

**Buckinghamshire Council**

**Financial Management Strategy**

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## 1. Introduction

Strong financial management is essential for the efficient, effective and economic management of any organisation. Financial management covers the allocation of available resources to key organisational priorities, monitoring the delivery of those priorities in a changing environment, the effective management of risk, and compliance with relevant legislative requirements. The ultimate aim of the process of financial management is to deliver the greatest benefit to stakeholders within the resources available, in a legal and financially sustainable way.

The purpose of this document is to set the strategic approach to financial management and define the financial governance framework which supports the delivery of high quality financial management, the maintenance of financial sustainability and the alignment of financial resources to organisational outcomes at Buckinghamshire Council. This will be delivered through:-

- A strong focus on financial management discipline from all managers within the council, as led by the Corporate Management Team (CMT).
- Strong and meaningful engagement with members and committees of the council.
- Political and officer ownership of and accountability for all budgets and service outcomes.
- Open, honest and timely reporting on all financial matters and service outcomes.
- The appropriate application of professional standards across the council.

The Chartered Institute of Public Finance and Accountancy (CIPFA) have developed a Financial Management Code for the Public Sector, which identifies the key components of high quality financial management (see Appendix 1). This represents best practice, and delivery of its aims underpin this strategy.

The Council does not operate in a vacuum. The environment and the changing demand for the services we deliver means that the council has limited control and influence over the level of demand. In addition the level of resources available has not kept pace with demand. This creates a challenging environment in which to operate effective financial management.

As part of statutory reporting and as evidence of how effective we are in our financial management, our Annual Governance Statement reports on the ongoing effectiveness of the system of Internal Control, standards of financial management, risk management and governance processes.

## **2. Role of the Corporate Management Team and management structures**

High quality financial management is not the sole responsibility of the Chief Finance Officer (CFO). Whilst they are the lead professional adviser on financial management and decision-making, high quality financial management is the responsibility of all who hold leadership roles. This responsibility must be led from the top and the Council's Leadership team have an intrinsic role in ensuring the principles set out in this strategy are properly supported by and through their management teams.

The Council's Leadership team comprises the Chief Executive (Head of Paid Service), their leadership team, the CFO, executive committees, all elected members, the Leader of the Council and their portfolio holders, and other key committees of the council.

### **2.1 The Corporate Management Team**

By visibly demonstrating the importance of high quality financial management the Corporate Management Team set the tone for the whole organisation and will support the development of a culture where high quality financial management can thrive. The CFO will be an intrinsic part of this team and will be able to exert influence over all material business decisions. The Corporate Management Team will support this by ensuring the CFO is provided with a sufficient resource to deliver this strategy.

The Corporate Management Team also provide a window on the performance of the finance function at a local level and should support the CFO by identifying areas of good or poor practice, or where resources are not sufficient to deliver the high quality of service expected.

### **2.2 The Section 151 Officer**

Section 151 of the Local Government Act 1972 requires local authorities to 'make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer (CFO) to have responsibility for those arrangements'. This statutory duty includes a fiduciary responsibility to the local tax payers. Ultimately the CFO is accountable for ensuring the delivery of all of the responsibilities identified above.

CIPFA defines 5 key principles which the CFO is responsible for to ensure high quality financial management within their organisation;

- Principle 1 – The CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and delivers the authority's strategic objectives sustainably and in the public interest.
- Principle 2 – The CFO in a local authority must be 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 authority's overall financial strategy.

- Principle 3 – The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- Principle 4 – The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- Principle 5 – The CFO in a local authority must be professionally qualified and suitably experienced.

### 3. Strategic Financial Management Principles

Strategic Financial Management is closely aligned to the overall strategic direction of the Council. The annual budget setting and medium term financial planning process ensure that financial resources are aligned with organisational and service priorities both at a strategic and an operational level. The ongoing management and reporting of financial performance then provides a mechanism through which the Council's Leadership and the CFO are made aware of areas where performance (both financial and non-financial) are off track, and can then propose or take appropriate decisions to ensure all outcomes and financial performance are managed within acceptable standards.

