# Review of Bristol City Council's compliance with the CIPFA Financial Management Code 2021/22

## Introduction

The CIPFA Financial Management (FM) code sets the standards of financial management for local authorities. It is designed to support effective practice in financial management and to assist local authorities in demonstrating their budgetary sustainability.

The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks. The code came into effect from 1 April 2020 and CIPFA considered 2020/21 to be a 'shadow' year.

All local authorities are required to demonstrate full compliance with the Code by 31 March 2022. Demonstrating compliance with the CIPFA FM Code is a collective responsibility of the elected mayor, members, the Chief Finance Officer and their professional colleagues in the leadership team.

This report is a self-assessment and review of the Council's compliance with the standards as set out in the FM Code. It documents detail of what is expected within the standard. It also records evidence of areas of compliance and documents any further actions required to meet and/or improve current processes in place. This report is to be considered alongside the 2020/21 External Audit Value For Money (VfM) report and the 2021/22 Annual Governance Statement (AGS).

## Principles of good financial management

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

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

The six principles are translated into seventeen Financial Management standards (denoted from A-Q) as shown in **Error! Reference source not found.**

## Assessment of compliance

Appendix A sets out our self-assessment of the Council's ability to demonstrate that it meets the requirements of the FM Code. Each of the seventeen standards have been assessed against the following definitions:

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

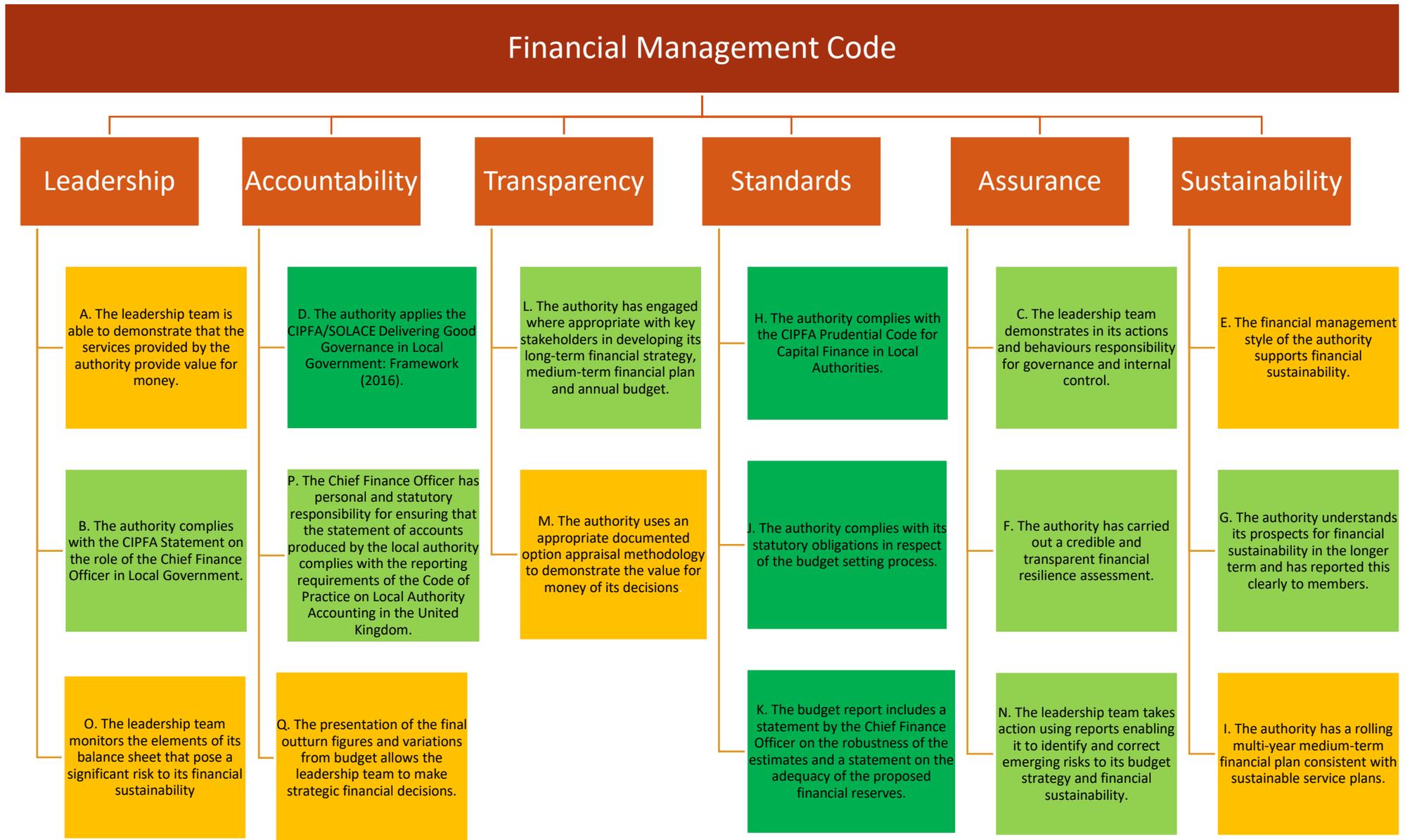
## Summary

Overall, the Council self-assessment shows a **reasonable level of compliance** with the underlying principles of the FM Code and demonstrates financial sustainability. The current self-assessment rating attributed to the six principles and seventeen financial management standards is illustrated in Figure 1. We recognise that more could be done to improve ***across the six principles***, particularly in the following areas:

- Value for Money including clear option appraisal methodology
- The financial management style of the Council
- An asset management plan that enables effective contributions to the delivery of services and the Council's strategic aims
- Monitoring of key risks to the Council's balance sheet
- Presentation of outturn figures to allow strategic decision making

The Council has developed a set of actions to achieve this, some of which may be over the medium term, and these are outlined in the final column (Improvement Areas) of Appendix A. This also includes the recommendations outlined in **Grant Thornton's 2020/21 Value for Money (VFM) report**.

Figure 1.



