

Meeting of:	<b>Cabinet</b>
Date of Meeting:	<b>Monday, 28 February 2022</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Financial Management Code 2021/22
Purpose of Report:	To consider the Council's compliance with the Financial Management Code 2021/22 and proposals for improvement
Report Owner:	Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Interim Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	Corporate Management Team
Policy Framework:	This is a matter for Executive decision by Cabinet.
<p>Executive Summary:</p> <p>The Financial Management Code (FM Code) is a new code that has been introduced by the Chartered Institute of Public Finance &amp; Accountancy(CIPFA) to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.</p> <p>Each local authority (and those bodies designated to apply the FM Code) 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 (CFO) and their professional colleagues in the leadership team.</p> <p>The first full year of compliance with the FM Code is 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement.</p>	

## **Recommendations**

1. The content of this report and Statement on Compliance with the Financial Management Code (Appendix 1) be noted and approved.
2. That the Statement of Compliance with the Financial Management Code be referred to the Governance and Audit Committee for consideration.

## **Reasons for Recommendations**

1. To ensure that the Council's compliance with the Financial Management Code is considered by Members as part of their collective responsibility for compliance with the Code.
2. To ensure that the Council's compliance and proposals for improvement are considered by the Governance and Audit Committee as Members charged with overseeing the Governance arrangements of the Council.

## **1. Background**

- 1.1 The Financial Management Code (FM Code) is a new code that has been introduced by CIPFA to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 1.2 Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 1.3 The FM Code has been introduced because of the exceptional financial circumstances faced by local authorities which have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.
- 1.4 Each local authority (and those bodies designated to apply the FM Code) 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 (CFO) also referred to as the Section 151 Officer and their professional colleagues in the leadership team. It is for all of the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the Section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial

management. CIPFA considers the application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

- 1.5 The first full year of compliance with the FM Code is 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement.
- 1.6 CIPFA states that; the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

## 2. Key Issues for Consideration

- 2.1 The code introduces the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.
- 2.2 The 6 Principles are set out below:
  - 1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
  - 2. **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.
  - 3. 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.
  - 4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
  - 5. 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.
  - 6. 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.
- 2.3 The FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this.

- 2.4** A full consideration of the Council's compliance with the Financial Management Code in 2021/22 and in budget setting for 2022/23 is set out in Appendix 1 of this report and is summarised below.

**Interim S151 Officer's Statement of Compliance with the Financial Management Code 2021/22.**

- 2.5** The Council's previous S151 Officer left their post during December 2021 and the Council has appointed a new S151 Officer who will commence in post at the start of April 2022. Interim arrangements were made whereby the previous Deputy S151 Officer was appointed as Interim Head of Finance/S151 Officer during this transitional period.
- 2.6** Having considered the 6 principles of the Financial Management Code and the Financial Management Standards that underpin these principles the Interim S151 Officer considers that the Council generally complies well with the Financial Management code with strong prospects for improvement. It is considered that the Council demonstrates excellent collective responsibility to uphold these Financial Management Standards as evidenced in Appendix 1. Appendix 1 presents the Council's self-assessment against each of the six principles contained in the Code, identifying the extent to which the S151 Officer believes the Council to comply, provides evidence to support this assertion alongside areas for further development.
- 2.7** The S151 Officer is a key member of the Senior Leadership Team (SLT) and the SLT works well to take collective responsibility of the principles of good financial management. This report in draft format has been considered by the members of the Senior Leadership Team during 2021/22.
- 2.8** Communication with the S151 and Leader, Deputy Leader and Chief Executive as members of the Budget Working Group is regular and ensures that this group has a good understanding of the development of the budget for 2022/23.
- 2.9** Business Cabinet meets regularly to ensure Members of the Executive are briefed on emerging issues and includes issues of significance to the Financial Management of the Council.
- 2.10** Scrutiny Committees have regular oversight of the Council's Financial Monitoring and Budget Proposals and the Corporate Performance and Resources Scrutiny Committee receives the recommendations of other Scrutiny Committees as part of the Budget process which in turn is then referred to Cabinet.
- 2.11** Governance and Audit Committee provides robust scrutiny of the Council's Financial and Governance issues and will be further strengthened by the recent appointment of 3 new Lay Members to the Committee.

