

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee Meeting

Monday, 20 June 2022

Dear Councillor

AUDIT AND RISK COMMITTEE - MONDAY, 20TH JUNE, 2022

I am now able to enclose, for consideration at next Monday, 20th June, 2022 meeting of the Audit and Risk Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

6 **CIPFA Financial Management Code Review (Pages 3 - 26)**

[To receive an CIPFA financial management code review update.]

If you have any queries about this meeting, please contact the democratic support team:

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Report title	Financial Management Code - Update	
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Originating service	Strategic Finance	
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Report to be/has been considered by		

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The update on the Councils compliance with the CIPFA Financial Management Code.

1.0 Purpose

- 1.1 On 21 June 2021, Audit and Risk Committee received a report on the Councils self-assessment against the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management Code (FM Code) and any future actions required to improve and / or ensure full compliance with the code. A review will be undertaken every six months, this report provides the latest update.

2.0 Background

- 2.1 CIPFA has introduced a new code, the Financial Management Code 2019 (FM Code). The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out for the first time, the standards of financial management for local authorities. The FM Code helps identify the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice.
- 2.2 The FM Code is a principle-based approach, it does not prescribe the financial management processes that local authorities should adopt, however, it requires that local authorities demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances.
- 2.3 Good financial management is proportionate to the risks of the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services. The FM Code identifies these risks to financial sustainability and introduces an overarching framework of assurance which builds on existing best practice but for the first time sets explicit standards of financial management.
- 2.4 The underlying principles have been designed to focus on an approach that will assist in determining whether, in applying the standards of financial management, a local authority is financially sustainable. The six key principles are:
- Organisational **leadership** – demonstrating a clear strategic direction based on vision in which financial management is embedded into organisational culture
 - **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
 - Financial Management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
 - Adherence to professional **standards** is promoted by the leadership team and is evidenced
 - Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection
 - The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

- 2.5 Local authorities must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team.
- 2.6 Local authorities are required to demonstrate they are working towards the FM Code with the first full year of compliance in 2021-2022.
- 2.7 The purpose of the FM Code is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities.

3.0 Update on the Financial Management Code

- 3.1 On 21 June 2021, the Committee received an update on the Council's initial self-assessment of the Authority's standing against each of the Financial Management Standards, which had been reviewed by the Section 151 Officer using a RAG rating approach.
- 3.2 In summary the findings of the initial self-assessment undertaken in June 2021 against the 17 Financial Management Standards were as follows:

RAG Rating	Progress Report	Number of Financial Management Standards
Green	Compliance is being demonstrated	14
Amber	Minor to moderate improvements are required to demonstrate compliance	3
Red	Moderate to significant improvements are required to demonstrate compliance	0

- 3.3 The result of the initial self-assessment indicated an overall rating of Green, which reflects that compliance is being demonstrated.
- 3.4 A review will be undertaken every six months on against the code and the latest update is provided in Appendix 1. The review has identified that good progress is being made against the further actions identified and in particular those standards rated as Amber. The RAG rating of the individual standards remain unchanged at this stage.
- 3.5 The full assessment against the Financial Management Standard is at Appendix 1.

4.0 Financial implications

- 4.1 There are no direct financial implications arising from this report. However, the FM Code provides the Council with an important tool to support the assessment of financial sustainability. [AS/15062022/D]

5.0 Legal implications

- 5.1 Whilst compliance with the code is not a statutory duty in itself, compliance with it assists in demonstrating compliance with other critical legal duties including fiduciary duties the Council has as well as statutory duties such as the duty of best value under the Local Government Act 1999. [DP/15062022/A]

6.0 Equalities implications

- 6.1 Whilst there are no direct financial implications arising from the recommendations of this report, the Medium Term Financial Strategy is governed by the Council Plan and Relighting Our City priorities, which itself are guided by consultation and equality analysis; and thereby aid the Council its ability to meet its equality objectives.