## Appendix A

### Section 1: The responsibilities of the Chief Finance Officer and leadership team.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
<p><b><u>A. The leadership team can demonstrate that the services provided by the authority provide value for money.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. <i>Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?</i></li> <li>2. <i>Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?</i></li> <li>3. <i>Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?</i></li> </ol>	<p><b>Exploring VfM</b>, and principles of VfM as the four pillars of economy, efficiency, effectiveness, equity.</p> <p><b>Promote VfM through:</b></p> <ul style="list-style-type: none"> <li>• A clear governance structures.</li> <li>• Scrutiny arrangements -audit arrangements (remit for VfM).</li> <li>• Corporate plan.</li> <li>• Annual budget detailing plans to deliver strategy.</li> <li>• Financial regulations.</li> <li>• Procurement regulations.</li> <li>• Contract management regulations.</li> <li>• Systematic approach to identifying and managing risk.</li> <li>• Compare VfM with others (efficiency reviews, benchmarking, peer review, monitoring of performance data, service reviews, user surveys, external assessments).</li> <li>• Equity – equality impact assessments, engagement with service users and voluntary organisations.</li> </ul> <p><b>Demonstrate VfM:</b></p>	<ul style="list-style-type: none"> <li>• The Council operates under a Mayoral model supported by Cabinet (the Executive).</li> <li>• The Executive are supported by the Corporate Leadership Board (CLB), which is headed by the Council’s Chief Executive.</li> <li>• The Executive and CLB are collectively responsible for ensuring high performance and VfM in the delivery of Council services.</li> <li>• Bristol Holding Limited (BHL) holds the controlling shares and provides oversight of the Council’s subsidiary companies.</li> <li>• The Council’s Shareholder Group (SHG) is underpinned by a term of reference and is chaired by the Shareholder Representative (Deputy Mayor, Cabinet member for City Economy, Finance, Property and Culture for the Council) and supported by the Council’s Strategic Client.</li> <li>• BHL &amp; SHG forms part of the overall governance arrangements for the Council and maintains</li> </ul>		<p><b>The Council will implement the recommendations outlined in Grant Thornton’s VfM report as follows:</b></p> <p><b>Governance Recommendations</b></p> <p>6. The Council should continue to ensure the following actions are taken to improve the information provided to support Cabinet decisions:</p> <ul style="list-style-type: none"> <li>• Cabinet summary reports should include: <ul style="list-style-type: none"> <li>• a summary of the risks identified within the exempt papers</li> <li>• scored and RAG rated risks in public papers</li> <li>• a summary of key messages relating to the financial information, the only financial information should not be just within the appendices</li> <li>• the outcome of any consultation with the Shareholder Group and Bristol Holding, where applicable</li> </ul> </li> <li>• Cabinet summary reports should be supported with an eco-</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
	<ul style="list-style-type: none"> <li>• Overview of governance arrangements.</li> <li>• Details of savings achieved.</li> <li>• Results of surveys.</li> <li>• Address in narrative reports or AGS in financial statements.</li> <li>• Provide info via its website on VFM.</li> </ul> <p><b>Delivery VFM in services delivered by alternative mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Outsourcing.</li> <li>• PFI.</li> <li>• trading companies.</li> <li>• Maintain effective 'line of sight' accountability arrangements (governance, progress monitoring).</li> </ul>	<p>effective 'line of sight' and accountability arrangements for Council subsidiaries.</p> <ul style="list-style-type: none"> <li>• The Council's external auditors conduct a VFM review as part of their annual work. Under the new Code of Audit Practice, the categorisation for the Council's 20/21 VFM external audit assessment is as follows: <ul style="list-style-type: none"> <li>• Financial sustainability</li> <li>• Governance</li> <li>• Improving economy, efficiency and effectiveness</li> <li>• Covid 19</li> </ul> </li> <li>• The external audit assessment identified no significant weaknesses but recommended 13 areas across 3 categories, where improvements could be made to the arrangements in place at the Council. In addition, 9 in progress or outstanding recommendations from 19/20 for implementation.</li> <li>• The Policy and Budget Framework Procedure rules, within which the Council operates (last approved by Council December 2019).</li> <li>• The following strategies and policies are in place and designed to directly and or indirectly promote and deliver VFM: <ul style="list-style-type: none"> <li>• Corporate Strategy (Nov 2021)</li> </ul> </li> </ul>		<p>impact assessment within the appendices, if not a note should be included to set out why it is not applicable.</p> <p><b>Improving Economy, Efficiency and Effectiveness Recommendations</b></p> <p>7. The Council should consider introducing performance monitoring against the Business Plan on a more - timely basis.</p> <p>10. The Council should consider if additional benchmarking would be beneficial and explore the very high unit costs identified for:</p> <ul style="list-style-type: none"> <li>• Planning and development services</li> <li>• Housing services</li> </ul> <p>11. The Council should develop a procurement strategy.</p> <p>12. The Council should continue to scrutinise and act to reduce contract breaches. To do this the Council should:</p> <ul style="list-style-type: none"> <li>• introduce procurement compliance training</li> <li>• reporting of breaches should be reported to Cabinet or Audit Committee.</li> </ul> <p><b>The Council will implement the following Council identified improvements:</b></p>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
		<ul style="list-style-type: none"> <li>• Annual Business Plan and Performance Framework (April 2022)</li> <li>• Medium Term Financial Plan (Nov 2021)</li> <li>• Capital Strategy (Nov 2021)</li> <li>• Financial Regulations, management standards and budget scrutiny and improvement protocol (November 2019)</li> <li>• Risk management assurance policy (January 2019)</li> <li>• Procurement rules and procedural notes (July 2020)</li> <li>• Pro-contract contracts register (Mar 2022)</li> <li>• Social Value Policy and measures (Feb 2021)</li> <li>• Sustainable Procurement Policy (December 2021)</li> <li>• Equality &amp; Inclusion Policy and Strategy (2018)</li> <li>• EQIA toolkits (2021)</li> <li>• Monitor delivery of business plan.</li> <li>• Benchmarking information is used to compare our service/financial performance to other authorities and introduction of Power BI.</li> <li>• Delivery Executive to oversee the delivery of savings.</li> <li>• Dedicated resource for monitoring and reporting on the PFI contracts.</li> </ul>		<ul style="list-style-type: none"> <li>• Update the following: <ul style="list-style-type: none"> <li>• Value for Money strategy, guidance and toolkits.</li> <li>• Commissioning / Decommissioning guidance and toolkits</li> </ul> </li> <li>• Further develop the use of Power BI for bringing together finance and performance information into end user friendly dashboards.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
		<ul style="list-style-type: none"> <li>Monitoring and reporting of procurement compliance.</li> <li>An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks and identified noncompliance recorded and reported in line with scheme of delegation. Where these arrangements need to be updated and or enhanced these are outlined in the Areas for Improvement section.</li> <li>All investments (both revenue and capital) are evaluated to consider the value to the Authority and the due diligence forms part of the decision-making process.</li> </ul>		
<p><b><u>B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li><i>Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?</i></li> <li><i>Does the CFO lead and champion the promotion and</i></li> </ol>	<p><b>5 Principles:</b></p> <p><b>Principle 1:</b> Key member of the leadership team.</p> <p><b>Principle 2:</b> Actively involved in all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy.</p>	<p>The Director of Finance is the Authority's CFO / s151 Officer and is a professionally qualified accountant with significant experience. The Council complies with CIPFA's Statement on the Role of the Chief Financial officer in Local Government.</p> <ul style="list-style-type: none"> <li>The Director of Finance reports to the Chief Executive, holds regular finance meetings with the Cabinet member with responsibility for Finance, Council member</li> </ul>		<ul style="list-style-type: none"> <li>The Director of Finance's continued focus will be on 'right sizing' the function, recruitment to vacant senior posts and retention of staff, to provide capacity and resilience in meeting business, audit and governance demand, the complexity of solutions required and to achieve best value for money.</li> </ul> <p>CIPFA states that however the pensions operations of the administering authority are delivered, they are, for the</p>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
<p><i>delivery of good financial management across the authority?</i></p> <p>3. <i>Is the CFO suitably qualified and experienced?</i></p> <p>4. <i>Is the finance team suitably resourced and fit for purpose?</i></p>	<p><b>Principle 3:</b> Lead the promotion and delivery of effective financial management.</p> <p><b>Principle 4:</b> Lead and direct a finance function that is resourced to be fit for purpose.</p> <p><b>Principle 5:</b> The CFO in a local authority must be professionally qualified and suitably experienced.</p>	<p>representative on the Pension Board and is a member of the Corporate Leadership Board, Mayors Strategic Board and Cabinet Board. These forums provide sufficient opportunities for the Mayor, Executive and Senior leaders to have oversight of financial matters, collective leadership and the Director of Finance involvement in developing and implementing strategy.</p> <ul style="list-style-type: none"> <li>• The Director of Finance networks externally and works closely with other Local Authority s151 Officers.</li> <li>• The Director of Finance is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation’s financial strategy.</li> <li>• The Director of Finance ensures the financial statements are appropriately prepared and that they give a true and fair view.</li> <li>• Effective financial management is promoted throughout the whole Council through regular communication, business</li> </ul>		<p>purposes of the responsibilities of the CFO of that authority, indivisible from other financial operations. This in turn means that the CFO of that local authority body is ultimately responsible for the financial administration of the pension fund.</p> <p>Even in instances where the day-to-day responsibilities may in practice be delegated or even outsourced, the CFO should maintain oversight and control and be the “intelligent client” of the fund.</p> <ul style="list-style-type: none"> <li>• In achieving this the Council will need to put in place the required framework for the Director of Finance to monitor the continued effectiveness of the systems and processes for financial administration and control of the funds</li> <li>• Ensure there is a documented line of professional accountability to the Director of Finance for pension fund finance staff where this is not a direct line management relationship</li> <li>• Regular reporting to the Audit Committee on pension related matters.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
		<p>partnering approach, ensuring finance is prioritised throughout governance procedures, and regular financial reporting to Executive Director Meetings (EDM), CLB, Cabinet Member Briefings (CMB), Cabinet, Council, Scrutiny Commission and Audit Committee.</p> <ul style="list-style-type: none"> <li>• Business Partners attend EDM. Finance is represented on internal governance boards and all managers with budgetary responsibility receive training and regular one-to-one meetings with a member of the Finance team.</li> <li>• The Finance function is resourced to meet business needs via a blend of permanent and interim staff and specialist knowledge is also contracted in high-risk or complex areas. Advisory services are commissioned for areas such as pensions, valuations and Tax. A programme for professional qualification is in place and most of the team are either qualified or actively studying for a qualification.</li> <li>• A training needs analysis is undertaken annually by the Head of Service for all Finance staff and an L&amp;D plan developed.</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Improvement Areas
		<ul style="list-style-type: none"> <li>• Corporate finance team actively engage in government / CIPFA consultation to ensure the Council's views are represented.</li> <li>• Financial implications are considered within all key decision making and is signed-off by a senior finance officer.</li> <li>• Sound financial management, reviewed against CIPFA resilience index and comparative data.</li> </ul>		