The following broad principles underpin the councils approach to strategic financial management;

**The revenue budget and capital programme will be balanced across all years with one-off funding only used for one-off purposes.** One-off funding such as reserves and one-off grants will only be used for one-off purposes to ensure future commitments are funded from ongoing sources of income. This ensures that the council is living within its means, supporting continued financial sustainability and resilience.

**Reserves, balances and contingency budgets will be maintained at a level proportionate to the prevailing levels of risk.** Levels of reserves, balances and contingency budgets will be reviewed annually along with the underlying levels of risk to ensure that future risks do not materially impact on the sustainability of the council.

**Council Tax increases will only be considered where it is not possible to deliver organisational outcomes without them.** Before considering increases to Council Tax the council will explore all opportunities to deliver savings to offset budget pressures, and will reconsider the priority of Strategic Plan and Service delivery outcomes. Where the council's leadership and the CFO agree that it is not

appropriate or possible to contain unavoidable pressures through these means then council tax increases will be considered.

**Budget Managers, Directorate leadership teams, the council's Corporate Management Team and Cabinet members are accountable for their respective budgets.** As highlighted above budgetary accountability lies with all who are responsible for financial management. Those who take decisions on strategy, policy and the delivery of service outcomes must also be responsible for the costs of doing so. The CFO and their finance service are responsible for supporting those staff with budgetary accountability, and in providing assurance to the council's leadership that financial management is being delivered appropriately and in line with strategies, policies and guidance provided by the CFO.

**Business change and savings proposals will be supported and challenged to ensure that they are robust and deliverable.** This challenge will be delivered by appropriate subject matter experts, and all cases for change must be supported and approved by the service finance support before it can be considered for a formal decision.

**Performance against agreed budgets and outcomes will be reported to the council's leadership on a regular basis.** This will provide the Leadership with the information required to deliver their financial management accountability, and will ensure that financial sustainability and resilience of the council is considered at the highest levels of the organisation.

This is the first Financial Management Strategy of the new Buckinghamshire Council. There will be a significant period of transition post vesting day, and an additional principle is required in the short- to medium-term to reflect the level of transformational activity which is needed post vesting day. Whilst all of the principles above apply to transformational activity, the transformation will require significant focus and co-ordination in order to deliver the savings identified in the Business Case for a Unitary Council. Specific management and oversight mechanisms will be developed to support this and resources have already been earmarked to support the delivery of the changes required.

#### **4. Governance & Financial Management style**

Good financial governance is the responsibility of CFO, the council's leadership team and everyone else with any responsibilities within the financial management process. All of these groups must demonstrate high levels of integrity, ethics and Leadership. The CIPFA / SOLACE 'Delivering good governance in Local Government framework' identifies the following stages of high quality financial management;



To ensure the above model of good financial governance the CFO will ensure that:-

- All those involved in financial management are clear of their responsibilities and accountabilities, and are fully engaged in delivering them.
- Outcomes are aligned to the Corporate and Service plans, clearly defined and supported by appropriate levels of resource.
- Appropriate support is given to improvement in delivering objectives and in developing Leadership skills.
- There is a framework of policies and guidance to support the delivery of the principles above, balancing control and compliance with business flexibility.
- The Corporate Management Team recognises these standards, and holds themselves and others in the council to them.
- There are clear and open lines of communication both for formal reporting and for concerns to be raised, and that action is taken in response to material issues.

#### 4.1 Financial Management Style

The Finance Service provides expert advice, support, insight and challenge, working jointly with Directorates to support and enhance the knowledge and experience of

those with financial management responsibilities. Central to delivering this is the partnership between the Finance Service, Directorates and Members. The partnership will be underpinned by:-

- A strong and positive culture that values the importance of financial management in delivering great service outcomes.
- Mutually-understood roles and responsibilities.
- Openness, trust and mutual respect for each other's skills, experience and perspective.
- Robust systems and processes generating clear, reliable and comprehensive data.
- Engagement, visibility and clear, transparent two-way communications.
- Proactive problem-solving.