7.0 All other Implications

There are no other implications

8.0 Appendices

- 8.1 Appendix 1: CIPFA Financial Management Code – Update

Self-Assessment - Financial Management Code - Update

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
A	The leadership is able to demonstrate that the services provided by the authority provide value for money (VFM)	<p>A performance framework has been developed to reflect how the Council is performing against city new and changing priorities, as articulated in Our City Our Plan which was approved by Council on 2 March 2022.</p> <p>This performance framework will provide high-level city data on key priorities, benchmark city performance against national and regional data, highlight the impact of targeted interventions, inform strategic decision-making in relation to provision and encourage scrutiny of those strategic decisions.</p> <p>The performance framework will look at two different types of indicators, city indicators and impact indicators which will be reported to Cabinet on a quarterly basis: city indicators are high level indicators that although the council will influence, they may not be able to directly effect. Impact indicators are indicators that demonstrate what the Council is directly doing to improve outcomes and in turn influence the city indicators.</p> <p>Throughout 2021-2022 Cabinet have received reports which brought together performance against our Relighting Our City priorities and the financial performance. The performance and finance reporting will continue to be strengthened and reported to cabinet on a quarterly basis.</p> <p>Work is ongoing to continue to develop and utilise benchmarking across specific services.</p> <p>In addition to the overarching framework the following areas provide assurance in specific areas:</p>	Amber	Amber

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>The Council's Project Assurance Group (PAG), provides assurance that the Council's projects and programmes are operating in line with expected corporate standards. PAG also provides scrutiny of business cases, ensuring that they are robust and demonstrate a clear understanding of time, costs, scope, risk and benefits / disbenefits. VFM is a key aspect of the business case.</p> <p>Key projects also have internal boards and working groups. Where appropriate the boards include members of the Senior Executive Board (SEB). These boards evaluate options, before key decisions are made and monitor progress. Where appropriate, expert consultants are utilised on major projects.</p> <p>The Medium Term Financial Strategy (MTFS) delivers a robust financial plan through a rigorous budget setting process.</p> <p>The External Auditor provides an annual report which considers whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In respect to 2020-2021 the External Auditor reported that they had found no significant weaknesses. The External Auditors Annual Report was presented to Audit and Risk Committee on 14 March 2022 and then Full Council on 6 April 2022.</p> <p>The Councils Counter Fraud Team prevent and detect fraud which contributes towards protecting public funds and ensuring VFM by stopping / recovering fraudulent transactions. Counter Fraud updates are reported to the Audit and Risk Committee.</p> <p>Financial benchmarking is undertaken for specific services such as Adult Social Care, work is underway to ensure that this is embedded in all services.</p>		