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## Section 2: Governance and financial management style.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. <i>Does the leadership team espouse the Nolan principles?</i></li> <li>2. <i>Does the authority have in place a clear framework for governance and internal control?</i></li> <li>3. <i>Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?</i></li> <li>4. <i>Does the leadership team espouse high standards of governance and internal control?</i></li> <li>5. <i>Does the leadership team nurture a culture of effective governance and robust internal control across the authority?</i></li> </ol>	<p><b>Governance structure</b> (terms of reference, delegation scheme, conduct at meetings). A constitution that is transparent and accessible to the public.</p> <p><b>Clear arrangements for assurance and accountability:</b></p> <ul style="list-style-type: none"> <li>• internal audit planning and reporting</li> <li>• risk management</li> <li>• effective audit committee</li> <li>• recommendations from external auditor acted upon promptly</li> </ul> <p><b>Ensuring high standards of governance and internal control:</b></p> <ul style="list-style-type: none"> <li>• Code of conduct for leadership team -register of interests.</li> <li>• Constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement).</li> <li>• Realism bias (robust analysis of data, evidence-based savings, robust decision-making procedure).</li> <li>• Balanced decision making between desired social outcome and financial resources, and admin efficiency.</li> </ul> <p><b>Culture of good governance</b> (continuous improvement, reward good behaviours in perf monitoring).</p>	<p><b>Governance structure:</b></p> <ul style="list-style-type: none"> <li>• The Council’s constitution is openly available on the Council’s website and sets out what powers are delegated to the cabinet, Committees, individual members and what matters are reserved for collective decision of the council, and the procedures to be followed to ensure that decisions are taken efficiently and transparently. This is reviewed annually through a constitution working group and updated accordingly.</li> <li>• Schemes of delegation set out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and role of internal and external audit. Reviewed at least annually in the light of legal and organisational changes.</li> </ul> <p><b>Clear arrangements for assurance and accountability:</b></p> <ul style="list-style-type: none"> <li>• Effective internal audit service compliant with Public Sector Internal Audit Standards (PSIAS)</li> </ul>		<p><b>The Council will implement the recommendations outlined in Grant Thornton’s VFM report as follows:</b></p> <p><b>Governance Recommendations</b></p> <ol style="list-style-type: none"> <li>5. The Council should continue to actively monitor the redevelopment of the Bristol Beacon and learns from this project to ensure: <ul style="list-style-type: none"> <li>• consideration is given to how complex capital and heritage buildings could have better cost certainty and allow for over optimistic outcomes</li> <li>• consistent, robust and effective management arrangements are introduced, and a strong client-side function is maintained, including technical expertise to enable the Council to hold its contractors and third-party support and advisors to account</li> </ul> </li> </ol> <p><b>The Council will implement the following Council identified improvements:</b></p> <ul style="list-style-type: none"> <li>• A programme of refresher training for officers at all levels on the approach in managing positive disclosures and conflict of interest</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<ul style="list-style-type: none"> <li>• Audit Committee complies with best practice as defined by CIPFA in terms of terms of reference, membership (including 2 independent members) and the undertaking of a continuous cycle of training.</li> <li>• The system of internal control is designed to manage risk to a reasonable level based on continuing processes designed to:               <ul style="list-style-type: none"> <li>• identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives.</li> <li>• assess how likely it is that the identified risks will happen, and what will be the impact if they did; and manage the risks efficiently, effectively, and economically.</li> </ul> </li> <li>• Improved trajectory in the implementation of internal audit recommendations and external audit recommendations are acted on promptly - evidenced in reports to Audit Committee / Council.</li> </ul> <p><b>Ensuring high standards of governance and internal control:</b></p>		policies / protocols across the organisation.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<ul style="list-style-type: none"> <li>• Scrutiny commissions hold the Executive to account for the decisions that are made.</li> <li>• Scrutiny Commissions meet on a regular basis throughout the year to review service and financial performance. Scrutiny is also carried out through more informal mechanisms such as task and finish groups and scrutiny inquiry days.</li> <li>• An annual Scrutiny Report is produced for Full Council (May 2022), outlining achievements over the past year and priorities for the year ahead.</li> <li>• We are defined by how we behave and what we do, driven by clear values and behaviours; dedicated, collaborative, curious, show respect and take ownership as well as key to the way we recruit and develop colleagues.</li> <li>• Arrangements are in place to provide assurance that our behaviours are being upheld and that members and officers demonstrate high standards of conduct. These include: <ul style="list-style-type: none"> <li>• Member and officer protocol</li> </ul> </li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<ul style="list-style-type: none"> <li>• Codes of conduct for members and officers.</li> <li>• Whistleblowing policy</li> <li>• Complaint procedure</li> <li>• Fraud, Bribery and Corruption Policy &amp; Strategy</li> <li>• Registers of interest (members and officers)</li> <li>• Registers of gifts and hospitality</li> <li>• The Financial Regulations make clear the responsibilities of Executive Directors to ensure action is taken to contain spending with cash limits set by Council. However, in the event of additional resources being required, a supplementary estimate protocol sets out the process and responsibilities for approving additional resources.</li> <li>• There is a rigorous departmental budget challenge process, refined budget remit and review of budget options.</li> </ul> <p><b>Culture of good governance:</b></p> <ul style="list-style-type: none"> <li>• Communicating shared values with members, staff, the community, and partners,</li> <li>• Celebrating success / extra mile</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<ul style="list-style-type: none"> <li>• Staff performance outcomes linked to delivery of Council commitments.</li> <li>• Performance management system and appraisals</li> <li>• Equality Impact Assessments are completed as part of implementing changes to policies, activities and services and cumulative impact assessments where multiple change is being considered to ensure clarity is provided in relation to any disproportionate impact and mitigations are considered for those with protected characteristics.</li> <li>• The Council recognises that effective local government relies upon maintaining the confidence of the public in both the elected Members and Officers of the Council. The Council continues to consult with the public and keep under review governance arrangements and related procedures to ensure best practice so that the highest standards are maintained.</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li><i>Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements?</i></li> <li><i>Does the authority have in place a suitable local code of governance?</i></li> <li><i>Does the authority have a robust assurance process to support its AGS?</i></li> </ol>	<ul style="list-style-type: none"> <li>Assess governance structures, maintain the local code of governance, report publicly on compliance with the code and how plans to improve (undertake in AGS).</li> <li>Adherence to the Principles of the good governance framework in the CIPFA code.</li> <li>Adherence to ethical codes and the rule of law.</li> <li>Openness and stakeholder engagement.</li> <li>Sustainable economic, social and environmental benefits.</li> <li>Achievement of intended outcomes.</li> <li>Capability and capacity within an organisation to achieve this.</li> <li>Managing risks and performance.</li> <li>Transparency, reporting and audit.</li> </ul>	<ul style="list-style-type: none"> <li>The Council has a clear framework for governance and internal control.</li> <li>Approved and adopted Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).</li> <li>Annual Governance Statement demonstrates adherence to the CIPFA code and needs to be read alongside the Council's constitution. The AGS (draft and final) are reported to Audit Committee.</li> <li>Heads of Service, Directors and Executive Directors review and assess annually the governance and assurance arrangements of their departments with reference to departmental risk registers, audit reports and internal and external updates for the AGS.</li> <li>Statutory officer reports are also considered for the AGS including this self-assessment.</li> <li>The AGS details achievement of objectives, capability and capacity. The sustainability of resources, identifies risks and</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<p>mitigations to identified risks. It includes an internal audit assessment of governance arrangements in place and an Annual Audit Opinion reported to Council.</p> <ul style="list-style-type: none"> <li>• Induction training for all new Members, following the May 2021 elections, included a focus on governance, code of conduct and officer/member relations.</li> <li>• All limited assurance audit reports and recommendations are considered by the Corporate Leadership Board and where appropriate the Audit Committee are informed of the leadership team’s response verbally or in writing.</li> <li>• Our information management framework sets out how we manage information and keep them secure and consists of: <ul style="list-style-type: none"> <li>• Information Management Strategy</li> <li>• Responsibilities</li> <li>• Governance Structure</li> <li>• Effective policies, and</li> <li>• Communication and training</li> </ul> </li> <li>• A risk management assurance framework is in place to ensure</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<p>effective risk management processes are in place with regular reporting to EDM, CLB, CMB, Cabinet, Scrutiny and Audit Committee.</p>		
<p><b><u>E. The financial management style of the authority supports financial sustainability.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. Does the authority have in place an effective framework of financial accountability?</li> <li>2. Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?</li> <li>3. Does the authority's finance team have appropriate input into the development of strategic and operational plans?</li> <li>4. Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so?</li> <li>5. Has the authority sought an external view on its financial style, for example through a process of peer review?</li> </ol>	<p><b>Robust approach to ensuring financial stability, able to plan for and have appropriate skills and training to deliver:</b></p> <ul style="list-style-type: none"> <li>• Changes in LG funding</li> <li>• Ageing population</li> <li>• Pressures of adults and children's social care</li> <li>• Greater efficiency in response to resource constraints</li> <li>• Demand for affordable housing</li> <li>• New risks with commercialisation</li> <li>• The style of financial management team and leadership that enables transformation of services whilst maintaining accountability and supporting performance of services - requires leadership that focuses on strategic direction and sets the correct tone (accountable, supports performance through MTFs) - people with the correct competencies (business partnering, budgets robust on accrual basis, accurate financial transactions, reporting and forecasting accurately). <ul style="list-style-type: none"> <li>• Processes that support strategy - stakeholder relationships</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Robust financial management framework in place, which reflects the golden thread from One City Plan, Corporate Strategy, Medium Term Financial Plan (MTFP) &amp; Capital Strategy (CS), Annual Budget, (underpinned by Constitution, Policy and Budget Procedure Rules, Financial regulations; scheme of delegation Procurement Regulations, risk management assurance policy), in year monitoring and Statement of Accounts.</li> <li>• The finance service adopts a business partnering approach and finance colleagues attend divisional management team meetings on a regular basis and are part of weekly Executive Director Meetings.</li> <li>• Annual budgets and savings are verified by Directors for their respective divisions and directorate cash limits are agreed. Regular meetings are held with budget holders as</li> </ul>		<p><b>The Council will implement the recommendations outlined in Grant Thornton's VFM report as follows:</b></p> <p><b>Financial Sustainability Recommendations</b></p> <ol style="list-style-type: none"> <li>1. The Council and the Schools Forum should continue to work together to develop a clear mitigation plan which addresses the Dedicated Schools Grant (DSG) high needs overspend.</li> <li>2. The Council should focus on the identification of its savings plans for 2022/23 and beyond to ensure that these can be actioned promptly and delivered on a recurrent basis.</li> </ol> <p><b>Governance Recommendations</b></p> <ol style="list-style-type: none"> <li>3. The Council should explore why the majority of capital expenditure occurs in the final quarter of the financial year and ensure current practices are appropriate.</li> <li>4. The Council should continue to ensure realistic capital budgets are set so that the level of slippage is reduced.</li> </ol>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p>6. <i>Do individuals with governance and financial management responsibilities have adequate delegated powers and appropriate skills and training to fulfil these responsibilities?</i></p>	<p>(evidence to external stakeholders of integrity and performance).</p> <ul style="list-style-type: none"> <li>Peer review gives the best assessment of financial management style.</li> </ul>	<p>part of the in-year monitoring process to ensure financial implications of decisions are understood and that managers are responsible for those decisions. Detailed financial forecast and monitoring information is provided to Cabinet so that there is regular oversight of the Council's financial position and of the ongoing funding pressures it faces.</p> <ul style="list-style-type: none"> <li>A robust process is in place for the tracking and monitoring of agreed savings and this is overseen by the Delivery Executive and updates reported within financial monitoring reports.</li> <li>Internal governance boards are in place for major projects, transformation and capital programmes. Each board has a term of reference, finance representation and has oversight responsibility for the work that the project team is carrying out, ensuring that policies are adhered to and is accountable for the successful delivery of the project.</li> </ul>		<p><b>Improving Economy, Efficiency and Effectiveness Recommendations</b></p> <ol style="list-style-type: none"> <li>The Council should continue to have oversight of progress on the Joint Local Area SEND Inspection.</li> <li>The Council should continue to actively monitor and review its progress against the outcomes and savings within its Adult Social Care Transformation Programme.</li> </ol> <p><b>The Council will implement the following Council identified improvements:</b></p> <ul style="list-style-type: none"> <li>An independent review is proposed of financial regulations and finance procedure notes to ensure they provide a clear and understandable framework for accountability and reflect good practice.</li> <li>Integrate performance and financial information with a focus on monitoring and achieving continuous improvement.</li> <li>Consistency is required in the approach to recording and thereafter reporting key decisions taken under urgency.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<ul style="list-style-type: none"> <li>• Learning and development plans, including professional qualification training is included in the annual service plan and the Council has a corporate subscription to CIPFA and regularly attends professional updates and training.</li> <li>• Decision Pathway is available online to explain the internal organisation governance route for:</li> <li>• Corporate decisions (EDM, CLB, SPB)</li> <li>• Key decisions (Cabinet)</li> <li>• Non-executive (Full Council or relevant committee)</li> <li>• Officer Executive Decisions (OED) that involve spending £100,000 - £499,999 are published on the website.</li> </ul>		