The council recognises that this partnership extends to other support services such as HR, Business Intelligence and ICT, all of whom make a positive contribution to achieving excellent financial management.

In supporting Directorates to deliver their financial accountabilities the finance service will manage this relationship through a 'Business Partnering' approach. This means the finance service will provide advice and challenge to drive performance of the council towards 'World Class';



The CFO will maintain a Finance Services Offer in support of this model, which clearly defines the key objectives and core values and behaviours of the finance service, and defines expectations of both the finance service and the council as a whole.



## 4.2 Risk Management & Assurance

Risk management and assurance are key elements of good financial governance, and provide a tool for exploiting opportunities, a safeguard against potential threats, and act as an early warning system. The current challenges facing local government means that now, more than ever, risks need to be identified effectively and managed carefully to mitigate adverse effects. Through successful risk management, the identification and subsequent treatment of risks can help the Council meet its objectives by demonstrating compliance, providing assurance, informing decision making and enabling value for money.

The council employs the 'Three lines of defence' approach in delivering risk management and control. The three lines are defined as follows;

**First Line of Defence (functions that own and manage risks):** This comprises managers and staff who are responsible for identifying and managing risk as part of their achieving objectives.

**Second line of Defence (functions that oversee or who specialise in compliance or the management of risk):** This includes the policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are doing it, and helps ensure consistency of definitions and measurement of risk.

**Third line of defence (functions that provide independent assurance):** This is provided by internal and external audit. Sitting outside the risk management processes of the first two lines of defence, its main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

## 4.3 Scrutiny

The Council recognises that political scrutiny beyond that deliver by Cabinet forms an integral part of the mechanism to scrutinise financial management performance. The Councils constitution recognises this role and delivers it through the Audit and Scrutiny Committee.

The purpose of the Committee is to;

- Provide independent assurance as to the Council's governance, risk management framework and associated control environment.
- Provide independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.
- Oversee the Council's financial reporting process.
- Approve the Council's Final Accounts.
- Provide assurance on the adequacy of the Council's Treasury Management risk framework and associated control environment.
- Act as an advisory committee to the Council and the Cabinet on audit and governance issues.

This Committee is supported by specific sub-committees for each Directorate, and a specific Budget Scrutiny sub-Committee. The Directorate sub-Committees will focus solely on the activities of each Directorate. On an annual basis the Budget Scrutiny sub-committee will scrutinise the budget proposals arising from the Annual Budget and Medium Term Financial Strategy process. It will then make recommendations to Cabinet for potential changes to the budget, and a formal response from Cabinet will be made in response to these recommendations.

Further details on the responsibilities of the Audit and Scrutiny Committee can be found in the Council's Constitution.

## **5. Financial Management Framework**

The CFO is responsible for ensuring that there is a structured set of Financial Procedure Rules, Strategies, Policies, Protocols, Instructions and guidance which form a framework for the effective financial management of the council. These documents will be reviewed on a regular basis to ensure that they remain relevant and appropriate, both as the external operating environment changes and as the council itself changes over time. Compliance with them will be measured and actions taken outside these rules will be reported and escalated for appropriate action.

The Financial Management Framework is developed in line with the CIPFA Financial Management Standards within the CIPFA Financial Management Code, and will be updated as this code evolves.

The key policies and strategies of the Financial Management Framework are summarised below, and deliver a tiered approach to Financial Management Standards within the Council. The CFO ensures that these cover all statutory duties and support the delivery of the CIPFA Financial Management Code. Links to all these documents are available within the Appendices.

### **5.1 Finance Procedure Rules**

The Finance Procedure Rules form part of the council's constitution, and apply to both members and officers. This is a top level governance document, approved by the Full Council, which sets the principles for managing the council's financial affairs.