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>The council work in partnership with neighbouring local authorities, in areas such as children's social care to secure VFM for services across the region.</p> <p>The Council also participates in data sharing / benchmarking with SIGOMA, ADASS and other organisations.</p> <p>Further Action Financial benchmarking specific council services will continue to be enhanced as part of the performance management framework.</p>		
B	The authority complies with the CIPFA Statement of the Role of the Chief Finance Officer in Local Government	<p>This is reviewed and completed each year by the Chief Finance Officer (CFO). The Statement has also been reviewed by members of the Strategic Executive Board. The 'Personal Skills and Professional Standards' section of the standard will form part of the annual appraisal for the Director of Finance from now on.</p> <p>The CFO is a fully qualified CIPFA member and has direct access to the Chief Executive.</p> <p>The responsibilities of the role of the CFO are detailed within the Constitution.</p> <p>The CFO is a member of the Senior Executive Board and has influence on all material business decisions, ensuring financial implications are provided on all reports.</p> <p>The CFO, through the Strategic Finance Team provides financial and treasury management reports throughout the year to Cabinet and Council.</p> <p>The Strategic Finance team is suitably resourced with appropriately qualified staff.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>There are contracts in place for specialist financial advice (treasury management, specific financial support).</p> <p>The annual Statement of Accounts 2020-2021 received an unqualified external audit opinion.</p> <p>During 2021-2022, 5 out of 7 of the key financial systems internal audits completed received substantial assurance, with 2 having satisfactory assurance.</p>		
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	<p>The Council's Audit and Risk Committee has two independent members as well as Councillor representatives. The Committee receives updates, provides independent assurance over governance, risk and internal control. The Audit and Risk Committee reports to Full Council on an annual basis.</p> <p>The internal audit annual opinion provides reasonable assurance on the Council's governance, risk management and control processes. This is reported to the Audit and Risk Committee.</p> <p>The Annual Governance Statement draws and comments on the management and internal control framework of the Council, especially the work of internal and external audit and the Council's risk management arrangements.</p> <p>SEB own and are accountable for the Strategic Risk Register and Internal Audit Plan.</p> <p>SEB have oversight and review the Council's forward plan – the timetable for taking key decisions to Cabinet and Council.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>The Council is a learning organisation, reviews of the Monitoring Officer are presented to SEB and the Executive Team.</p> <p>The Head of Paid Services is responsible for the proper recruitment and organisation of staff. The Council's Monitoring Officer has a specific duty to ensure the Council, its officers and its elected members maintain the highest standards of conduct in all they do.</p> <p>The Constitution includes the Financial and Contract Procedure Rules, scheme of delegation and the roles and responsibilities of Senior Officers, elected members and committees. It also sets out the responsibilities of Heads of Services, Budget Managers and employees. It includes the scheme of delegation for decisions. These responsibilities are reinforced in the Management Accountability letter which all managers are required to sign on appointment.</p> <p>During 2021-2022 Council approved amendments to the Councils Constitution to ensure it continues to reflect legislative and organisational changes, ensuring the Council is remains able to meet its duties.</p>		
D	The authority applies the CIPFA / SOLACE Delivering Good Governance in Local Government:	<p>The Governance and Ethics Committee is a cross-party group which considers and advises the appropriate Council bodies on matters relating to governance and the Constitution.</p> <p>The Audit and Risk Committee provide independent assurance on the adequacy of the governance and risk management framework and the associated control environment. This Committee receive the draft Annual Governance Statement for review and consideration prior to approving the final statement and action plan, which is subsequently monitored and reported on.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
	Framework (2016)	<p>The Council has a local Code of Corporate Governance. The code has been reviewed, in order to reflect the latest CIPFA / SOLACE Delivering Good Governance in local Government Framework, and an update will be considered by Governance and Ethics Committee on 7 July 2022.</p> <p>This is reported in the Annual Governance Statement.</p>		
E	The financial management style of the authority supports financial sustainability	<p>The Constitution details Cabinet/ Committee functions elected members and officer delegations.</p> <p>The Constitution includes the Financial and Contract Procedure Rules and sets out the responsibilities of Senior Officers, Heads of Services, Budget Managers and employees. These responsibilities are reinforced in the Management Accountability letter which all managers are required to sign on appointment. Budget managers are responsible for budget monitoring, and Strategic Finance - review, challenge, advice and have oversight of the whole process.</p> <p>All reports include financial and other key implications. Financial implications are signed off by Strategic Finance.</p> <p>Decisions are reported through leadership teams, and SEB for approval before they are considered by Cabinet.</p> <p>The Council has a 'one council' approach and budgets aligned to the Council's priorities. The Medium Term Financial Strategy is driven by the Section 151 Officer, but also owned by SEB.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>SEB have regular focussed sessions on the budget and the MTFS to inform strategic decision making.</p> <p>Directors lead on providing updates to SEB and ensuring their Cabinet members are briefed on financial monitoring / implications within their service area.</p> <p>Strategic Finance are represented on major project groups and attend Directorate Leadership Teams to provide strategic advice and challenge to enable successful delivery.</p> <p>The Council supports an enabling management style, allowing transformation to be undertaken within services, improving service delivery, driving out efficiencies, and delivering better value for money. The Council ensures that finances and other resources are put in place to ensure that these transformation programmes can be delivered effectively.</p>		
F	The authority has carried out a credible and transparent financial resilience assessment	<p>The Council's Five Year Financial Strategy Framework clearly sets out the Council priorities and is aligned to Our City Our Plan.</p> <p>The Strategy provides the strategic framework to address the budget challenge facing the council over the medium term.</p> <p>The Council reports updates on the Budget and three year MTFS throughout the year, reports clearly set out the projected budget deficit, the assumptions, uncertainties and risks.</p> <p>On 2 March 2022 Council approved the Our City Our Plan which demonstrated how the budget is linked to the key priorities and provides a performance monitoring framework.</p>	Amber	Amber

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>The Council's Capital Strategy sets out the long-term context in which capital expenditure and investment decisions are made.</p> <p>The capital programme covers a 5 year period and provides a level of contingency to ensure provision is made to sustain key council assets such as fleet, ICT and properties.</p> <p>In addition, the Council Housing Revenue Account is based on a 30 year time horizon and is presented to Cabinet and Full Council on an annual basis.</p> <p>The Council has set a balanced budget for the last eight consecutive years without the need to use general reserves. The Council does, however, have planned use of specific reserves built into the budget.</p> <p>On 2 March 2022, Council approved the Budget and Medium Term Financial Strategy which included an extension to the MTFs to incorporate assumptions for 2024-2025, in line with the three year spending review.</p> <p>A full risk assessment is undertaken as part of the MTFs. The Council's Strategic Risk register incorporates the MTFs as a risk due to the level of uncertainties facing the Council over the medium term. Mitigations are identified for risks where appropriate; risks are monitored, reviewed and reported against on a regular basis.</p> <p>In relation to demand led services, in particular social care, Strategic Finance supports the services to undertake scenario modelling on potential future demand to determine demographic growth requirements, inflation implications and impact on suppliers.</p>		