## Section 3: Long to medium-term financial management.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>F. The authority has carried out a credible and transparent financial resilience assessment.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. Has the authority undertaken a financial resilience assessment?</li> <li>2. Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?</li> <li>3. Has the authority taken appropriate action to address any risks identified as part of the assessment?</li> </ol>	<p><b>Financial resilience assessment:</b></p> <ul style="list-style-type: none"> <li>• The authority must explore the sensitivity of its financial resilience to alternative plausible scenarios for key drivers of costs, service demands and resources, focusing on the LT.</li> <li>• Assessment needs to be credible (undertaken by a qualified and experienced person/team, independent of the authority itself with evidence from interviews and documentation) A.</li> <li>• Assessment needs to be transparent (overseen by the authority leadership team or committee; terms of reference; clear report and recommendations).</li> </ul> <p><b>Factors within the assessment statement:</b></p> <ul style="list-style-type: none"> <li>• Getting routine management right (annual budget, assigning to budget holders, regular budget monitoring and actions to address variations, reported to senior management).</li> <li>• Planning and managing capital resources well (capital strategy, asset management plan, regular reporting).</li> <li>• Using PM effectively. (Benchmarking with other LAs; national data; internal</li> </ul>	<ul style="list-style-type: none"> <li>• A 'going concern' assessment is carried out annually as part of the Annual Accounts, which is reviewed by the External Auditors as part of an audit, confirming in 2020/21 (final certification to follow) that the Council is a going concern.</li> <li>• Financial resilience is tested against various scenarios within the MTFP, CS and budget, including an assessment of the metrics within the CIPFA resilience index and action taken to address the challenges.</li> <li>• Scenario planning and budget risk assessment is undertaken during the review of the medium term financial plan, including sensitivity analysis to key planning assumptions.</li> <li>• Capital affordability thresholds are in place for the general fund, HRA and loans to third parties including the Council's subsidiaries.</li> <li>• The Council has a policy on the minimum level of reserves. A general and resilience reserve is available to manage one-off</li> </ul>		<ul style="list-style-type: none"> <li>• Embed use of the new Capital liability benchmark toolkit in considering the effects on the Council's budgets and inform strategic decision making.</li> <li>• Earlier reporting will also provide updates on changes to the medium term financial outlook to prompt earlier action in mitigating emerging pressures if required.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
	<p><i>performance information; peer review)</i></p> <ul style="list-style-type: none"> <li>• <i>Having clear plans for delivering savings (single central record of consolidated plan for savings, categorised by extent agreed/planned/ achieved; challenge from finance staff; oversee implementation).</i></li> <li>• <i>Managing reserves well (policy on the level of reserves and how they are to be used; use reserves for future activities and savings implementation and not to plug funding gaps).</i></li> <li>• <i>Carry out credible and transparent financial resilience assessment gives a prescriptive list of scope of assessment, documentation and relevant key.</i></li> </ul>	<p>unforeseen pressures, risks identified in the risk assessment of the medium term financial outlook and expected reductions in future local government funding.</p> <ul style="list-style-type: none"> <li>• Useable reserves indicate a strong position. However, the forecast DSG deficit and implications of Adult Social Care reforms present a significant risk in the medium term.</li> <li>• There is an established central process for tracking and reporting on savings delivery, analysing savings against 4 categories: secured and delivered, safe - budget to be removed from budget, no plan, clear plan but considered deliverable/no plan and considered at risk. Savings delivered are further categorised as recurrent and non – recurrent. The risk is considered in the budget setting and regular consideration of deliverability throughout the course of the year, with a need to change and adapt to undelivered savings.</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. <i>Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?</i></li> <li>2. <i>Does the authority have a strategic plan and long-term financial strategy that adequately address these risks?</i></li> <li>3. <i>Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g., using a technique such as scenario planning)?</i></li> <li>4. <i>Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these on short and medium-term decision making?</i></li> </ol>	<p><b>Strategic Planning</b></p> <ul style="list-style-type: none"> <li>• Authorities to set up long-term strategic planning usually over a rolling period of five years. This plan will set out the authorities' vision and how it plans to achieve its vision.</li> <li>• Alongside this, there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their aims, strategies and activities set out in the strategic plan.</li> <li>• Up to ten years is a reasonable horizon for longer-term financial planning at a significantly reduced level of detail.</li> </ul> <p><b>Financial Strategy</b></p> <ul style="list-style-type: none"> <li>• There are a broad range of factors that affect the authority's long-term financial success.</li> <li>• Balance of the authority's sources of income and exposures to volatile income streams.</li> <li>• Authorities cost base and to what extent costs are fixed, stepped or variable within a timeframe considered.</li> <li>• Asset Management priorities</li> <li>• Capital Programme</li> <li>• Policies, procedures, financial systems and processes</li> <li>• Relationship with key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has a rolling 5 year MTFP and 10-year Capital Strategy which sets out the key financial principles and reflects the main risks to sustainability, which is refreshed at least twice a year.</li> <li>• The MTFP / Capital Strategy and Budget are agreed by Full Council and reported on throughout the annual financial cycle in monitoring reports to various forums.</li> <li>• The Council has developed a DSG deficit management plan, designed to focus on providing clear information on the pressures and potential savings on the High Needs Block budgets over the coming years, where the Council will work towards operating with in-year balanced budgets. The DMP is a live model regularly updated and reported to Bristol's School Forum meetings and high needs subgroups.</li> <li>• The Council's long-term investments in its subsidiary companies have robust governance arrangements as set out above. In addition, a summary of the exposure and</li> </ul>		<ul style="list-style-type: none"> <li>• Long term financial planning will be regularly refreshed including all ringfenced accounts for both capital and revenue and long term outlook to be summarised and reported.</li> <li>• Work is proposed in 22/23 with a sub-group of the Resources Scrutiny Commission to consider how we can make the 23/24 MTFP / Capital Strategy and budget documents more accessible - better connected internally, and understandable for members, the public and wider stakeholders.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