The Financial Regulations cover the following key areas:-

- Financial Management responsibilities.
- Financial Planning and Control.
- Risk Management and the Control of Resources.
- Financial Systems and Procedures.
- External Arrangements.

## **5.2 Contract Procedure Rules**

The Contract Procedure Rules form part of the council's constitution, and are applicable to both members and officers. This is a top level governance document, approved by the Full Council, which set the principles of commercial decisions, to protect the council from potential claims of impropriety, and to avoid the behaviour of the council, its members and officers, being called into question.

The Contract Standing Orders cover the following key areas:-

- Basic principles of contract letting.
- The responsibilities of officers.
- Requirements to ensure competition.
- The contracting process.
- Contract termination and completion.

## **5.3 Financial Management roles and responsibilities**

The document defines the financial management roles and responsibilities of key officer groups within the Council. The framework focusses on key elements of the financial management process, namely Plan, Decide, Manage, and Monitor & Report. At an operational level these are defined in the scheme of delegation for each Directorate.

The council operates a devolved financial management process, and Corporate Directors are ultimately responsible for the delivery of financial management within their Directorates. Responsibility can be delegated to individual budget holders, but accountability remains with the Corporate Directors.

## **5.4 Procurement Strategy**

The Procurement Strategy sits beneath the Contract Procedure Rules and provides more detailed guidance on the practical application of the Contracts Procedure Rules and the legislative framework when letting contracts.

## **5.5 Treasury Management Strategy**

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the impact of changes in interest rates. The successful identification, monitoring and control of financial risks are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the CIPFA's Code of Practice on Treasury Management in the Public Services, which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This strategy fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code, and is approved annually.

## **5.6 Income & Commercial Strategy**

The council generates significant levels of additional income from sources other than Government Grants, Council Tax and Business Rates. These Fees and Charges includes charges for services, both statutory charges and those the Council is free to set itself, income from use of our assets and income from activities designed to change behaviour (such as parking fines). Fees and Charges represent one of the main opportunities either to increase current income levels or to generate new sources of income.

This strategy sets out the key principles that the council will follow in enhancing and developing all income generation opportunities. Whilst ensuring we operate within the law, the council will as a principle recover full cost for all chargeable activities, will benchmark prices against the market to inform pricing decisions, will implement reduced prices and subsidies where there are identified benefits in doing so, will leverage physical and intellectual assets in order to generate additional income, and that risks and costs will be fully understood before any new charging decisions are taken.

## **5.7 Debt Management Strategy**

The council generates significant levels of income through the provision of services which are chargeable to the end user. In doing so the council incurs significant costs. The Debt Management Strategy is designed to minimise the impact of debt on the Council's financial sustainability through the effective management of individual debts and the provision of appropriate sums to cover the risk of non-payment of debts.

For service areas with specific rules regarding their debts or other accepted circumstances local debt management protocols will be developed to provide further clarity on the specific issues concerned. These will be considered as supplementary to the Corporate Debt Management Strategy, and will be authorised by the CFO to ensure they are compliant with the corporate strategy.

## **5.8 Capital and Investment Strategy**

The Capital and Investment Strategy covers the capital requirements of the Council to deliver the strategic corporate aims of the Council, as well as the investment in capital asset development or acquisition to help generate a return to support the budgets of front line services and/or increase asset value. The strategy helps to ensure that the Council is compliant with the CIPFA Prudential Code for Capital Finance in Local Authorities.

The strategy focuses on the delivery of local policy service objectives, and the capital investment requirements identified in the Council's Capital Programme to deliver them. Given the limited funding certainty from Government and the pressure to both develop assets to support the growth agenda and to keep existing assets in good order, it is critical that there is an appropriate balance between revenue and capital resources in the short and long term for the Council.

