Local Government Act 2003: Section 25

Report by the Assistant Director of Finance (S151 Officer) (Chief Finance Officer)

Background

1. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report to it on the following matters:

   - The robustness of the estimates made for the purposes of the (council tax requirement) calculations
   - The adequacy of the proposed financial reserves

2. The council is required to have due regard to this report when making decisions on the budget. The law expects councillors to consider this advice and not set it aside lightly.

3. In expressing my opinion, I have considered the financial management arrangements and control frameworks that are in place, the budget assumptions, the adequacy of the Budget & Business Planning process, the financial risks facing the council and the level of total reserves.

4. Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainty within the budget year (i.e. 2023/24). However, future uncertainties, particularly around the delivery of savings, future rates of inflation and the increasing pressures in demand driven services also inform the need for reserves and balances in the medium term.

Executive Summary

5. In preparing the Budget and Medium-Term Financial Strategy for 2023/24 – 2027/28 a number of processes have been put in place to ensure that the budget is achievable and sustainable and services can be delivered within the anticipated funding available.

6. In order to provide assurances that the budget estimates are robust the Assistant Director of Finance (Section 151 Officer) has had regard to the following factors:

   - Financial Management arrangements and control frameworks
   - The ongoing financial impact of behaviour change following the Covid-19 pandemic
   - The Budget and Business Planning Process
   - Budgeting assumptions, including:
     - resources available from central Government and local taxation
     - impact of inflation and pay awards
     - locally identified budget pressures
   - The affordability of the capital programme

- Financial risks

7. In setting the budget and prudently managing its finances, the Council holds both general balances and specific earmarked and ring-fenced reserves. A risk assessment is carried out to determine the minimum level of general balances that the Council should hold. This has been determined to be £6.0m for 2023/24.

Financial management arrangements and control frameworks

8. The council received an unqualified audit opinion in 2020/21 and expects the same for 2021/22. In respect of securing value for money, the auditor's conclusions are based on whether the organisation has proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness. The council received an unqualified value for money conclusion for 2020/21 and expects the same for 2021/22.

9. The council has good governance arrangements in place. The Section 151 Officer has responsibility for ensuring that an effective system of internal control is maintained to provide an assessment of the current position across the whole council and identifying areas for improvement where appropriate. Areas for improvement are reported to Accounts, Audit & Risk Committee and monitored in year through the newly established Corporate Oversight and Knowledge Governance Group.

10. The Code of Practice for Financial Management (the FM Code) was introduced by CIPFA in November 2019. The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in Section 151 of the Local Government Act 1972. Full compliance with the FM Code is expected for 2023/24. Annex 1 below sets out a compliance assessment against the Code's standards. All of the 19 Standards have been assessed as Green meaning that compliance can be evidenced. Where relevant, proposed further actions that can be taken to enhance compliance have been included in the assessment. The assessment will also be used to help inform the council's Annual Governance Statement (AGS) which will be published alongside the Statement of Accounts.

11. Financial Management remains a key focus. A new financial system was implemented in April 2021 and, as part of the project, training to support effective financial management performance across the council has been made available to all users. New ways of working were introduced in 2021/22 and further culture change necessary for managers to take greater ownership of budgets will continue to be developed in line with other organisational changes.

Ongoing Financial Impact of Behaviour Change following the COVID-19 pandemic

12. Since March 2020, the pandemic has required local authorities to make rapid adjustments to meet new demands and to step up work in critical frontline services. These new and increased demands have resulted in significant additional expenditure. At the same time, council income streams have been severely damaged by lockdowns

and other restrictions. During 2020/21 and 2021/22, some funding was provided from central Government to help councils with the financial impact of COVID-19.

13. The financial impact arising from behavioural changes following the COVID-19 pandemic has extended into 2023/24 and is anticipated to continue into the medium term. The Council has monitored its car parking and retail rental income levels closely and factored in adjustments to the:

- car parking income based on the 2022/23 budget monitoring position and forecast recovery in the future.

- forecast assumptions around retail rental income levels based on the latest intelligence available.

14. To help insulate the Council from further financial impacts, there is £1.1m available in a commercial risk contingency in 2023/24 as well as there being a separate £5.0m market risk reserve should the allocations highlighted in paragraph 13 be insufficient.