	<ul style="list-style-type: none"> <li>The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This should represent plausible scenarios and reject extreme scenarios.</li> <li><b>Communication to Members</b></li> <li>Authorities should communicate to members what financial sustainability is, its importance, and how the authority is going about realising and handling threats.</li> </ul>	<p>key financial risks associated as set out as an appendix to the annual budget report.</p> <ul style="list-style-type: none"> <li>The Council has an established scrutiny process which meets regularly throughout the year to engage and input into development of the medium-term financial plan and budget.</li> <li>Finance training was provided to all members in 2021 and updates provided to all members as part of the medium-term financial planning and budget setting process.</li> <li>Twice a year, as part of the Medium-Term Financial Plan and Capital Strategy, and Annual Budget, member briefings are undertaken with all members to explain the key assumptions and risk areas in financial planning.</li> <li>A cross party task and finish group of scrutiny receives regular briefings throughout the development of the financial plan to provide a robust challenge and input into key planning assumptions and development of the financial outlook and budget.</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li><i>Has the authority prepared a suitable capital strategy?</i></li> <li><i>Has the authority set prudential indicators in line with the Prudential Code?</i></li> <li><i>Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?</i></li> </ol>	<ul style="list-style-type: none"> <li>• <b>Capital Strategy</b></li> <li>• There should be a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to risk and reward and to impact on the achievement of the authority’s priorities.</li> <li>• The capital strategy should address key themes within – <b>Capital expenditure:</b></li> <li>• Overview of the governance process regarding capital expenditure with links to the authority’s policies on capitalisation.</li> <li>• A long-term view of capital expenditure plans, where the long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets.</li> <li>• Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding, or capital finance.</li> <li>• <b>Debt, borrowing and treasury management</b></li> <li>• A projection of external debt and the use of internal borrowing to support</li> </ul>	<ul style="list-style-type: none"> <li>• The Council approves an updated rolling 10 year Capital Strategy each year alongside the Medium-Term Financial Plan, with the recent update approved in December 2021. This allows key links between revenue and capital plans to be reported together for better decision making. The Capital Strategy is compliant with the CIPFA Prudential Code.</li> <li>• Commercial activity and investment property, loans and liabilities are set out in the Capital Strategy, capital reports, the annual budget report and outturn report.</li> <li>• The following are approved annually by Full Council alongside the budget in February.</li> </ul> <p><b>Treasury Management Strategy</b></p> <ul style="list-style-type: none"> <li>• This assesses the Council’s financial risks from treasury activity, and details the Council’s net borrowing position, investments, borrowing strategy and debt management.</li> <li>• Annual Minimum Revenue Provision Statement</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
	<p>capital expenditure, provisions for the repayment of debt.</p> <ul style="list-style-type: none"> <li>The authorised limit and operational boundary for the following year</li> <li>The authority's approach to treasury management includes processes in place to ensure effective due diligence and defining risk appetites in respect of such activity.</li> <li><b>Commercial activity</b></li> <li>Approach to commercial activities ensuring effective due diligence.</li> <li>Other long-term liabilities.</li> <li>Overview of the governance process.</li> </ul> <p><b>Knowledge and skills</b></p> <ul style="list-style-type: none"> <li>Summary of the knowledge and skills available to the authority.</li> <li>The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year.</li> <li>The CFO is required to establish procedures to monitor performance against all forward-looking indicators.</li> <li>Specify prudential indicators for capital expenditure, external debt and affordability.</li> </ul>	<ul style="list-style-type: none"> <li>Capital Prudential Indicators</li> <li>Investment Strategy.</li> <li>Performance against the prudential indicators is reported to Council within the Treasury outturn report.</li> <li>The Capital Strategy sets out key affordability principals to ensure the Council's capital spending remains affordable in the long term. This includes the proportion of the revenue budget allocated to fund borrowing costs.</li> <li>A clear approach to governance of development and delivery of capital investments is set out through a monthly Capital &amp; Investment Board (CIB) and Delivery Executive (DE).</li> <li>Flexible use of capital receipts – under direction from government the Council can use capital receipts to fund revenue transformation expenditure. A strategy is approved annually by Full Council as part of the annual budget. This includes the impact the strategy will have on prudential indicators.</li> <li>Monitoring of capital receipts is undertaken by Capital</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		Investment Board on a regular basis.		
<p><b><u>I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. Does the authority have in place an agreed medium-term financial plan?</li> <li>2. Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?</li> <li>3. Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?</li> <li>4. Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?</li> <li>5. Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment, including infrastructure assets, contribute effectively to the delivery of services and to the</li> </ol>	<ul style="list-style-type: none"> <li>• <b>The Medium-Term Financial Plan</b></li> <li>• The MTFP is a translation of the authority’s strategy into the near plan and provides a critical link between the authority’s’ financial strategy and service delivery. For an effective medium term financial plan, it should be: <ul style="list-style-type: none"> <li>• Be integrated with the authority’s service plans and its capital strategy.</li> <li>• Respond to uncertainty in the authority’s funding regime.</li> <li>• Translate the authority’s longer-term aims into the medium term.</li> <li>• Be developed in a robust manner.</li> <li>• Integrate suitable drivers of demand and cost (PESTLE analysis).</li> <li>• Be subjected to sensitivity analysis to allow any vulnerabilities to be identified (probability spread, regression analysis).</li> </ul> </li> <li>• <b>The asset management plan might include:</b> <ul style="list-style-type: none"> <li>• An overview of the authority’s asset portfolio</li> <li>• Assessment of the condition and performance of the assets held.</li> <li>• The authority’s priorities for maintaining, enhancing, adding to, and divesting from its asset portfolio.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The rolling MTFP is a key part of the Council’s policy and budget framework and financial planning process. It is developed alongside the Capital Strategy and simultaneously approved by Council. The MTFP provides a strategic framework to meet corporate priorities, taking a forward-looking approach to the management of the Council’s financial resources and achieving sustainability over the medium to long term.</li> <li>• The MTFP plans for the delivery of services within an uncertain external environment and ensures the achievement of value for money.</li> <li>• It provides a forecast outlook, aids robust and methodical planning, seeks to protect the financial health of the Council, considers the appropriate level of reserves that the Council holds to mitigate current and longer-term risks and ensures sustainable services, and that financial resilience can be achieved.</li> </ul>		<ul style="list-style-type: none"> <li>• The implementation of the Corporate Landlord approach to operational property management, to ensure the effective and efficient management of property by centralising property service activities, decision making and budgets. This will ensure property related decisions are taken from a strategic perspective and opportunities to deliver efficiencies are captured and assessed.</li> <li>• Current asset management plans will be reviewed as part of the new model.</li> <li>• Asset management systems and plans containing condition surveys and information regarding the whole-life cost of assets need to be developed over the medium term and maintained within an accessible system.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><i>achievement of the authority's strategic aims?</i></p>	<ul style="list-style-type: none"> <li>• The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved.</li> <li>• The resources necessary to maintain and improve the asset's portfolio and how it will be secured</li> <li>• Timescales and responsibilities for the actions identified.</li> </ul>	<ul style="list-style-type: none"> <li>• The Finance team engages with directorates to integrate service demand with finance reporting, using best data on cost drivers and identifying any risks, opportunities and budget gaps.</li> <li>• The MTFP then forecasts the Council's financial position, considering known service pressures, major issues affecting the Council's finances, including global, national, regional, and local economic influences, pandemic, as well as local priorities, internal / external risk factors and opportunities and concentrates on the principles that will provide a strong direction for the medium to long term.</li> <li>• The annual budget process is aligned with Service Planning, with wide collaboration and consultation across the Council and with members, in developing the budget.</li> <li>• The process ensures the Council balances its budget over the medium term, identifies savings that can be made in achieving this and that service plans are developed</li> </ul>	<p style="background-color: yellow;"> </p>	