## **5.9 Reserves protocol**

Reserves represent an important tool in managing the ongoing financial sustainability of the council. The council recognises and endorses two types of reserves; general, or non-earmarked reserves, which are kept as part of the overall financial risk management approach, and can be deployed for any circumstance, and specific, or earmarked reserves, which are set aside for specific future purposes.

The level of reserves held should be appropriate for the circumstances of council at any given time, and as such it is neither sensible nor possible to try and define a total level of reserves which is prudent. For non-earmarked reserves, which are largely used as mitigation against current and future financial risks, it is largely accepted across the sector that 5% of the net operating budget represents a prudent level.

The appropriateness of balances on earmarked reserves will be reviewed by the CFO on an annual basis (or more frequent if required) to ensure that overall levels of reserves remain appropriate for the current and expected risk levels, that their purposes remain aligned to these strategies. Any reserves which are no longer aligned will be transferred to non-earmarked reserves as part of the wider organisational risk management approach.

## **5.10 Risk Management & Assurance Strategy**

The purpose of the Risk Management & Assurance Strategy is to provide an effective assurance framework supported by robust risk management at all levels across the organisation to encourage a less risk-averse approach, and enable innovation within the Business Units appropriate to the level of risks being taken.

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is an essential element of the Council's ability to deliver public services and as a custodian of public funds.

## **5.11 Audit Charter**

The Internal Audit Charter formally defines the purpose, the authority and responsibility of Internal Audit within Buckinghamshire Council, in accordance with the Public Sector Internal Audit Standards (PSIAS). The Charter will be subject to approval by the Audit & Governance Committee on an annual basis to ensure that it is up-to-date and in line with the PSIAS requirements.

The role of Internal Audit is to provide an independent, objective assurance and consulting activity designed to add value and improve Buckinghamshire Council's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **5.12 Anti-Fraud & Corruption Strategy**

As one of the largest business organisations in Buckinghamshire the council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or

within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

The Council takes a zero tolerance stance to all forms of fraud, corruption and theft, both from within the Council and from external sources. The council recognises that Fraud and Corruption can undermine the standards of public service that the Council is attempting to achieve, reduce the level of resources and services available for the residents of Buckinghamshire, and result in reduced public confidence in the Council.

### **5.13 Financial Instructions**

Financial Instructions represent the third tier of good financial management, and provide clear guidance on the operation of key financial processes. They are applicable to all officers of the council, and may be added to and amended as the key financial processes of the council change.

The CFO will ensure that there are appropriate Financial Instructions for all key financial processes, and that they are easily available to all relevant officers. Compliance with Financial Instructions will be monitored and managed by the finance service, and non-compliance will be reported and appropriate action taken within the management reporting process.

## **6. Medium Term Financial Strategy (MTFS) and Annual Budget**

Setting a balanced budget is a legal requirement upon all councils. This duty is only for the following year; however the council recognises its duty to demonstrate financial sustainability, and considers it appropriate that financial plans should cover a period of at least 3 years to ensure this duty is given sufficient consideration. Ideally detailed revenue budgets and capital investment plans should give some consideration to at least 5 years beyond in order to recognise any future challenges currently outside the budget planning horizon.

The council's budget is essentially the financial plan for delivering the Corporate Plan. As such there is an intrinsic linkage between these two key elements of the councils operation, and decision-making and prioritisation within the development of the budget must always be aligned with the corporate plan.

The process of setting the council's budget and MTFS for future years is essentially the balancing of available funding against the future costs of delivering the corporate plan, with a watching brief on planned and future changes in statutory responsibilities.

It is also a political process. Budgets are set by political portfolio, and portfolio holders are accountable for the delivery of service outcomes within the budgets

agreed. There will be significant engagement with both members and officers in the development of budget proposals, and both officer and member challenge is an intrinsic part of the process.