Budget Assumptions

15. The formation of the 2023/24 budget and indicative budgets for the following four years to 2027/28 have allowed for best estimates of the total financial envelope over the medium term, taking into account anticipated unavoidable pressures plus investments and the savings then required to match the funding available. In forming the estimates various assumptions have been made. The main assumptions together with an assessment of their risk are set out below:

a) <u>Funding assumptions</u> – General Government funding by way of the Settlement Funding Assessment for 2023/24 has been notified by DLUHC as part of the Local Government Finance Settlement. Where specific government grants have been notified, these are reflected in the Medium-Term Financial Strategy (MTFS).

Beyond 2023/24, there is some certainty in terms of local government finance as the Government has announced that a business rates reset and local government finance reform will not take place before 2025/26. However, no specific announcements or minimum funding guarantees have been issued for 2024/25. This makes it difficult to plan for the medium term. Details and assumptions for 2023/24 have been set out in the Revenue Budget Strategy at Section 3.3 of the Budget Report.

A Band D Council Tax increase of £5 is proposed for 2023/24 (within the referendum limit confirmed in the Local government Finance Settlement) and across the medium term. This is a 3.5% increase in the Council's element of Council Tax.

Business rates forecast income for 2023/24 is based on the statutory NNDR1 return. It is assumed that all growth will be removed when the business rate baseline is reset, now forecast to be in 2025/26. The Government has indicated that there will be a phased approach to resets, but not issued any guidance over the period or profile over which this will take. Therefore, the Council has taken the prudent position of assuming a full reset from 2025/26. As the Government makes further announcements this will be factored into the MTFS and fed into the 2024/25 Budget and Business Planning Process.

The increase in the council tax base for 2023/24 was slightly higher than the assumptions in the 2022/23 MTFS, with an actual increase of 2.4% Band D equivalent properties compared to 1.1% forecast in the 2022/23 MTFS. The cause is due to both fewer council tax support claimants than assumed plus a slight increase in the rate of house building. This is an improvement on the rate of growth assumed for 2022/23 and growth continues to be assumed for 2023/24 and across the medium term.

b) Inflation – The Spending Review 2021 set out that public sector pay rises would be continue throughout the Spending Review Period. The Council has built an assumed pay award into its 2023/24 assumptions.

Where services submitted pressures linked to inflationary increases identified during 2022/23 (as a result of general inflation being in excess of 10%) they have been funded. The Council is also holding a contingency for contract inflation of a further 10%. The latest figures from December 2022 show increases from the previous year with CPI running at 10.5% (compared to 5.4% in December 2021). Whilst inflation is running at very high levels, analysis suggests that inflation has reached its peak and is now beginning to reduce. Additional funding has been set aside for potential increased utility costs so, alongside the increases built in for contracts, the Council has been prudent in setting aside resource for inflationary pressure in 2023/24.

Overall, the Council holds an inflation contingency in 2023/24 of £3.8m, equivalent to 13.3% of the net budget. Any inflationary pressures in services funded by grant are expected to be maintained within the level of grant awarded.

c) 2023/24 Budget Pressures – The Council has undertaken regular budget monitoring throughout 2022/23. As part of this process detailed monitoring of the savings programme has continued. Where savings have been identified as undeliverable in 2022/23, and won't be delivered in 2023/24, they have been identified as a pressure in 2023/24. Furthermore, services have identified budget pressures for 2023/24, which have also been reviewed by Finance officers.

d) 2022/23 Forecast Outturn – The Council's forecast financial position up to the end of December 2022 shows a forecast overspend of £0.1m. This is made up of £0.7m savings non-delivery, offset by £0.6m base budget underspends.

e) Treasury Management – at 31 December 2022, the Council held £166m of long term debt and £52m of short term debt. Whilst all existing debt is at fixed interest rates the short-term debt will need to be refinanced so is effectively at variable rates. The Council identified early in 2022/23 that interest rates were rising and the Council was at a significant risk of having to refinance at much higher rates than it had been paying.

As a result the Council identified the level of refinancing it anticipated that it would require and borrowed £66m from the PWLB over a period of 5-10 years at between 2.68% and 2.99%. As a result, the Council's weighted average cost of borrowing is forecast to increase by 1%, from 1.46% to 2.46% in 2023/24 at a time when interest rates have increased by more than 3%. The MTFS assumes continuation of the strategy to borrow internally at £78.9m. The Council has a Capital Financing Requirement of £250.2m, forecasted to rise to £255.7m by 2024, which debt will remain below. Debt as at 31 March 2023 is forecast to be £188m. The Council has assessed that its Authorised Limit for External Debt for 2023/24 will be £310m (no change from 2022/23). A large proportion of the borrowing costs will be met by additional income streams. Additionally, all borrowing costs have been included in the Budget and MTFS so the Council is able to understand the overall commitments required on it over the medium term.