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<p>within the cash limited budget allocated.</p> <ul style="list-style-type: none"> <li>Each lead portfolio member is closely involved in developing and setting the budget for their service areas. Risks are discussed at length as part of this process. Overall, members are presented with a good overview / understanding of the risks.</li> <li>The Mayor and Executive, CLB, EDM's, budget holders and Scrutiny &amp; Budget Task &amp; Finish Group provide challenge within the development of the budget and capital programme and further input is provided by public consultation.</li> <li>Risks are considered within the MTFP, Capital Strategy, budget and quarterly risks and performance reporting to Cabinet, Scrutiny and the Audit Committee and statutory assurance reports to CLB / CMB.</li> </ul>		

## Section 4: The annual budget.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>J. The authority complies with its statutory obligations in respect of the budget setting process.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. <i>Is the authority aware of its statutory obligations in respect of the budget-setting process?</i></li> <li>2. <i>Has the authority set a balanced budget for the current year?</i></li> <li>3. <i>Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?</i></li> </ol>	<p><b>Statutory requirements regarding Budget-Setting</b></p> <ul style="list-style-type: none"> <li>• The Local government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand.</li> <li>• The Local Government Act 2003, Section 25 requires the S151 officer to report on the council’s robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations.</li> </ul> <p><b>Setting a robust and sustainable budget</b> (in accordance with Local Government Finance Act 1992) must include:</p> <ul style="list-style-type: none"> <li>• The expenditure that the authority estimates it will incur in the year in performing its functions.</li> <li>• An allowance for contingencies in relation to this expenditure.</li> <li>• The financial reserves that the authority estimates will need to raise in the year meets its estimated future expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• The authority has an established process for setting a balanced budget in line with statutory obligations.</li> <li>• The process for developing and setting the budget is clearly set out in the policy and budget framework procedure rules.</li> <li>• The development of the budget is highly collaborative. Executive Directors hold overall responsibility for the budget of their Directorate. Informal Cabinet Board meetings are also held during the budget setting process to discuss emerging issues and any input from the Budget Task &amp; Finish Group, which meets during the budget setting process to provide additional scrutiny and challenge.</li> <li>• There is a good level of ownership of and involvement in the budget setting and monitoring process, from budget holders, through executive directors and up to members.</li> <li>• The MTFP / budget is scenario and stress tested including the</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
	<ul style="list-style-type: none"> <li>Such financial reserves might be required to fund deficits generated in previous periods.</li> </ul> <p><b>Implementing Spending Control</b></p> <ul style="list-style-type: none"> <li>It has processes to be able to control spending in-year to balance the books in-year.</li> </ul>	<p>following areas: the assumptions both from funding and cost pressures, savings planning and delivery, the impact of any changes in standard key planning assumptions such as pay awards. The outcome provides an indication of the range of mitigation requirements and levels of risk and resilience reserves.</p> <ul style="list-style-type: none"> <li>Capital Strategy, TM Strategy and flexible use of capital receipts is outlined in detail in section H above.</li> <li>The Council approves an annual balanced budget that enables the s151 Officer to positively comment on the robustness of the estimates and the adequacy of the proposed financial reserves (s25 assurance statement) within the annual budget report.</li> <li>The annual pay policy statement explains the Council pay policies for its highest and lowest-paid employees. It is written and published in line with the Localism Act 2011 (the Act) and guidance issued by the Secretary of State. The draft statement is considered by the Human Resources</li> </ul>		

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<p>Committee and approved by Full Council.</p> <ul style="list-style-type: none"> <li>An in-year budget monitoring process highlights risk and potential for overspend with an established budget scrutiny and improvement protocol which escalates services through a three stage process for directorates unable to manage within their cash limits as set by Full Council.</li> </ul>		

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CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>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.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. <i>Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?</i></li> <li>2. <i>Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?</i></li> <li>3. <i>Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?</i></li> <li>4. <i>Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?</i></li> </ol>	<p><b>Identify how estimates are made, e.g.:</b></p> <ul style="list-style-type: none"> <li>• The level of demand for individual services.</li> <li>• Staff pay levels and pension scheme contribution levels.</li> <li>• Interest rates, likely returns on financial investments and other capital finance issues.</li> <li>• Pressures on major capital projects</li> <li>• The level of funding received through council tax and other sources.</li> <li>• Receipts from the sale of capital assets</li> <li>• The achievement of savings plans and targets.</li> </ul> <p><b>The authority's financial reserves should only be used for:</b></p> <ul style="list-style-type: none"> <li>• Planned investment.</li> <li>• Capital projects.</li> <li>• Change programmes.</li> <li>• Unexpected events such as natural disasters.</li> <li>• Other reasonable uses for which they have been earmarked.</li> </ul>	<ul style="list-style-type: none"> <li>• The annual budget report includes a statement from the s151 Officer on the robustness of the budget estimates and adequacy of reserves.</li> <li>• The Council's reports progress against its savings programmes; retrospective, in year and on-going. Delivery of savings is reported to EDM's CLB, DE and included with the budget monitoring report for Cabinet and Scrutiny Commissions.</li> <li>• The Authority uses CIPFA benchmarking services to consider performance against other Local Authorities and Treasury Society networks, core cities and regional UA's to compare and test assumptions.</li> </ul>		