The high level process is set out below:-

<b>When</b>	<b>What</b>	<b>Who</b>
Late Spring	Horizon Scanning and high level modelling.	CFO CMT
	Key principles for process confirmed.	CMT Cabinet
Summer – Early Autumn	Service plans reviewed. Existing proposals reviewed. New issues and opportunities identified. New / changed proposals identified.	Portfolio Holders Corporate Directors
Autumn	Check and Challenge.	CMT Cabinet
December	Draft Budget agreed.	Cabinet
January	Budget Scrutiny.	Budget Scrutiny Committee
February	Final Budget agreed	Cabinet Full Council

The councils funding is derived from local sources, such as Council Tax and Locally Retained Business Rates, and from Central Government grants. Whilst there is local discretion as to the annual increase to Council Tax rates (subject to the requirements to hold local referendums), there is little direct influence which the council can exert over Business Rates and Central Government Grants. Dependent on Central Government policy decisions there will be different levels of certainty over government grants at any given time. This gives rise to a need to make informed estimates of funding for periods of any budget planning cycle.

At the same time the demand for and cost of the councils services is also variable, and subject to change as a result of external factors and government policy. Estimations of future cost growth and demand predictions are required to understand the expenditure side of the budget equation.

The council will take an approach to resource allocation and risk management which recognises the challenges above. This will be confirmed and quantified on an annual basis through member and officer working groups, and agreed as part of the overall budget and MTFS. Contingency budgets will be held to manage volatility and risk in key service areas and in delivering overall savings targets. A key assumption on the application of funding is that any one-off, non-recurrent funding will only be used to fund non-recurrent expenditure.

Benchmarking will be used to identify the level of current performance relative to similar councils, focussing on volume, cost, quality and user-perception. This will be provided to both elected members and officers as part of the budget development process to inform resource allocation decisions, and ensure that maximum value is delivered in alignment with resident's expectations. The same data will be provided to check and challenge groups to ensure that proposals made stand up to scrutiny.

The process of building the budget will be incremental, looking at changes required from the previous year's budget. However Zero Based Budgeting will be undertaken at times of significant change within service, either driven by external forces, or as part of the change.

## **7. Monitoring Financial Performance**

Whilst having a robust and balanced budget is an essential element of strong financial management, it is only one part of the financial management process. From the moment the budget is agreed, the internal and external factors which influence actual performance will be changing those well laid plans.

The process of financial management is continuous, both from the perspective of ensuring internal controls are effective, and in the review of performance against both budget and performance measures. A key element of this ongoing process is the regular and informative reporting of key measures to appropriate levels of the management and leadership.

Reporting of financial management issues should not be limited to formal reporting, but there will be a culture of openness and transparency where risk and issues are escalated to management and leadership in an appropriate timescale. Without timely escalation, problems and opportunities can be missed, and action might be taken too late to either fully mitigate a risk, or to benefit fully from an emerging opportunity.

With the support and engagement of the leadership team the CFO will foster and enhance a culture of transparency and escalation which support rapid action to maximise opportunities and to address risk.

### **7.1 General principles**

The CFO will implement a Financial Reporting Framework, including the timetable for formal financial reporting. Corporate Directors and individual Budget Holders are accountable for delivering agreed service outcomes within an agreed budget, and reporting on any matters which threaten to impact either of these accountabilities.

Corporate Directors and all officers to whom they delegate budget responsibility are required to act within the Financial Reporting Framework, as well as heeding the advice and guidance of their finance business partners. Support from the finance business partnering teams to challenge financial forecasting will be on a risk based approach, where the scale, volatility and complexity of budgets will be used to define



the level of support provided. Budget Holders will be advised of the level of support they can expect.

The council takes a forward looking approach to financial monitoring wherever possible. All revenue and capital forecasts are based on a forward looking forecast for the financial year. This supports the council in gaining the best possible understanding of the future impact of current and past decisions and events, and the likely impact of future events on the financial sustainability of the council.