The proposed MTFS assumes the bank rate will gradually increase from 4.0% (February 2023) to 4.5% by June 2023, before gradually reducing to 2.5% in September 2025. For 2023/24 the Council does not anticipate that it will need to take out any significant borrowing due to the £66m it took out in July 2022. Based on market rates, the target in-house rate of return on investing surplus cash is 4.3% for 2023/24.

The Council makes loans to organisations that help to deliver the priorities of the Council. Risk assessments of default against these loans are made to determine an upper limit that the Council is prepared to provide across different classes of borrower. For 2023/24 the proposed limit of loans the Council can provide is £87.2m, of which £85.9m would be to subsidiaries of the Council.

f) Capital Programme – the proposed Capital Programme has a balanced funding position over the 5-year period to 2027/28 with required borrowing costs being reflected in the MTFS. The total capital programme is £35.9m, of which £15.5m is expected to be spent in 2023/24. The Capital and Investment Strategy identifies that the Council expects its overall debt to remain within both its Operational Boundary for Total External Debt of £290m and Authorised Limit for Total External Debt of £310m.

Budget & Business Planning Process

16. The Budget & Business Planning process is well established. The construction of the budget and examination of the budget proposals has been subject to challenge by the Directorate Leadership Teams, the council's leadership team and the Assistant Director of Finance. There has been engagement with the Executive, the Political Group Leaders as well as a number of member engagement and briefing sessions.

17. Budget Planning Committee considered the revenue savings, pressures and capital bids at its meeting in December 2022. In January 2023, the Committee considered the Capital & Investment Strategy and Reserves Policy and projected Reserves Levels. Comments from these meetings were considered by the Executive. In addition, the Accounts, Audit and Risk Committee considered and recommended to full Council the Capital & Investment Strategy and Treasury Management Strategy in January 2023.

18. A public consultation on the budget was also held between 23 November 2022 and 23 December 2022. 37 online survey responses were received as well as two written responses. Scrutiny of the budget savings has also been considered from an equalities perspective.

Financial Risks

19. Financial risks occur wherever there is uncertainty around the financial impacts. As the Council is setting a budget for the coming year, which is a plan for what is expected to happen, there is an inherent risk of uncertainty as a budget cannot be set with the benefit of hindsight.

20. Given the:

- real terms reductions in government grant funding,
- the limits placed on the level of Council Tax increases,
- the ongoing financial impacts of behaviour change,
- uncertainty around how inflation levels will change in the coming year,
- the growing unavoidable pressures and the need to deliver savings,

the budget will inevitably contain a degree of risk. The key risks are set out in the following paragraphs. However, to help manage the impact of financial risk, a corporate contingency is proposed. The level of corporate contingency for 2023/24 is £5.2m. The corporate contingency budget is held to cover;

- market risks, including those linked to the ongoing impact of behaviour change
- the risk that inflationary pressures are higher than have been identified in the services;
- the risk that proposed savings are not achieved in full;
- other unforeseen costs at the time of budget setting.

a) Behaviour Change – The impact of the changing behaviour of the public and corresponding impacts on the economy and services will continue throughout 2023/24 and over the medium term. This will present several risks to the council including:

- Insufficient market capacity to meet demand;
- Sustainability of existing contracts for supply of works, goods and services;
- Increase in price for goods and services;
- Reduced capacity and availability in the supply chain creating delays in delivery;
- Workforce availability, recruitment and retention;
- Reduced income.

Paragraph 13 highlights that the Council has provided budget pressures to address these, and paragraph 14 sets out that there are reserves and contingencies to address these should the pressures provided be insufficient.

b) Achievement of planned savings – the council has limited experience of delivering significant savings programmes. However,

i) it was successful in identifying and delivering the in-year savings required from its Revised Budget for 2020/21.

ii) The Council identified a savings programme of £4.3m for 2021/22 and was able to deliver 80% of this programme.

iii) The Council identified a savings programme of £2.9m for 2022/23. The forecast savings delivery as at the end of December 2022 is 75%.

Ongoing existing and proposed savings in the MTFS which are required to be delivered up to 2027/28 total £1.8m.

