

EAST RENFREWSHIRE COUNCILCABINET10 March 2022Report by Head of Accountancy (Chief Financial Officer)FINANCIAL MANAGEMENT CODE**PURPOSE**

1. CIPFA in collaboration with practitioners have designed The Financial Management Code to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The current year is the first year for full compliance and the purpose of this report is to present for consideration a summary showing how the Council demonstrates compliance with the six principles within code.

RECOMMENDATIONS

2. The Cabinet is invited to note the compliance with the Code.

REPORT

3. All Councils are required to demonstrate their compliance with CIPFA's Financial Management (FM) Code to enable them to meet their statutory responsibility for sound financial management.
4. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:-
 - Financially manage the short, medium and long-term finances of the Council.
 - Manage financial resilience to meet unforeseen demands on services.
 - Manage unexpected shocks in their financial circumstances.
5. The FM Code builds on established CIPFA Prudential and Treasury Management Codes which require the Council to demonstrate the long-term financial sustainability of the capital expenditure, associated borrowing and investments.
6. Demonstrating compliance with the FM Code is a collective responsibility of elected Members, the Chief Financial Officer and the Corporate Management Team to ensure the standard of financial management to be expected.
7. Further reviews of compliance will be reported in the Annual Governance Statement as part of the Council's Annual Accounts and any outstanding matters or areas of improvement will be included in the action plan.

CONCLUSION

- 8. Councils are required to demonstrate their compliance with the FM Code to assist them in validating their financial sustainability.

RECOMMENDATION

- 9. The Cabinet is invited to note the compliance with the Code.

REPORT AUTHOR

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Sections of the Code	Principles	Standards	Compliance
The responsibilities of the Chief Finance Officer and leadership team	Leadership	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<ul style="list-style-type: none"> • The Council has been given a positive Best Value Audit report. • The Corporate Management Team regularly consider financial & service planning and performance issues and oversee participation in the annual Local Government Benchmarking Framework exercise. • The Council operates a Cabinet style democratic model. • Training is provided for members as and when required or requested. In particular, tailored financial training has been included as part of the new member induction package to be delivered after the May 2022 Council elections. • Elected members work effectively with officers and other stakeholders to make difficult decisions and to identify and deliver savings when required
	Leadership	The authority complies with the <i>CIPFA Statement on the Role of the Chief Finance Officer(CFO) in Local Government</i>	<ul style="list-style-type: none"> • The CFO is a key member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the Council’s strategic objectives sustainably and in the public interest.

			<ul style="list-style-type: none"> • The CFO is actively involved in and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the Council's financial strategy. • The CFO leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. • The CFO leads and directs a finance function that is resourced and fit for purpose, she is professionally qualified and is suitably experienced. • The CFO provides timely, relevant and reliable financial advice, in accordance with the law and professional standards. • The Council operates and maintains a system of internal controls including the management of risk and an effective internal audit
Governance and Financial management style	Assurance	The leadership team demonstrates in its actions and behaviours, responsibility for governance and internal control	<ul style="list-style-type: none"> • The Corporate Management Team complete a detailed statement of assurance each year in addition to the Council's Annual Governance Statement. • There is an approved Scheme of Delegation. • The Council has a recognised effective Internal Audit function.

			<ul style="list-style-type: none"> • The Audit & Scrutiny Committee provides independent assurance over governance, risk and internal control arrangements. It provides focus on financial management, financial reporting, audit and assurance that supports the leadership team and those with governance responsibilities. • The democratic model ensures a culture of constructive challenge.
	Accountability	The authority applies the CIPFA /SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>	<ul style="list-style-type: none"> • The seven principles of the Code of Corporate Governance are reviewed and adopted every year. • Updates on progressing the actions from the previous year's Code can be found on the Council's website https://www.eastrenfrewshire.gov.uk/code-of-corporate-governance • Key action achievements and goals are reported in the Annual Governance Statement.
	Sustainability	The financial management style of the authority supports financial sustainability	<ul style="list-style-type: none"> • By completing option appraisals for both revenue and capital projects, the Council is able to achieve economy. • By maximising the output from goods and services, the Council achieves efficiency.

			<ul style="list-style-type: none"> • The CMT acts as a Procurement Board and has invested in the procurement team to maximise value obtained from contracts. • Our procurement team works closely with Scotland Excel. • By enabling transformation and aiming to be a Modern Ambitious Council the Council's Modern, Ambitious Programme supports the use of public money to invest in technology and generate future efficiencies. • Long term revenue, capital and treasury planning are in place to ensure that the Council's plans are financially sustainable.
Long to medium term financial management	Assurance	The authority has carried out a credible and transparent financial resilience assessment	<ul style="list-style-type: none"> • The Council sets both Prudential & Treasury Indicators as well as affordability ratios within its Treasury Management Strategy each year which are monitored on a quarterly basis.
	Sustainability	The authority understands its prospects of financial sustainability in the longer term and has reported this clearly to members	<ul style="list-style-type: none"> • The Council has approved its Corporate plan which sets out the visions and underlying strategy, together with the mix of interventions that the organisation will adopt in delivering services to achieve the intended outcomes. • At the annual budget meeting the Council considers and updates its Capital Investment Strategy, Treasury