## Section 5: Stakeholder engagement and business plans.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li><i>How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan, and its annual budget?</i></li> <li><i>How effective has this engagement been?</i></li> <li><i>What action does the authority plan to take to improve its engagement with key stakeholders?</i></li> </ol>	<ul style="list-style-type: none"> <li>In order to comply with this code, authorities are encouraged to consider the extent of stakeholder engagement in the Long-Term strategy/Medium Term financial plan and annual budget.</li> <li>Identify key stakeholders</li> <li>Engage effectively</li> <li>Use the results of this engagement wisely</li> <li>Where the authority has a good productive strategic relationship with its key stakeholders, this level of engagement may not be necessary, providing the needs of these stakeholders are sufficiently well understood.</li> </ul>	<ul style="list-style-type: none"> <li>Wider consultation with stakeholders including City Partners through the One City Office and boards and the VCSE sector is embedded as part of the engagement around the corporate strategy that sets the organisation's vision and priorities.</li> <li>Consultation with stakeholders is undertaken in setting the Council, schools and early years annual budget and capital programme, including the statutory consultation with council taxpayers and consultation with trade unions.</li> <li>Extensive stakeholder involvement is undertaken as part of the development and implementation of service changes and major projects, with the extent of consultation required approved by Legal Services.</li> <li>Some of the Council's strategic aims are delivered through its wholly owned subsidiary companies. There is good monitoring and oversight over the projects and programmes</li> </ul>		<p><b>The Council will implement the VFM recommendations outlined in Grant Thornton's VFM report as follows:</b></p> <p><b>Improving Economy, Efficiency and Effectiveness Recommendations</b></p> <p>13. The partnership register should be extended to include a link to the Council's objective(s) and reviewed to ensure all key partnerships are included and the rationale for the inclusion of the Council's companies and trust evaluated.</p> <p><b>The Council will implement the following Council identified improvements:</b></p> <ul style="list-style-type: none"> <li>As per Section 3 (G) above - work is proposed in 22/23 with a sub-group of the Resources Scrutiny Commission to consider how we can make the 23/24 MTFP / Capital Strategy and budget documents more accessible - better connected internally, and understandable for members, the public and wider stakeholders.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<p>being delivered by these companies.</p> <ul style="list-style-type: none"> <li>The Council is engaged with the CCG and NHS through the Health Together Integrated Care System financial framework.</li> </ul>		
<p><b><u>M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li><i>Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?</i></li> <li><i>Does the authority offer guidance to officers as to when an option appraisal should be undertaken?</i></li> <li><i>Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?</i></li> </ol>	<p><b>Option Appraisal Methodology</b> Understanding what the authority wants to achieve.</p> <ul style="list-style-type: none"> <li>Generating options.</li> <li>Assessing the options.</li> <li>Making the decision using CIPFAs 'Option appraisal: A practical guide for public service organisations'</li> <li>Authorities also need to know when to undertake an optional appraisal - strategic importance, the time horizons, conflicting priorities, risk, and uncertainty. When considering non-financial factors in an option appraisal, including: <ul style="list-style-type: none"> <li>Economic appraisal</li> <li>Cost-benefit analysis</li> <li>Multi-criteria analysis</li> <li>Impact assessments</li> </ul> </li> <li>There are a range of techniques that the authority can use to address uncertainty. Risk and uncertainty – use adjusted discounted rates to compensate for the inherent</li> </ul>	<ul style="list-style-type: none"> <li>Capital Investments (as per the Capital Programme governance endorsed in the Capital Strategy) will have to produce the following three business cases for consideration by CIB <ul style="list-style-type: none"> <li>Mandate</li> <li>Outline Business Case (OBC)</li> <li>Full Business Case (FBC)</li> </ul> </li> <li>Business case templates include the requirement for options, which is part of all projects, and options are considered as part of decision-making templates and reported</li> <li>The accounting treatment and impact is determined at the time of the decision</li> <li>Option appraisal complies with the principles, but this is not formally documented and not consistently applied.</li> </ul>		<ul style="list-style-type: none"> <li>The Council will develop a standardised and proportionate approach to business case financial modelling, including Net Present Values, payback, benefits realisation and post project implementation delivery reviews and learning.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p>4. <i>Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty?</i></p> <p>5. <i>Does the authority report the results of option appraisals in a clear, robust, and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?</i></p>	<p>uncertainty surrounding cash flows for higher risk projects or activities.</p> <ul style="list-style-type: none"> <li>• Sensitivity analysis</li> <li>• Optimism bias</li> <li>• Peer reviews</li> <li>• Post implementation reviews</li> </ul> <p>• While the authority will need to tailor the appraisal report to the needs of the particular to be made, the following elements might usefully be included:</p> <ul style="list-style-type: none"> <li>• Approach</li> <li>• Constraints</li> <li>• Long and short list of options</li> <li>• Non-financial analysis of short-listed options</li> <li>• Risk</li> <li>• Sensitivity analysis</li> <li>• Optimism bias</li> <li>• Peer review</li> <li>• Post-implementation review</li> </ul>			