All managers have a responsibility to ensure the efficient delivery of services within their resource envelope and, when savings are proposed, that those savings are both realistic in terms of the level of savings and the timing. Should the level and timing of such savings vary due to unforeseen events, management actions within the relevant services, directorates and subsequently corporately will need to be identified and implemented.

c) Local Government Funding – changes to the local government funding regime could create significant financial challenges to the Council. Uncertainty around the future of New Homes Bonus (the Government has indicated it intends to issue a consultation on its future in time for 2024/25 budget setting) and the anticipated Fair Funding Review as well as the expected business rates reset in 2025/26 could have significant financial consequences on the level of resources available to the Council. The 2021 Spending Review was for three years outlining the overall local government resource envelope for this period. However, the 2023/24 Local Government Finance Settlement was for one year only and includes significant levels of funding which could be one-off. Whilst the Government has issued a Policy Statement indicating the Government's thoughts on its approach to 2024/25 funding, there is considerable uncertainty around the continuation of time-limited funding, along with how funding and costs related to Extended Producer Responsibility will be addressed and there is no indication of a minimum funding guarantee as there was for 2023/24. The Council has assumed that a full business rates reset will take place from 2025/26 and is therefore planning prudently. The Government has indicated that the financial implications of local government reform will be phased though not given an indication of the period or profile of the phasing. It is expected that the Government will issue a consultation during 2023/24 on its proposals for funding reform and the MTFS will be updated as further information is made available.

Over the medium term the Government has given a clear indication that from 2025/26 there are likely to be reductions in the levels of funding made available to local government.

d) Inflation – As set out in paragraph 15b above, the Council has made provision for contract inflation of up to 10%, falling back to 5% in 2024/25, and the government's target of 2% thereafter. Pay increases are also assumed over the MTFS period. The contingency budget will help mitigate the inflationary risk to the Council over and above those inflationary pressures submitted by the Directorates.

e) Interest Rates – Interest rates have increased significantly in 2022 and are forecast to increase further in 2023 before gradually reducing to slightly below current levels in 2025. The Council borrowed at fixed rates to mitigate the risk for its current borrowing needs. This did not include future requirements. Therefore, the costs of borrowing for new capital schemes is far greater than it has been historically. There is also a risk that when we come to take out borrowing the rates are higher than we have budgeted for. The Council has made prudent forecasts based on the information currently available but must accept that in these turbulent times there is reduced economic certainty.

Level of total reserves

21. As described above the financial environment in which the Council operates is subject to risk and uncertainty. There is significant risk to the Council's medium-term funding with local government funding reviews expected to take place to consider how resources should be allocated across local government and how a reset of business rates income will be introduced.

22. The Reserves Policy at Appendix 14 sets out the Council's policies underpinning the maintenance of a level of general balances and earmarked reserves. As well as holding a contingency budget, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services. In reaching my decision on the minimum level of balances I feel are appropriate to be held for 2023/24, I have considered the strategic, operational, and financial risks facing the authority including the ability to deliver planned savings, as well as external risks such as further economic shocks. The minimum level of balances for 2023/24 based on this risk assessment is £6m, with the current 2022/23 outturn position forecast to be £6.5m. This minimum level of general balances has also taken into consideration the level of earmarked reserves that the Council holds which could be diverted for other purposes if required. The assessment of minimum level of general balances can be seen at Appendix 15.

23. Earmarked reserves are also held for specific planned purposes. In assessing the appropriate level of reserves, a review has been undertaken to determine if they are both adequate and necessary. The review has identified where there are plans for future spending to take place and that there are sufficient reserves available for this.

There are also sufficient earmarked reserves available to support budgetary challenges and pump prime work to identify service changes necessary to operate within the Council's future financial envelope. It is currently anticipated that the total medium-term reserves and balances to be held by the Council is £36.0m.

24. It should be noted that in the event that reserves are used to support the Council's budget position, they will only be able to be used on a one-off basis and do not provide a permanent budget solution to the financial challenges faced as, once a reserve is used, it cannot be used again.

CIPFA Financial Resilience Index

25. CIPFA's Financial Resilience Index is a comparative analytical tool that is used to support good financial management, providing a common understanding within a council of their financial position. The index shows a council's position on a range of measures associated with financial risk relative to other local authorities; it does not try to make an assessment of the absolute level of risk within the sector. The index is made up of a set of indicators which take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance.

26. The data is obtained from the Revenue Expenditure and Financing England Outturn Report 2021/2022. It should therefore be viewed in the context of this being a snapshot 12 months ago.