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>The main challenge facing the Council is the level of uncertainty on the level of resources that will be made available to the council over the medium term. Strategic Finance considers different scenarios to inform the financial strategy.</p> <p>A number of reserves are held to mitigate against future financial risks such as the Budget Contingency reserve. Reserves are also held to support transformation of services, development of projects and delivery of Our City, Our Plan priorities.</p> <p>The Council has successfully maintained the level of reserves.</p> <p>On an annual basis, a specific Reserves Working Group undertake a review of the appropriateness of reserves held by the Council and make recommendations to Cabinet on any future reserves no longer required for their original purpose.</p> <p>Further Action</p> <p>Whilst the Council has a Five Year Financial Strategy framework, and three year MTFS, due to the uncertainty over future funding streams focus has been given to addressing the next year's budget deficit in order to set a balance budget and recalculating the potential impact on future years.</p> <p>During 2022-2023 focus will continue to be given to looking over the medium term with the aim of developing proposals that address the deficit over multiple years.</p>		
G	The authority understands its prospects for financial	The MTFS remains a Strategic Risk.	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
	sustainability in the longer term and has reported this clearly to members	<p>The MTFS is reviewed and updated on an ongoing basis including a continual review of the assumptions and projections of the strategy, risks, and the effectiveness of key transformation projects.</p> <p>The Council reports updates on the Budget and MTFS throughout the year, reports clearly set out the projected budget deficit, the assumptions, uncertainties, risks and the plan in place to address the budget gap. The Five-year Financial Strategy provides a strategic framework to address the budget challenge facing the Council over the medium term.</p> <p>In relation to demand led services, in particular social care, Strategic Finance supports the services to undertake scenario modelling on potential future demand to determine demographic growth requirements, inflation implications and impact of supplier services.</p> <p>The main challenge facing the Council is the level of uncertainty on the level of resources that will be made available to the council over the medium term. Strategic Finance considers different scenarios to inform the financial strategy</p> <p>There is still considerable uncertainty over the medium term on the impact of the pandemic and the cost of 'living with covid,' including the additional demand which will continue to be placed on services such as social care, public health and wellbeing. The economic costs of the pandemic will also place additional pressures on the Council's income collected from fees and charges as well as council tax and business rates for years to come.</p> <p>The Council's Capital Programme includes a Corporate Contingency for Growth to fund the Council's replacement programme and support new schemes requiring capital investments. Requests for funding are subject to business cases reviewed in line with corporate priorities.</p>		

