

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
Section 1. The Responsibilities of the Chief Finance Officer and Leadership Team		
A: The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).		
Tests of compliance: <ol style="list-style-type: none"> 1. Does the authority have a clear and consistent understanding of what VFM means to it and to its leadership team? 2. Does the authority have suitable mechanisms in place to promote VFM at a corporate level and at the level of individual services? 3. Is the authority able to demonstrate the action that it has taken to promote VFM and what it has achieved? 		
<p>The authority has a strong understanding of its performance relative to the cost of services. The authority has experienced substantial budget savings requirements for many years, and this necessarily drives an annual review of all budgets and expenditure to ensure that costs are reasonable relative to performance, outcomes and priorities, and that income is maximised. The Executive Leadership Team (ELT) (Chief Officer team) play a key role in driving the budget process.</p> <p>Where decisions are made to increase spend on services, for example insourcing or additional investment, this is taken in the context of all VFM factors including social value, customer satisfaction, performance, workforce planning, Corporate Plan priorities, and associated capital investment requirements as well as the cost of service.</p> <p>The council is not at low or average cost for all services when compared to comparator authorities, but where this is the case it is scrutinised and well understood, and often reflects other agreed political or Corporate Plan objectives.</p> <p>A robust framework of policies, procedures and reporting is in place to support VFM and scrutiny including:</p> <ul style="list-style-type: none"> - Corporate performance KPI's and monitoring; - A Business Planning Framework linking the Corporate Plan through to directorate business plans with objectives and targets; - A Performance Management framework including individual Performance Development Plans; - A talent and leadership development approach (the People Promise); - A Risk Management Framework; - An Annual Governance Statement and Action Plan. 	Partial	<p>Develop and agree responses to the findings and recommendations of the LGA Deep Dives and Peer Reviews and incorporate the financial implications in the MTFS.</p> <p>Annually review the council's VFM profiles through LG Inform or similar robust statistical information and report thereon to ELT and Members to maintain awareness of VFM and monitor progress.</p> <p>Embed the use of VFM profiles and other comparative data to inform the focus for the Medium Term Financial Strategy and Directorate Service and Financial plans.</p> <p>Respond to VFM improvement recommendations from the External Auditor, Inspections and other formal internal or external reviews.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>In addition, the authority has well-defined Contract Standing Orders (CSO's) supported by comprehensive Procurement Policies and a practised Procurement function (operated in partnership with Orbis partners) which support the achievement of value for money through tendering and contracting.</p> <p>Alongside this, a range of independent reviews and information are used to inform VFM as follows:</p> <ul style="list-style-type: none"> - A 2020/21 enterprise review of all services (assessing all services' knowledge of performance, costs and comparative information); - Inspections (Ofsted/CQC); - Peer reviews including LGA Desktop reviews and 'Deep Dives' in Adults and Children's social care; - ASC 'Test of Assurance' review (LGA Peer Review) - External Audit VFM Annual Reports; - Benchmarking e.g. Housemark, LG Inform VFM Profiles, ASCFR, S251 Statements, Cipfa Resilience Index, etc. <p>No services within the council have been untouched by financial constraints and/or the need to make financial savings due to a long history (13 years+) of annual budget gaps and associated savings requirements. There is therefore widespread understanding of the financial challenges in the authority and the need to maximise the use of resources.</p>		<p>Continuing to improve contract management and procurement skills across budget managers and contract managers through ongoing roll-out of training and intervention jointly provided by the council's Legal and Procurement functions.</p>
B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? 2. Does the CFO lead and champion the promotion and delivery of good financial management across the authority? 3. Is the CFO suitably qualified and experienced? 4. Is the finance team suitably resourced and fit for purpose? 		