- 2.12** The areas of further development identified in Appendix 1 will be progressed in the coming year and will inform the next assessment of the Council's performance against The Code.
- 2.13** It is recommended that Cabinet note and approve the contents of this report and Appendix 1 and refer to Governance & Audit Committee for their consideration, with any views being referred back to Cabinet.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** A key measure of the Financial Management Code is that 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.
- 3.2** The Council's approach to Financial Management reflects the 5 ways of working which are;
- o Looking to the long term - The Council prepares a Medium Term Financial Plan and 10 year Capital Strategy and takes a strategic approach to ensure services are sustainable and that future needs and demand for services is understood.
  - o Taking an integrated approach - The Council's builds financial sustainability and resilience through partnership working and recognises the impacts of the Council's decisions on partner's objectives.
  - o Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.
  - o Working in a collaborative way – The Council recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.
  - o Understanding the root cause of issues and preventing them – The budget and monitoring processes are proactive and allows an understanding of the financial position so that issues can be tackled at the source.

### **4. Resources and Legal Considerations**

#### **Financial**

- 4.1** The Council's compliance with the Financial Management Code demonstrates that Council understands and demonstrates the collective responsibility to deliver good financial management across the organisation. The benefits of good financial management are set out in the 6 principles.

## 1. Organisational leadership

Benefits - Financial management underpins and is aligned with the strategic direction of the organisation. Financial management is embedded into organisational culture and this ensures that the organisation's resources and budget setting is aligned with the strategic direction of the organisation.

## 2. Accountability

Benefits - Financial planning reflects scenarios based on most accurate data that the organisation has available and is aligned with the council's risk management. Decisions are based on timely accurate supporting data and full analysis through business cases that consider whole life costs.

3. 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.

Benefits – Members and Officers are aware of their collective responsibility for good financial management and this understanding plays a central role in decision making

4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.

Benefits – Financial Management utilises best practice and up to date guidance from across the sector.

5. 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.

Benefits – SLT and Members receive assurance on Good Financial Management and the overall control environment of the Council.

6. 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.

Benefits – Sustainable decisions are enabled by good financial management and helps the Council to deliver prudent use of public resources, deliver the Councils commitments under Wellbeing of Future Generations and Project Zero.

## **Employment**

- 6.1 The Section 151 Officer is a Statutory Post and as set out in the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

- The Chief Financial Officer (CFO) is a member of the Senior Leadership Team (SLT) and attends Cabinet and Full Council.
- The CFO post holder is fully qualified and fulfils the CPD requirements associated with their professional qualification.

## **Legal (Including Equalities)**

- 6.2 The Council is required to demonstrate that it complies with the CIPFA Financial Management Code.

- 6.3** Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should “... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”

## **7. Background Papers**

None.



Vale of Glamorgan Council  
Financial Management Code – 2021/22



The Financial Management Code (FM Code) is a new code that has been introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA) to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.

In recent years we have witnessed an increasing number of English Authorities submitting Section 114 notices, whilst in England the Ministry of Housing and Local Government has publicly stated that it will not allow Local Authorities to fail, an increasing number of authorities are requiring rescue packages and financial interventions. Whilst in Wales the Local Authority landscape is quite different, it is good practice for the Council to document how good financial management is embedded in the governance structures and collective behaviours across the Council.

Each local authority (and those bodies designated to apply the FM Code) 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 (CFO) and their professional colleagues in the leadership team. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management. CIPFA considers application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

The first full year of compliance with the FM Code is 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement.

The code introduces the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.

The 6 Principles are set out below;

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
2. **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.
3. 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.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.

5. 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.
6. 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.

The FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority and their use should therefore reflect this.

CIPFA states that; the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

## Financial Management Standards

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

#### A: The leadership team is able to demonstrate that the services provided by the authority provide value for money

##### **Assessment - Partly Comply**

##### **Evidence of Compliance with Standard**

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.