27. The following paragraph comments on the areas in the index where Cherwell District Council is indicating a comparatively higher level of financial stress compared to all other non-metropolitan district councils and comments upon the position.

a) Reserves Sustainability Measure – This indicator measures the ratio between the current level of reserves and the average change in reserves in each of the last three years. A negative value (which implies reserves have increased) or one greater than 100 is recoded to 100. The Council's score is 100 in a range of 9.37 (lower risk) – 100 (higher risk), with the vast majority of Council's all scoring 100. This is due to all District Council's seeing an increase in their level of reserves due to the timing of grant being received for business rates reliefs awarded and the recognition of reduced income in the following financial year for the associated collection fund deficit.

b) Level of Reserves – This is the ratio of the current level of reserves to the Council's net revenue expenditure. The Council's ratio is 193.69% in a range of 40.36% (higher risk) to 300% (lower risk). The Council is around the median position of District Councils and is therefore neither relatively high risk or low risk. It should be noted that for all District Council's there would be an element of these reserves that would be held as a timing issue relating to business rates discounts awarded as a result of Government policies relating to Covid-19 which would be used the following year.

c) Change in Reserves – This shows the percentage change in reserves over the past three years. The Council's change is 112.13% in a range of -24.25% (highest risk) to 1,101.56% (lowest risk). The Council is identified at the lower risk end of the spectrum of District Councils, but the same caveat applies that a large proportion of Cherwell's increase will relate to the timing of income streams linked to business rates reliefs.

d) Interest Payable/Net Revenue Expenditure – This indicator is the ratio of interest payable to net revenue expenditure. The range for all District Councils is -0.36% (lower risk) to 1,844.41% (higher risk). The Council's ratio is 9.41%, a slight reduction on the previous year. The Council is identified within the second quartile of District Councils and so is in the "mid-range" of relative risk.

e) Gross External Debt – This indicator compares the gross external debt held by Councils. The range for District Councils is from £0 to £1,901m, with Cherwell at £199m. This reflects the decisions taken to finance Castle Quay and Graven Hill through borrowing.

f) Fees & Charges to Service Expenditure Ratio – This indicator shows the proportion of fees and charges against the council's total service expenditure. The range for District Councils is 1.37% (highest risk) to 57.27% (lowest risk), with Cherwell at 10.72%, a reduction from last year. The Council has relatively low fees and charges income compared to its total expenditure which means it is more susceptible to changes in Government funding, but also makes it less vulnerable to economic shocks. The Council should consider whether it is raising sufficient income through its fees and charges in the future.

g) Council Tax Requirement/Net Revenue Expenditure – This indicator shows the ratio of council tax as a proportion of net expenditure. The range for District Councils is 34.33% (highest risk) to 100% (lowest risk), with Cherwell at 55.56%. Cherwell is towards the higher risk end of the spectrum for council tax income as a proportion of its budget as this means the Council is more reliant on income streams, such as council tax, which may not be available on an ongoing basis.

h) Growth Above Baseline - This indicator is calculated as the difference between the baseline funding level and retained rates income, over the baseline funding level. The range for District Councils is -153.23% (lower risk) to 435.83% (higher risk) with the Council at 171.60%. This is perceived as a risk as, in comparison with many other Districts, the Council's retained income from business rates is high. However, the proposed MTFS assumes all of the growth is lost upon a reset and implementation of funding reforms in 2025/26. The Council has already acknowledged this risk and will plan to address this in developing the 2024/25 MTFS and budget.

Assurance Statement of the Chief Finance Officer

28. The proposed budget for 2023/24 and Medium-Term Financial Strategy to 2027/28 addresses the demand pressures, inflationary risks and behaviour change following the impacts of COVID-19 which are expected to continue into the medium term.

29. Whilst the 2023/24 budget is balanced, there remains a significant gap between estimated spend and funding streams for 2024/25 and 2025/26. This is due to the anticipated ongoing impact of the cost-of-living crisis, the fallout of one-off resources, uncertainty of funding pending the future of New Homes Bonus funding in 2024/25, alongside the implementation of the new needs-led funding formula and anticipated business rates reset in 2025/26. Therefore, the Council needs to maintain focus on financial sustainability and producing a balanced budget over the medium term, which will require it to prioritise and transform services. In line with the recommendations from the Peer Review (considered by Council on 27 February 2023), "it is critical that the Council's planned actions to tackle the financial challenge are accelerated. A comprehensive plan is required, clearly setting out how the savings will be achieved within the necessary timescales." It is important to note that savings of this scale will impact on all services of the Council.