Budget holders are required to keep their forecast position up to date, and in a timely fashion to escalate through their management structure the following:-

- Any immediate issues in delivering the required service outcomes within the budget available.
- Any future risks in delivering outcomes within budget.
- All significant delays in delivering projects and changes, including any associated financial impacts.
- Any other matters of performance which have a financial impact, including payment performance, debt recovery and use of reserves.

Through this Service and Corporate Directors should maintain an awareness of the pressures, opportunities and financial performance within their services.

Financial monitoring reports must cover the following key areas of financial performance, in order that financial control is maintained, risks are appropriately managed and decisions are made in line with the overarching organisational strategy:-

- Forecast revenue budget outturn;
- Forecast capital scheme outturn;
- Delivery of savings identified within the annual budget setting process;
- Emerging risks within delivery of the revenue budget and capital programme;
- Forecast outturn position of reserves;
- Performance against late payment targets;
- Levels of outstanding debt.

## **7.2 Directorate Management team reporting**

In order to deliver their accountabilities for financial monitoring, Corporate Directors require a formal mechanism of reporting on all key financial performance measures to them and their management team. This level of financial monitoring is a key point for decision-making in order to ensure resources are utilised appropriately to deliver service priorities. Given the timescales required for decisions to be made and action taken, this level of reporting should be undertaken on at least a monthly basis.

The CFO will provide appropriate levels of support to this process through the finance business partnering teams. These teams will work with budget holders and

service managers to ensure that the position reported to Corporate Directors and their management teams is appropriate, relevant, timely and insightful, and will provide a 'critical challenge' to the content of the report, as well as providing support in the development of mitigating actions raised for decision.

### **7.3 Corporate Management Team reporting**

The Corporate Management Team holds a key role in ensuring the proper management of the financial affairs of the council. Budget monitoring reports to the Senior Leadership Team will be built upon the reporting delivered to the Corporate Directors management teams, and must conform to the standards and key content outlined above. Given the timescales required for decisions to be made and action taken, this level of reporting should be undertaken on at least a monthly basis.

This reporting allows the Corporate Management Team to view the financial position of the council as a whole, in order to consider the ongoing financial sustainability of the council. For this process to be effective this report needs to be supported by key non-financial performance data to provide the context to support the full understanding of any issues or opportunities.

It is important that the national context is presented to provide a balanced view of the council's position against the national backdrop. This supports a broader understanding of the scope of any issues and the relative performance of the council in addressing it, both through future budget setting processes and in terms of active management of the issue as it emerges. This will include external benchmarking data which will be used to establish the relative performance and financial health of the council compared to its peer group.

The CFO will monitor and maintain a process of reporting to the CMT which ensures that all relevant matters are raised in a timely manner, are suitably explained, and which ensures that the CMT are fully informed of all matters which impact on the financial sustainability of the council.

### **7.4 Cabinet reporting**

As with the Corporate Management Team, Cabinet forms part of the council's leadership team, and holds a key role in ensuring the proper management of the financial affairs of the council. Reporting to Cabinet should be built upon the reporting delivered to the Corporate Directors management teams and the Corporate Management Team, and should conform to the standards and key content outlined above.

Cabinet needs to be able to view the financial position of the council as a whole, in order that consideration can be given to its ongoing financial sustainability. In order to be effective this report needs to contain an appropriate level of contextual information to explain the current position. Given that operational budgetary responsibility sits with the Chief Executive and the Corporate Directors this level of reporting should be undertaken on at least a quarterly basis.

Reporting to Cabinet should support both an understanding of the current year position and an understanding of the future impacts of current issues, which may either require in-year decisions, or will support the development of future year's budgets. Through this Cabinet are able to deliver their responsibility to the residents and other key stakeholders that the council is well managed and financially sustainable.

### **7.5 Finance service monitoring**

There are a significant number of key financial processes which underpin the delivery of the financial monitoring process. In the devolved model of financial management the council operates many of these are delivered by staff outside of the finance service.