			Management Strategy & Prudential Indicators and long term revenue Financial Plan.
	Standards	The Authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i>	<ul style="list-style-type: none"> • The Council sets out and approves for the forthcoming five years its Prudential and Treasury Indicators before the beginning of year one as part of its Treasury Strategy. • The Council sets out & approves its Capital Investment Strategy by setting out how the Council is currently managing its assets and its future plans linked to available resources.
	Sustainability	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	<ul style="list-style-type: none"> • The Council updates its long term financial plan on a yearly basis. • The Council's medium term (3 year) Outcome Delivery Plan is also updated each year and aligns with the budget setting process. • Clear service plans and the Council's Workforce Plan are approved, aligning with the ODP and financial plans. • Performance against the revenue budget is reported to Cabinet five times a year and variances reported feed into the following years budget setting process.

			<ul style="list-style-type: none"> • Performance against the capital budget is reported to Cabinet four times a year and variances reported feed into the following years budget setting process.
The Annual Budget	Standards	The authority complies with its statutory obligations in respect of the budget setting process	<ul style="list-style-type: none"> • The CFO works closely with the CMT and elected members to ensure that all statutory processes and a timetable necessary to set a legal budget are understood.
	Standards	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	<ul style="list-style-type: none"> • The CFO reports to Council each year on the robustness of the proposed estimates. This is after detailed consultation with the leadership team over several months. • The CFO reports to Council on the proposed level of reserves anticipated at the end of the following financial year and advises the leadership team on their adequacy.
Stakeholder engagement and business plans	Transparency	The authority has engaged where appropriate with key stakeholders in	<p><i>Each year :</i></p> <ul style="list-style-type: none"> • The Council engages with the Trades Unions to develop views on proposed savings/ efficiencies.

		<p>developing its long-term financial strategy, medium-term financial plan and annual budget</p>	<ul style="list-style-type: none"> • The Council engages with the Citizen’s Panel to gather views on services and priorities. • Targeted engagement is also undertaken where a proposal may have an impact on any protected group. <p><i>At the beginning of a three year budget process:</i></p> <ul style="list-style-type: none"> • The Council engages with the Citizens panel and a range of Community stakeholders to develop views on priorities, proposed savings / efficiencies <p>This is to impart an understanding that resources are not limitless and that decisions have to be made about both the relative priority of different services and the balance between service provision and funding levels and is also to encourage community involvement.</p>
	Transparency	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions</p>	<p>For all capital projects:</p> <ul style="list-style-type: none"> • A Capital Project Appraisal (CPA) form is completed for each additional capital project and reviewed by the Corporate Asset Working Group before being proposed to the Corporate Management Team (CMT) and elected members. • Any changes to previously approved CPAs must obtain Cabinet approval <p>For all Revenue additions:</p>

			<ul style="list-style-type: none"> • All increases to the revenue budget are scrutinised via the annual budget process by the CFO, CMT and Budget Strategy Group prior to approval by Council. Any in year increases must be approved by Council. <p>For all Revenue Savings:</p> <ul style="list-style-type: none"> • All proposed savings to the revenue budget are documented using a standard template and prioritised by the relevant Director before being scrutinised by the CFO, CMT and elected members before approval by Council.
Monitoring financial performance	Assurance	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<ul style="list-style-type: none"> • Managers can self-serve to review spend against budget at any point. • Monthly high level financial snapshots are considered by the CMT. • The CFO provides five revenue budget monitoring reports to the Leadership team each year. • The CFO provides four capital budget monitoring reports to the Leadership team each year. • Strategic financial issues are reviewed regularly by the CMT and Audit & Scrutiny Committee as part of the Council's Strategic Risk Register. <p>Financial warning signs such as significant unplanned overspends and/or undelivered savings or non-financial signs</p>

			such as backlogs would inform decisions taken on the medium and long term financial planning.
	Leadership	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	<ul style="list-style-type: none"> • As part of the reporting on the Prudential Indicators throughout the year, material elements of the Balance Sheet are monitored and ensure that there is no unapproved over-borrowing. • An independent check is provided by quarterly meetings with the Council's treasury advisers. • Council reserves forecasts are updated during the year and reported annually as part of budget setting. • Accountancy staff work closely with the Council's Revenue Manager to monitor debt recovery and ensure that this aligns with financial planning.
External Financial reporting	Accountability	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 <i>the Code of Practice on</i>	<ul style="list-style-type: none"> • The CFO produces the Annual Accounts in-line with the statutory guidance, kept proper up-to-date records and took reasonable steps for the prevention and detection of fraud and other irregularities • The CFO produces the Annual Accounts in a timely basis to communicate the Council's activities and achievements, its financial position and performance • The CFO certifies that the accounts give a true and fair view of the financial position of the Council. • External Audit complete an audit of the accounts each year and comment on compliance with the code.

		<i>Local Authority Accounting in the United Kingdom</i>	
	Accountability	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	<ul style="list-style-type: none"> Final outturn figures and variations from the budget are reported to the leadership team along with an explanation of how any significant variances have arisen. This information will be considered when formulating future year's budgets.