- All Cabinet and Scrutiny reports consider the financial impact of the recommendations and are reviewed as part of the clearance process by key members of the Senior Leadership Team.
- The quarterly performance report includes consideration of how we use our resources to achieve the Council's wellbeing objectives.
- The Council prepares a balanced budget with assessment of cost pressures and likely pay awards and other inflationary pressures each year.
- The Council produces a fully funded five year capital programme as part of the annual budget process, schemes include a mix of asset renewal and service enhancement/development schemes. A ten year capital strategy underpins this programme.
- Contract management and local procurement arrangements are regularly reviewed as part of the Internal Audit Work Programme.
- All contracts over £75,000 must go through a formal approval process. A register of contracts is maintained in Accountancy and a full contract register is being compiled by the

Procurement team, options are currently being considered for refinement of these processes to minimise duplication of data and effort.

#### **Areas for further development**

- New Part 6 duties introduced by the Local Government & Elections Act require the Council to demonstrate Value for Money so performance reporting and the new Annual Self-Assessment approach will draw further linkages with the Corporate Governance Statement.
- Further consideration of Social Value will be required as part of future consideration of the Value for Money of schemes.
- Committee reports will be amended so as to provide members with information relating to the impact of decisions on Climate and Nature Emergency alongside matters of finance, employment and legal consideration.
- As part of the Council's preparation for the introduction of the new leasing standard IFRS16, new procedures will be introduced to bring lease arrangements onto the balance sheet and this will necessitate a more formal VFM and sign off process to these types of arrangements.

## **B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.**

### **Assessment - Fully Comply**

#### **Evidence of Compliance with Standard**

- The Chief Financial Officer (CFO) is a member of the Senior Leadership Team (SLT) and attends Cabinet and Full Council.
- The CFO or Deputy sits on strategic project boards and steering groups for high level projects such as 21st Century Schools.
- The CFO post holder is fully qualified and fulfils the CPD requirements associated with their professional qualification.
- The resourcing of the finance function is regularly reviewed and the CFO has regular 1 to 1 meetings with management staff within the finance function, a regular Departmental Management Team (DMT) meeting is held.
- The CFO is required to clear Cabinet reports and sign off any Emergency Powers with financial implications.
- The CFO is a key member of the Budget Working Group.
- The Council's previous S151 Officer left their post during December 2021 and the Council has appointed a new S151 Officer who will commence in post at the start of April 2022. Interim arrangements were made whereby the previous Deputy S151 Officer was appointed as Interim Head of Finance/S151 Officer during this transitional period.

## Section 2 Governance and Financial Management Style

### C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

#### **Assessment - Fully Comply**

#### **Evidence of Compliance with Standard**

- The Senior Leadership Team consists of the Chief Executive, three Corporate Directors, the Council's Monitoring Officer, the Council's Section 151 Officer, the Head of Human Resources, the Head of Digital, the Head of Policy & Business Transformation and the Head of Regeneration and Planning. Two new Directors are in the process of being appointed (a Director of Resources and a Director of Place) will also be members of SLT.
- The roles and responsibility of Corporate Officers are defined in agreed job profiles and set out in the Council's Constitution.
- Performance is reviewed on an annual basis in accordance with the Chief Officer Appraisal process. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information / support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- The SLT has a standard work programme - which includes a regular report of Internal Audit programme and findings of Audit Wales work, The budget setting programme, corporate risk management and contract monitoring.
- The SLT team demonstrates collective responsibility for governance and internal control.
- The Governance & Audit Committee receives regular updates on the work programme of the Internal Audit Service the opinions given on individual completed audits as well as the Head of Internal Audits Annual Report.
- The Governance & Audit Committee receives regular reports on the Councils Corporate Risks and Risk Management arrangements as well as regular reports from Audit Wales.

#### ***Areas for further development***

- The robustness of the scrutiny by the Governance and Audit Committee will be further enhanced by the recent appointment of 3 new lay members to the Committee and changes to the remit of the Committee introduced by the Local Government & Elections Act.