The proper operation of the financial management process, the accuracy of information made available to the council and the effectiveness of the system of internal controls are all essential components of the CFO's role in delivering financial assurance. The CFO will ensure there is sufficient and appropriate internal monitoring to ensure that non-compliance, poor performance and acts outside the agreed financial processes can be identified, addressed and escalated as necessary.

Where it is available, benchmarking information will be used to compare performance with similar councils. This will be undertaken on an annual basis, unless there is a clear requirement / benefit. The CFO will ensure that there is active engagement with benchmarking opportunities, and that an appropriate balance is struck between achieving high performance and its associated cost. Where the result of corporate level benchmarking identifies a lower level of performance than is desired the issue will be raised for information to the Corporate Management Team, and if necessary the Cabinet, along with proposed actions to address the matter.

## **8. External financial reporting**

As a public body funded by government grants and local taxation the council has a fiduciary duty to its residents, business and other key stakeholders. The council is legally obliged to produce a set of statutory accounts following the completion of each financial year, and this forms a significant part of how this duty is delivered. The deadlines for the compilation of these accounts, and the timeframe in which they must be made public availability are defined in statute.

Council accounts cannot easily be compared with or analysed on the same basis as the accounts for commercial organisations. The way the council is funded differs significantly from commercial organisations, and as such interpretation of the accounts and incorrect conclusions can be drawn from attempting to do so.

The CFO will ensure that the statutory accounts produced by the council are prepared in line with statutory guidance and deadlines, and that they are presented

in a way which assists key stakeholders and interested parties in interpreting them appropriately.

The CFO will ensure that there are regular meetings with the council's external auditors, which include the Corporate Director of Resources and the Chief Executive Officer, and that these channels of communication are open and honest. These will support the Annual Governance Statement and ensure that the statutory reporting requirements are managed efficiently and effectively.

Whilst the statement of accounts is a historic document, looking back at performance over the past year, and providing comparative data to the year before, there are other publically available reports which show the current year and future years financial performance. Both the Cabinet financial monitoring reports and the budget setting papers are public documents, and in conjunction allow interested parties to understand the current position and future plans of the council. These are supplemented by resident focussed summaries in Council Tax leaflets (either physical or electronic) which are made widely available.

The CFO ensure that the current financial position of the council and its future plans are suitably publicised, using the most efficient and effective channels, to ensure that there is widespread confidence across all stakeholder groups that the council is well run and managed, and that financial decisions are made for the ongoing benefit of stakeholders and with the financial sustainability of the council in mind.

## **9. Procurement**

Public procurement is used to support the strategic direction of the Council in acquiring goods, services and works. It is a regulated activity and is governed by the Public Contracts Regulations 2015, as well as the basic principles of fairness, transparency and equal treatment which stems from the Treaty on the Functioning of the European Union.

The CFO will ensure that the Council has an effective Contract Procedure Rules that underpin the commercial governance that the Council must follow in order to legally enter into third party contracts. This requirement encompasses the wider obligations of the CFO in developing a strong contract management culture by ensuring the Council has effective tools and support in place to manage contracts.

The CFO, with the support of the Corporate Management Team, will ensure that the Contract Procedure Rules highlight the need to ensure that service areas obtain best value in every contractual relationship that is entered into. Public money must be spent as diligently as possible whilst demanding that residents get the best possible service delivery.

It is important that all procurement activity carried out by the Council is clearly understood and the approach to procurement across the Council is standardised to support the Council's corporate aims and objectives.

In order to gain assurance of commercial governance the CFO will maintain a suitably staffed and skilled Procurement function of the Council. This function will:-

- Maintain and advise on the Contract Procedure Rules of the Council.
- Develop, update and enforce procurement and contract management strategies.
- Support the procurement activities of the Council.
- Support service areas to challenge the value for money on contracts.
- Develop a strong procurement and contract management culture.
- Provide training on procurement and contract management activities.

## 10. Appendices

### Appendix 1 – CIPFA Financial Management Code elements of good Financial Management