## Section 6: Monitoring financial performance.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li>1. Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability?</li> <li>2. Do the reports cover both forward and backward-looking information in respect of financial and operational performance?</li> <li>3. Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?</li> <li>4. Are the reports provided to the leadership team in a timely manner and in a suitable format?</li> <li>5. Is the leadership team happy with the reports that it receives and with its ability to use these</li> </ol>	<p><b>In order for the leadership team to have access to the information it needs to identify emerging risks, leadership must:</b></p> <ul style="list-style-type: none"> <li>• Receive reports about the right things (planning assumptions/financial performance against budgets/risks for short medium and long-term plans/performance in implementing savings initiatives.</li> <li>• Receive reports at the right time (critical reports at right time).</li> <li>• Receive reported in the right format (clear/concise/accurate).</li> <li>• Takes action in respect of any issues identified (minutes as a record of action) EG Reports that allow the monitoring of financial performance against budget could include.</li> <li>• Budget for period under consideration.</li> <li>• Accruals-based income and expenditure to date.</li> <li>• A forecast for the remainder of the year and an estimate of the year-end position.</li> <li>• Relevant underlying service activity data.</li> <li>• Action to be taken to address any variation from budget.</li> <li>• Who to contact for further information.</li> </ul>	<ul style="list-style-type: none"> <li>• Divisional Management Teams (DMT) and EDMs receive monthly reports on financial position and performance, which escalate areas of concern for Directorates to consider mitigating actions within the approved directorate cash limit.</li> <li>• Monthly financial reporting to CLB and CMB enables an escalation of key points and response to emerging risks and for mitigating actions to be identified.</li> <li>• Budget Scrutiny and improvement deep dives are aimed at addressing services areas where financial performance is a concern and at a directorate level the net position could destabilise the Council's financial position. EDM's can self-refer or be referred to the budget scrutiny and improvement meeting by CLB or DE.</li> <li>• Process improvements are needed to rebalance effort between production of forecast and understanding/insight and consideration of action.</li> <li>• Procurement and contract management reporting, including procurement breaches, are</li> </ul>	<p style="background-color: #90EE90;"> </p>	<ul style="list-style-type: none"> <li>• The Council will improve the timeliness of reporting and links between performance and financial reporting, revenue and capital, savings, and the balance sheet to ensure financial implications and financial sustainability are better understood across all elements of the Council.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><i>reports to take appropriate action?</i></p>		<p>reported to DMT, EDM, CLB and CMB.</p>		
<p><b><u>O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</u></b></p> <p><b>Key Questions:</b></p> <ol style="list-style-type: none"> <li><i>Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?</i></li> <li><i>Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?</i></li> <li><i>Is the authority taking action to mitigate any risks identified?</i></li> <li><i>Does the authority report unplanned use of its reserves to the leadership team in a timely manner?</i></li> <li><i>Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?</i></li> </ol>	<p><b>The CIPFA publication Balance sheet Management in Public Services:</b></p> <ul style="list-style-type: none"> <li>A framework for good practice (2007) outlines a number of elements of good practice for balance sheet management from a governance perspective.</li> <li>Including in organisational management, emphasis is placed on BSM activities and considerations.</li> <li>BSM requirements are addressed coherently and comprehensively across all strategies and plans.</li> <li>BSM responsibilities are identified and assigned to appropriate people.</li> <li>The authority's decision-making framework is effective and requires appropriate consideration of balance sheet implications.</li> <li>BSM has appropriate levels of assurance.</li> <li>Financial and operational risk management activity pays due regard to balance sheet drivers and its impact.</li> </ul> <p><b>In order to comply with the FM code authorities:</b></p> <ul style="list-style-type: none"> <li>Determine which elements in the balance sheet pose a significant risk to its financial sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>The Council has a strong balance sheet, and elements that pose a concern or significant risk to financial sustainability are regularly reported.</li> <li>CIB meets monthly and has a role in monitoring long term investments, including valuation and risk.</li> <li>A monthly treasury management meeting reviews cash flow and treasury investment and borrowing position. Any risks or concerns are escalated to Director of Finance and CLB if necessary.</li> <li>The treasury mid-year outturn report details cash, investments, and borrowings decisions within the prudential indicators. Performance against the prudential indicators are reported in the Council's treasury outturn report.</li> <li>The deficit on the DSG has been identified as a key risk and is reported on a monthly basis to CLB, Cabinet and Schools Forum. Maintained Nursery School deficits is a further area of concern and reported in the outturn report to Cabinet and Schools Forum.</li> </ul>	<p>Yellow</p>	<ul style="list-style-type: none"> <li>The Council will ensure it has a structured approach to the monitoring of the key elements of the balance sheet that pose a significant risk to financial sustainability.</li> <li>CLB quarterly monitoring of contingent liabilities &amp; provisions.</li> <li>Quarterly process for reserves drawdown and review of all reserves and balances.</li> <li>Relevant balance sheet reporting to be added to quarterly financial reports.</li> <li>Seek the approval of the Schools Forum for the development of an appropriately resourced programme to transform maintained nursery schools and address the deficits.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
	<ul style="list-style-type: none"> <li>Monitor these elements (treasury management/cash management/need for new provisions/level of reserves).</li> <li>Respond promptly and proactively to any issues that these mechanisms identify (impact of performance on reserves/use of unplanned reserves/monitoring against prudential indicators).</li> </ul>	<ul style="list-style-type: none"> <li>A reserves strategy is approved as part of the budget/MTFP each year and compliance with the minimum level of reserves and the impact of in-year financial performance on the Council's reserves and balances is monitored in the quarterly performance report.</li> <li>Other potential key risk areas of the balance sheet such as contingent liabilities and the pension fund have been identified and reporting is being developed to routinely capture as part of regular finance reporting.</li> </ul>		

## Section 7: External financial reporting.

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p><b><u>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.</u></b></p> <p><b>Key Questions:</b></p>	<p><b>External Financial reporting</b></p> <ul style="list-style-type: none"> <li>External financial reporting processes require statutory accounts to be produced on an annual basis in accordance with: <ul style="list-style-type: none"> <li>The Accounts and Audit Regulations 2015 for English Authorities.</li> <li>Comply with Code of practice</li> <li>Comply with CIPFAs statement on the role of the CFO in Local government</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Director of Finance (s151 Officer) is responsible for ensuring that the statement of accounts produced by the Council complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom".</li> <li>The operational responsibility for production of the Statement of Accounts, in line with proper accounting practices, rests within</li> </ul>		<ul style="list-style-type: none"> <li>As per section 1 (B) above - the Director of Finance's continued focus will be on 'right sizing' the function, recruitment to vacant senior posts and retention of staff, to provide capacity and resilience in meeting business, audit and governance demand, the complexity of solutions required and to achieve best value for money.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p>1. <i>Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements?</i></p> <p>2. <i>Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?</i></p> <p>3. <i>Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?</i></p>	<ul style="list-style-type: none"> <li>accounting policies/prevention of fraud/reasonable estimates.</li> <li>Demonstrate compliance-preparation and submission of accounts in CFO JD and annual performance targets/ submitted on time/finance team resourced to comply.</li> </ul>	<p>the Strategic Finance Team. The Director of Finance has management responsibility, through the Chief Accountant, for the Strategic Finance Team and personal objectives are cascaded using a golden thread.</p> <ul style="list-style-type: none"> <li>The annual accounts have been prepared in line with the statutory requirements and comply with CIPFA's code of practice on a timely basis.</li> <li>The annual accounts are reviewed and signed by the Director of Finance (s151 Officer).</li> <li>The financial statements routinely receive an unqualified opinion from the external auditors and the number of adjustments identified between draft and final accounts has reduced significantly in recent years.</li> <li>Compliance with the role of the CFO in local government is covered in section 1 (B).</li> </ul>		
<p><b><u>Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</u></b></p> <p><b>Key Questions:</b></p>	<p><b>Presenting effective financial outturn information:</b></p> <ul style="list-style-type: none"> <li>Accurate</li> <li>Relevant</li> <li>Granular</li> <li>Analysed</li> <li>Put into context</li> </ul>	<p>The outturn report to CLB and Cabinet provides an analysis of the financial position of the organisation at the end of the financial year including:</p> <ul style="list-style-type: none"> <li>Capital and revenue performance during the financial year.</li> </ul>		<ul style="list-style-type: none"> <li>As per Section 3 (G) above - earlier refresh of budget assumptions to provide update on changes to medium term financial outlook and prompt earlier action in mitigating emerging short and medium term pressures if required.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
<p>1. <i>Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?</i></p> <p>2. <i>Is the information in these reports presented effectively?</i></p> <p>3. <i>Are these reports focused on information that is of interest and relevance to the leadership team?</i></p> <p>4. <i>Does the leadership team feel that the reports support it in making strategic financial decisions?</i></p>	<p><b>Questions for the Leadership team to ask:</b></p> <ol style="list-style-type: none"> <li>1. Is the final outturn position broadly in line with the budget?</li> <li>2. How well have different services performed against budget?</li> <li>3. Have any issues been highlighted prior to the end of the year?</li> <li>4. Has the authority achieved its savings targets?</li> <li>5. Is the authority's capital programme on track?</li> </ol>	<ul style="list-style-type: none"> <li>• Explanations and mitigating actions put forward by services for variations to budgets, and the implications on the MTFP.</li> <li>• Savings delivered and carried forward by non-treasury investment.</li> <li>• In year collection rates for Council Tax and business rates. Council debt position, and the resulting reserves position.</li> <li>• The information enables informed decisions to be made about approving the carry forward of specific capital and revenue resources to support the delivery of the Council priorities in the following financial year.</li> <li>• Overall forecast outturn for 2021-22 is in line with available resources without the need for supplementary estimates or unplanned drawdown from general reserve.</li> </ul> <p><b>The report can be viewed in the context of regular strategic financial reporting, in that it is consistent with:</b></p> <ul style="list-style-type: none"> <li>• The annual budget setting report.</li> </ul>		<ul style="list-style-type: none"> <li>• As per Section 3 (G) above, work is proposed in 22/23 with a sub-group of the Resources Scrutiny Commission to consider how we can make the 23/24 MTFP / Capital Strategy and budget documents more accessible - better connected internally, and understandable for members, the public and wider stakeholders.</li> </ul>

CIPFA financial management standards	Guidance notes	Assurance	RAG	Actions
		<ul style="list-style-type: none"> <li>• Preceding budget monitoring reports presented to CLB and Cabinet throughout the year.</li> <li>• Enabling good reconciliation and transparent reporting within the statement of accounts.</li> <li>• Enabling significant variations that emerge in the monitor and at outturn to be investigated further and informing updates to the in-year budget position, MTFP and forward planning and the implications on financial sustainability.</li> </ul>		

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