## D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).

### Assessment - Fully Comply

#### Evidence of Compliance with Standard

- The Delivering Good Governance Framework has been used to structure the Annual Governance Statement since 2016/17 and is reviewed annually as part of producing this document.
- The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA and SOLACE Framework - Delivering Good Governance in Local Government 2016.
- Key officers feed in to the production of the Annual Governance Statement which is considered by the Senior Leadership Team before presentation to the Governance & Audit Committee for approval
- The Annual Report which was published in October 2021 presents a position statement on the Council's performance retrospectively over the past year in delivering the Council's priorities as set out in the Annual Delivery Plan aligned to the Corporate Plan. Self-assessment of performance is an important way for the Council to identify the capacity and ability to deliver continuous improvement by identifying areas of strength and those requiring particular focus in coming years.
- The Insight Board continues to enhance and streamline the corporate governance arrangements relating to integrated planning activities and reports to SLT and Cabinet.
- The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2020/21 is: "Reasonable Assurance". The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

#### Areas for further development

- The October 2021 Annual Report was the final annual self-assessment under the Local Government (Wales) Measure 2009. In preparation, alongside meeting the requirements of the Measure, this self-assessment has also incorporated elements of the new performance requirements of the Local Government & Elections (Wales) Act.
- Further work is being undertaken to enhance our internal 'insight' function, using a wide range of data sources (including a blend of operational and national research and information) to identify issues and take action.

## E: The financial management style of the authority supports financial sustainability.

### Assessment - Fully Comply

#### Evidence of Compliance with Standard

- The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets.
- The Council was able to transfer £12.2m from revenue into reserves as at 31<sup>st</sup> March 2021, the usable reserves of the Council including HRA and Capital Receipts were £123.645M.
- The Council is able to utilise reserves to support the delivery of ambitious capital schemes and as part of a planned budget strategy whilst maintaining prudent provision in earmarked reserves.
- The reserves of the Council are reviewed by Senior Leadership and reported to Council on at least three occasions each financial year.
- The Council has an Independent Treasury Management Adviser and adopts a Treasury Management that prioritises the security and liquidity of its investments.
- All Capital Bids are prioritised by Directorates and reviewed by the Insight Board to ensure a coordinated and consistent approach to the distribution of funding including consideration of sustainability issues.
- The cost pressures and capital bids are discussed by senior departmental staff and the service accountant and key members of the SLT and the Executive prior to setting the final budget proposals.

#### Areas for further development

- In response to the recommendations of the Audit Wales Financial Sustainability report include full consideration of how projected shortfalls in future years will be achieved as part of the Council's Medium Term Financial Plan.

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

## F: The authority has carried out a credible and transparent financial resilience assessment.

### Assessment - Fully Comply

#### Evidence of Compliance with Standard

A Financial Sustainability Assessment was prepared by Audit Wales in 2020/21 and is considered by SLT, Cabinet, Corporate Performance & Resources Scrutiny Committee and Governance & Audit

Committee. The findings are incorporated as part of the Budget setting process and the closure of accounts process.

The most recent financial sustainability assessment concluded that;

- The immediate impact of COVID-19 on the Council's financial sustainability has been mitigated by additional Welsh Government funding.
- The Council is in a healthy financial position and has a sustainable financial approach over the medium-term, with a planned use of earmarked reserves.
- The Council has a healthy level of reserves and its plans to use them are generally sustainable despite some unplanned use in 2020/21.
- The Council has a mixed track record of identifying and delivering savings to support its financial sustainability.
- The Council has a strong liquidity position meaning it can meet its financial obligations as they fall due for repayment.

G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

**Assessment - Fully Comply**

**Evidence of Compliance with Standard**

- Financial Sustainability is regularly assessed by Audit Wales.
- The Council's long term sustainability is considered as part of the preparation of the Capital Strategy and Medium Term Financial Plan.
- The long term implications of proposals is considered as part of each report taken to Committee and is required by statute under the obligations of the Wellbeing of Future Generations Act.
- In order to comply with the requirements of the Prudential Code the Council must assess the long term implications of Treasury decisions.