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
H	The authority complies with the CIPFA Prudential Code for Capital Finances in Local Authorities	<p>The Council is aware of its obligations under the Prudential Code and has assessed itself as compliant with this principle.</p> <p>The Council's Full Council has approved the Capital Strategy which is a key document and forms part of the Council's integrated capital, revenue, strategic management and balance sheet planning. The strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity is undertaken in line with service objectives, whilst taking account of stewardship, value for money, prudence, sustainability and affordability.</p> <p>The Council also has a Housing Revenue Account which is based on a 30 year time horizon and is presented to Cabinet and Full Council on an annual basis.</p> <p>Treasury management activity is monitored and reported on a quarterly basis to Cabinet, with mid-year and annual reports being considered by Full Council. The Treasury Management Strategy is approved by Full Council each year.</p> <p>The Treasury Management Strategy and performance reports are presented to Our Council Scrutiny Panel for scrutiny and review throughout the year.</p> <p>Specific training on Treasury Management is provided for councillors. CIPFA have published new Prudential and Treasury Management Codes. The new codes include measures to define proportionate commercial investment in the context of local authority regeneration work and will also strengthen both codes with a greater focus on climate and environmental, social and government risks when making financial decisions. The Council's Treasury Management Strategy was updated and approved by Full Council on 2 March 2022.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
I	The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans	<p>The MTFS is a 'live' document detailing budget pressures, opportunities, level of resources and the forecast deficit.</p> <p>The continuous budget setting and monitoring cycle captures the major risks, uncertainties and opportunities facing the Council.</p> <p>Medium term financial modelling is undertaken on areas of uncertainty such as social care, and where appropriate growth is built into the MTFS to deal with future forecast demands. Earmarked reserves are held to support service transformation with the aim of driving out efficiencies in future years.</p> <p>The Council reports updates on Budget and MTFS throughout the year, reports clearly set out the projected budget deficit, the assumptions, uncertainties, risks and the plan in place to address the budget gap. The Five-year Financial Strategy provides a strategic framework to address the budget challenge facing the Council over the medium term.</p> <p>In order to be prudent, the MTFS incorporates Corporate Contingency budgets to deal with emerging pressures identified during the budget setting process. These pressures are monitored throughout the year and request for funding are subject the submission of business cases, any efficiencies identified against these budgets are released to support future budget deficits.</p> <p>Regular updates are presented to Leadership Teams, SEB and Cabinet on the Councils financial position over the medium term.</p> <p>The Council also holds a General Fund reserve of £13.7 million, which represents approximately 5% of the net budget requirements to deal with any unforeseen events.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		The 2021-2022 outturn position enabled the council to safeguard essential earmarked reserves which are held to support service transformation.		
J	The authority complies with its statutory obligations in respect of the budget setting process	<p>As required by legislation, the Council set a balanced budget on an annual basis, which is presented and approved by Full Council. The annual budget reports are submitted to Full Council for approval prior to the start of the new financial year.</p> <p>The Council has set a balanced budget without the need to utilise general fund reserves for the last eight consecutive years.</p> <p>Updates on the MTFs and Budget are presented throughout the year to Cabinet for approval.</p> <p>The Council is aware of the circumstances and process in issuing a Section 114 notice but does not envisage this to be an issue over the medium term.</p>	Green	Green
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on	<p>The forecast and actual level of reserves are monitored and reported to Cabinet.</p> <p>A number of reserves are held to mitigate against future financial risks such as Budget Contingency reserve. Reserves are also held to support transformation of services, development of projects and delivery of Our City, Our Plan priorities.</p> <p>On an annual basis, a specific Reserves Working Group undertake a review of the appropriateness of reserves held by the Council and make recommendations to Cabinet on any future reserves no longer required for their original purpose.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
	the adequacy of the proposed financial reserves.	<p>Whilst the Council does not hold high levels of reserves, through good financial management and prudent planning, it has been able to protect the level of reserves.</p> <p>The Final Budget Report approved by Full Council includes a statement from the Director of Finance (Section 151 Officer) on the robustness of the estimates and levels of reserves.</p>		
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget	<p>The budget consultation process forms part of a continuous process of engagement with residents, businesses and other key stakeholder throughout the year which focuses on understanding people's priorities.</p> <p>The council has also invited residents and businesses to submit questions via social media to which the Leader of the Council and Cabinet Member for Resources have provided responses.</p> <p>The Council aligns its resources to Our City Our Plan which sets out the Council's priorities and a performance framework.</p> <p>The Council engaged with local people to help shape the refresh of the Council Plan. This has included a resident survey, engagement sessions with equality groups in the city as well as young people, businesses and partners. The engagement built on the extensive programme undertaken with local people to help shape the Relighting Our City Recovery plan which has supported the organisations transition from the response to the recovery phase of the pandemic. The Council has made a commitment to a continuous conversation with communities and will continue to ensure there are opportunities for local people to share their views and engage in the policy making process.</p> <p>A new digital tool was re-launched in 2021-2022 giving respondents a chance to set their own Council budget in line with their preferences.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	<p>The council uses project management methodology as standard practice, which includes feasibility / options analysis gateway for all registered projects. A later business case gateway check provides further detail on cost / benefit impacts of option selected for further development. The Project Management Group (PAG) provides scrutiny, support and gateway control to projects.</p> <p>Details are captured in a standardised options appraisal template which is held on central system (Verto).</p> <p>The project methodology at present is a waterfall based approach – with the advancing gateways representing greater levels of understanding about the project.</p> <p>To support the Council's plans to have a one council approach to contract management, a contract management framework based on the National Audit Office's Good Practice Contract Management Framework with a supporting toolkit is now in place. In addition, mandatory contract management training for officers has been launched. The training which is being utilised is the Foundation Training available through the Government Commercial College.</p> <p>A new contract management software system is currently being procured. The system will provide greater visibility of contract performance and a strategic oversight of contracts.</p> <p>Further Action</p> <p>The Council is continuing to develop the project methodology / approach as part of ongoing enhancements. The Council's default project methodology at present is the waterfall based approach. However, particularly as a consequence of the uncertainties caused by the</p>	Amber	Amber