30. The risks in the 2023/24 budget are predominantly in relation to the uncertainty around how the impacts of behaviour change will settle and inflation. To help mitigate this a contingency budget of £5.2m is available.

31. The system of financial control remains robust, and financial management and financial systems are monitored to ensure they remain effective and relevant. Where areas for improvement are identified actions are agreed with directorates and support provided to implement them.

32. I believe the level of the council's total reserves are sufficient to provide both general balances to manage the impact of unexpected events in line with the risk assessment; and the setting aside of earmarked reserves to meet known or anticipated liabilities.

33. Therefore, I am satisfied that the budget proposals for 2023/24 recommended by the Executive are robust.

Michael Furness, Assistant Director of Finance (S151 Officer) (Chief Finance Officer)

15 February 2023

Annex 1 – Summary Financial Management Code Assessment

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
1.	**Responsibilities of the CFO and Leadership Team**			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	All services reviewed to ensure being delivered efficiently and appropriate savings identified. All tenders consider VfM by considering the quality of service and not just price.	Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate	
B	The authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	The CFO is a qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CLT (Corporate Leadership Team) and has an influential role with members of the Executive, Accounts, Audit & Risk Committee and lead opposition members.	Review annually the statement of roles and responsibilities of CFO, CLT and the Exec.	
2.	**Governance and Financial Management Style**			
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	While operating in partnership with Oxfordshire County Council, a Corporate Governance and Assurance Group (CGAG) was set up to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors. Following decoupling from OCC this function will sit with Corporate Oversight and Knowledge Governance Group (COKGG) so that the AGS process will be owned by the most senior officers in the Council with a CDC-specific process.	The AGS process previously led by CGAG will be incorporated into COKGG.	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control.	Continue to enhance and develop the AGS through COKGG. Reporting to AARC has been enhanced to include regular reports on FOI, data subject access requests, EIR requests and RIPA approvals, to give visibility and assurance on regulatory compliance.	
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and provides the budget setting and accounting framework for the organisation.	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables them to deliver services that are financially sustainable.	
3.	**Long to Medium-Term Financial Management**			
F	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions.		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	MTFS far more transparent than in previous years clearly outlining the financial challenges facing CDC in the Budget and Business Planning Process 2022/23 – 2026/27 Report	Continue to update CLT and the Executive throughout year and within Budget/MTFS documents	
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	Capital Strategy is produced. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee. a profiled five-year capital programme was approved by Council in Feb 2022.	. Provide quarterly TM and Prudential Indicator updates as part of monitoring reports.	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	CDC has an Integrated Business Planning and Budget Process with a five-year MTFS.	Continue to ensure services are aware of future savings plans committed to and savings are	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
			implemented. Encourage 'early alert' if future savings are at risk.	
4.	**The Annual Budget**			
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces its annual balanced budget and supporting documentation.		
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	S25 report accompanies the suite of Budget documents. Enhanced by including an assessment of readiness for implementing the FM Code		
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	Significant consultation on the budget proposals as well as ensuring carry out the statutory business rate payers' consultation.	Continue with corporate and directorate consultation where appropriate.	
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented. The Strategic Place Shaping Programme Board implemented a Gateway process for evaluation of projects which considers factors such as vfm, business need.	Agree consistent business case templates from outline through to full for both revenue and capital schemes for all strategic boards.	
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	The monthly Performance, Risk and Financial Monitoring Report to Executive enables CLT and Executive to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in-year budget to respond to the financial impact of COVID-19.	The Capital Programme monitoring element requires enhancement to: • better reflect performance and the delivery of outcomes linked to the completion of capital schemes.	

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		Enhancements to capital reporting have been introduced to now include analysis of variances to the total cost of the scheme rather than comparison to in-year profiled budget.	• Ensure all capital schemes are monitored by a strategic board or specific DLT where a strategic board doesn't exist to that type of scheme.	
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Reserves and balances are monitored monthly and changes in budgeted use require appropriate approvals before they can be assumed. Debtor monitoring takes place quarterly identifying aged debt of Council debt. Aged debt was recently reviewed en masse which resulted in significant debt being written off.	Continue to review aged debt to consider the collectability of this. Take proposed write-offs to Exec regularly.	
7.	**External Financial Reporting**			
P	The CFO 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"	The annual accounts are produced in compliance with the CIPFA Code.		
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CLT and Executive consider outturn report and year end variances enabling strategic financial decisions to be made as necessary.		