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

**Assessment - Fully Comply**

**Evidence of Compliance with Standard**

- The Council applies the requirements of the Prudential Code to its Treasury Management and Capital Strategy.
- The Accountancy and Treasury Management function attend regular training events as required by their professional body and MIFID II registration.

- The Council are also in receipt of regular updates and advice from the Council's independent Treasury Management advisers on the application of the Prudential Code and additional guidance issued by WG, PWLB and CIPFA.
- Members also receive annual and induction Treasury Management training which will cover aspects of the Prudential code.

## I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

### Assessment - Fully Comply

#### Evidence of Compliance with Standard

- The Council has an up to date Medium Term Financial Plan which is reviewed annually and referred back to as part of the Initial and Final budget proposals.
- The Medium Term Financial Plan considers a number of scenarios to improve the robustness of the planning assumptions.
- The Council's Medium-Term Financial Plan clearly links to the priorities outlined in the Corporate Plan to ensure they are financially viable and that the MTFP is closely aligned with the business planning cycle.

## Section 4: The annual budget

## J: The authority complies with its statutory obligations in respect of the budget setting process.

### Assessment - Fully Comply

#### Evidence of Compliance with Standard

- For the financial year 2021/22 the Council met its statutory deadlines for setting a balance budget and setting the level of Council Tax by 11th March 2021.
- The Council meets its statutory deadlines in respect of setting the schools budget.
- The Council met its statutory deadlines for 2021/22 for approving the Treasury Management PIs and a MRP Policy by 31<sup>st</sup> March 2021.
- The Council has set a timetable for approving the 2022/23 budget that seeks to comply with the statutory deadline of 11<sup>th</sup> March 2022.
- The Council prepares a Capital Strategy and Medium Term Financial Plan.



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.

**Assessment - Fully Comply**

**Evidence of Compliance with Standard**

- The robustness of estimates and adequacy of reserves are confirmed as part of the Final Budget Proposals 2021/22 which were reported to Cabinet on 22<sup>nd</sup> February 2021 and to Full Council on 10<sup>th</sup> March 2021.
- The Final Budget Proposals 2022/23 reported to Cabinet on 28<sup>th</sup> February 2022 include confirmation of the robustness of estimates and adequacy of reserves.
- Reserves are reported three times a year to Council as part of the Initial and Final budget proposals and Closing Report.

## Section 5: Stakeholder engagement and business plans

L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

**Assessment - Fully Comply**

**Evidence of Compliance with Standard**

- The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- The Council's Public Engagement Framework details how public engagement activities are undertaken by the Council.
- During 2020/21 the Council's ability to undertake consultation and engagement projects has been limited by restrictions in place due to COVID 19, however a number of activities have taken place. These included the following:
  - The Future of Council services – Budget 2021/22 Consultation
  - Climate Change Conversation
  - Annual Delivery Plan 2021/22
  - Resident Parking Zones
  - Public Space Protection Orders – Controlled Alcohol Zones
  - M4 Junction 34 to A48 Transport Improvements WeITAG Stage 2 Plus
- Following the Staff Survey 2018 results, Local Engagement and Innovation Groups were established in all directorates to allow Heads of Service and local Engagement leads to drive

forward the staff survey results and allow all staff to share views and ideas with local Engagement Champions. Whilst much of this work was suspended due to the coronavirus pandemic, the Council surveyed all staff in the summer of 2020 (and again in 2021) to understand how colleagues' well-being had been affected by the pandemic and to understand their thoughts about future working arrangements. This information was used to inform the Recovery Strategy.