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		pandemic, the need for alternative project management approaches has been brought into sharper focus. Shorter, more critical / urgent projects may be more suited to an agile management approach – this is subject to further work.		
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<p>The continuous budget setting and monitoring cycle captures the major risk and uncertainties facing the council.</p> <p>Quarterly budget monitoring reports detailing the forecast annual outturn position and reasons for variances are presented to the Directorate Leadership Teams and SEB for their consideration and approval.</p> <p>Strategic Finance attend leadership teams and major project groups, identifying at an early stage any emerging risks; providing challenge and strategic support.</p> <p>The Strategic Risk Register is reviewed on a regular basis by SEB and Directorate leads which also informs risks at an early stage.</p> <p>As required, growth is built into the MTFS to address risks identified during the monitoring, which are reviewed and agreed by SEB.</p> <p>Corporate contingency budgets are also held for emerging risks that are identified, but where there is still a level of uncertainty at the time of budget setting.</p> <p>Approved budget reduction targets are also reviewed as part of the budget setting process to ensure they are still deliverable, undeliverable targets are removed or re-profiled as appropriate.</p> <p>The Budget reports presented to Cabinet (both MTFS and quarterly monitoring), clearly set out the financial risks.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability	<p>The level and areas of credit losses are reviewed on a regular basis and feed into the quarterly monitoring which is reported to elected members.</p> <p>Budget managers also have access to reports on any income still owed for their service areas.</p> <p>Cashflow is monitored on a daily basis and updates shared with the Finance Business Partners and Chief Accountant.</p> <p>The Council holds and maintains a comprehensive list of assets. The year-end process includes detailed valuation of assets by external valuers. These are then reviewed and challenged by Strategic Finance. Reasons for movement are explored and explained.</p> <p>The Director of Finance and Deputy Section 151 Officer review and sign off the assumptions used to calculate major estimates.</p> <p>Provisions are reviewed and agreed with the Director of Finance.</p> <p>The Council has effectively managed its Reserves and reports them to Cabinet. In addition, on an annual basis, a specific Reserves Working Group undertake a review of the appropriateness of reserves held by the Council and make recommendations to Cabinet on any future reserves no longer required for their original purpose.</p> <p>Details around reserves, provisions and balances are shared with SEB.</p> <p>The CFO reviews the Statement of Account and confirms that they are a true and fair view of the financial position of the authority as at 31 March in year of account.</p>	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
		<p>Cabinet in June received a report on the Council's resources held in earmarked reserves, provisions and general balances held as at 31 March 2022, after taking into account the outturn position for 2021-2022.</p> <p>A full review of the assets held by the Council was undertaken as part of the 2020-2021 annual external audit.</p> <p>As part of the quarterly monitoring, service areas which generate significant income are asked to review and comment on outstanding income.</p> <p>Further Action</p> <p>A dashboard has now been developed which details outstanding debt, making it more visible for Budget Managers and Services to review and take any necessary action. This dashboard is currently being rolled out and will form part of the quarterly financial monitoring review by Directorates.</p> <p>Initial feedback from rolling out the dashboard is that it increases visibility and accessibility to the data for the budget manager, which in turn enables them to direct resources where required.</p>		
P	The Chief Finance Officer (CFO) has personal	SEB and the CFO are aware of the CFO's responsibilities in terms of the preparation of the annual statement of accounts and is compliant with this principle.	Green	Green

Ref	Financial Management Standard	Our Response June 2022	RAG Rating June 2021	RAG rating June 2022
	and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code	<p>Any required changes are reviewed and implemented in advance. Staff attend training / seminars to ensure we are aware of any pending updates/ changes.</p> <p>In addition, information / understanding / approaches are also shared amongst regional colleagues.</p> <p>The Council is on track to meet the statutory deadline for the production of the Statement of Accounts 2021-2022.</p>		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	<p>The draft outturn figures are presented to Directorate Leadership Teams and to SEB for review and to agree the final position (including the use of reserves and grants). Directors lead on providing explanations on any variances against budget within their service areas and are expected to explain what action is being taken to address any adverse variances, both in year and for future years. The Outturn position is presented to Cabinet for approval.</p> <p>The Outturn report includes explanation on variations to budget, updates on use of reserves and any newly identified budget risks that may need to be incorporated into the MTFS.</p>	Green	Green

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