- The Council carries out a consultation with local residents as part of the annual budget cycle and this is reported as part of the Final budget proposals. As part of the preparation for the 2022/23 budget, the Council has aligned the budget consultation with the consultation for the Annual Delivery Plan and the Council also consulted on the priorities for the Capital Programme.
- Regular consultation with Schools Budget Forum is an integral part of the annual cycle and this includes a meeting with the Leader, Chief Executive and CFO as part of the annual budget cycle.
- Directorates feed into the budget process by submitting cost pressures, savings proposals and capital bids. These are discussed in annual meetings with Directors, Heads of Service and the Budget Working Group.
- The Local Government and Elections (Wales) Act 2021 introduces changes covering electoral reform, public participation, governance and performance and regional working. This will have an impact on the way the Council operates and measures will need to be implemented to comply with the Act. The preparatory work undertaken by the Council includes an action plan to ensure that Senior Officers and Members are aware of the provisions within the Act and this will include consultation regarding the establishments of Corporate Joint Committees (CJCs).
- The Council is developing proposals for more ongoing consultation throughout the year to help increase engagement through smaller more frequent consultation work which is being brought together in the Public Participation Strategy which Cabinet approved for consultation in January 2022, to be in place for May 2022.

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

**Assessment - Fully Comply**

**Evidence of Compliance with Standard**

- The Council recognises that informed decision making is a fundamental part of good governance.
- Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.
- In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders.

- The Capital Bids process requires a Business Case to be completed for all bids in excess of £300k and for revenue projects which are categorised as high risk.
- The Project management toolkit documents an option appraisal methodology with examples.
- Full Business Cases using the Five Cases Model are prepared for 21<sup>st</sup> Century Schools submissions.
- The Council has recently prepared a Business Plan for Waste Management to review a number of scenarios in the context of a volatile market, a changing delivery model and a number of capital bids.

## Financial Management Standards - Section 6: Monitoring financial performance

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

### **Assessment - Fully Comply**

#### **Evidence of Compliance with Standard**

- SLT has a rolling work programme and is regularly updated on the Council's revenue and capital budget positions, contract management issues and the progress of the Internal and External Audit Work Programme.
- The Head of Internal Audit has regular meetings with the Head of Finance.
- A quarterly strategic risk review is undertaken and reported to Governance & Audit Committee and Cabinet, and corporate risk is referenced in the quarterly performance reports to all scrutiny committees.
- The Chief Executive and CFO are key participants in the Budget Working Group process.
- The Reshaping Programme Board meets regularly to discuss and monitor progress and any emerging risks associated with the transformation of the organisation

O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability

### **Assessment - Fully Comply**

#### **Evidence of Compliance with Standard**

- The Capital Programme is monitored via a regular meeting with Leader and S151 Officer and Chief Executive.
- An Asset Management Strategy is prepared by Property Services and Estates.

- Major schemes and projects are managed via a dedicated project board of senior officers.
- The Council is currently working to update the Carbon Management Strategy for the Council, reflecting the Project Zero Challenge Plan and the Council's decarbonisation targets.
- Financial impact is assessed as part of all Cabinet and Council decisions.
- The Pension liability is assessed triennially and the S151 Officer liaises with Cardiff and Vale Pension Fund and AON, the actuary, before setting a contribution rate that recovers the pension deficit in a prudent and sustainable manner.
- The Council has engaged an independent Treasury Management adviser to give the Council advice on the Council's borrowing and investments.

## Section 7: External financial reporting

P: The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

### **Assessment - Fully Comply**

#### **Evidence of Compliance with Standard**

- The Section 151 Officer reviews the Council's annual Statement of Accounts and complies with the responsibilities as set out.
- The Statement of Accounts is signed by the Section 151 Officer.
- The Section 151 Officer considers the level of assurance provided by Head of Internal Audit as part of their regular meetings and the regular reports to Governance and Audit Committee on the audit programme.
- Regular meetings are held between key members of the Senior Finance Team and the Council's External Auditors Audit Wales to monitor the progress of the accounts and any emerging issues.

Q: The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

### **Assessment - Fully Comply**

#### **Evidence of Compliance with Standard**

- Senior Leadership Team review their budget areas' outturn figures at SLT (and the Council's position as a whole) as part of the closure of accounts process.
- The Closure of Accounts reports are reviewed by key members of the Senior Leadership team before they are reported to Cabinet.

- Monitoring reports for revenue and capital are regularly taken to Scrutiny committee and Cabinet.