<p>The CFO is a key member of the Council's Executive Leadership Team and is the Council's S151 officer. The CFO reports to the Chief Executive and the Executive Director of Governance, People & Resources and holds regular finance meetings with the lead member for finance.</p> <p>The CFO also meets regularly with key members of the Administration, attends and supports the Audit & Standards Committee, and attends a statutory officers meeting ('Governance Assurance Meeting') comprising the CEO, Monitoring Officer, Director of HR and other key officers. These forums provide sufficient opportunities for the Leader, Finance Lead Member, Chair of Audit & Standards, Chief Executive and other senior officers to have oversight of financial risks and issues and to enable the CFO to be actively involved in, and able to bring influence</p>	Substantial	<p>Potential independent assessment of the Authority's Finance Function to provide assurance over the level of resources and skills available to support the Authority to achieve financial sustainability and value for money over the medium term. This could be similar to the recent quinquennial external review of</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.</p> <p>The CFO or their representative networks externally and works closely with other Local Authority s151 Officers for example through the Orbis Partnership with Surrey and East Sussex County Councils, through the Society of Unitary Treasurers (SUT) and through the LGA.</p> <p>Effective financial management is promoted throughout the whole Council through regular communication with budget managers, a business partnering approach to supporting budget managers and Directorate Management Teams (DMTs), and provision of induction and training for managers. This ensures that finance is prioritized, including regular financial reporting to Directorate Management Teams, the Executive Leadership Team, the Finance Lead Member, and Strategy, Finance & City Regeneration Committee. Business Partners attend DMT's and Finance is represented on internal governance boards.</p> <p>The current CFO is a professionally qualified (CIPFA) accountant with over 10 years' experience as a CFO. The CFO champions and drives good financial management through the design of the authority's budget monitoring and reporting mechanism, through the development of robust Financial Regulations and Procedures to strengthen internal control, through leading the budget setting process, through provision of an adequate and effective audit and commissioned audit review, and through effective risk management and reporting.</p> <p>The Council's finance team is resourced with appropriately qualified accountants and technicians. The finance function is staffed mainly through permanent staffing with good levels of knowledge and experience, particularly at senior levels. Specialist knowledge is also externally commissioned in some areas including pensions, asset valuations, VAT and treasury management. However, the growing financial challenges and the complexity of demands have put increased pressure on the function and there are potential capacity risks and issues for the future.</p>		<p>Internal Audit and could be commissioned from an appropriate professional or peer body such as Cipfa.</p>
Section 2. Governance and Financial Management Style		
C: The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the Leadership Team espouse the Nolan principles? 2. Does the authority have in place a clear framework for governance and internal control? 3. Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? 4. Does the Leadership Team espouse high standards of governance and internal control? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>5. Does the Leadership Team nurture a culture of effective governance and robust internal control across the authority?</p> <p>The council’s employment contracts, its Employee Code of Conduct, council induction, agreed leadership behaviours, and leadership development programmes all support Nolan principles and aim to strengthen governance, integrity, internal control, and information governance and security, particularly at senior officer levels. This is supported by appropriate Schemes of Delegation to Officers, Financial Regulations and Contract Standing Orders, Whistleblowing and Anti-fraud & Corruption policies, registers and declarations of interest and related parties, and the Internal Audit & Counter-Fraud service.</p> <p>The council’s constitution is in 8 parts, covering committee and officer delegations, procedure rules including Information Governance, Finance, Contracts and Employment, and Codes of Conduct and protocols for members and officers. These provide clear guidance on governance arrangements, including financial thresholds for approvals to spend or authorise contracts and also set out clear responsibilities for Chief Officers and the Chief Finance Officer regarding internal controls and governance.</p> <p>There is an effective Internal Audit & Counter-Fraud service (provided in partnership with Surrey and East Sussex County Councils as part of Orbis) which conducts a cycle of annual audit reviews as set out in the Annual Audit Strategy and which provides assurance and improvement recommendations across a broad range of activities, focusing on internal controls. The service was recently independently assessed by the Chartered Institute of Internal Auditors (CIIA) against the Public Sector Internal Audit Standards (PSIAS) and achieved the highest level of conformance available against the professional standards with no areas of non-compliance identified.</p> <p>The Executive Leadership Team includes the S151 CFO, the Monitoring Officer and the Director of HR which ensures a high level of corporate oversight of executive governance as well as the ability to raise issues affecting corporate governance or internal controls including consideration of ‘partial’ or ‘limited’ assurance audit reviews which are also reported to the Audit & Standards Committee.</p> <p>ELT view audit reviews as an important tool for providing assurance and supporting continuous improvement. The Annual Audit Strategy & Plan is agreed with ELT who are also consulted on areas to be included for review.</p> <p>The council also has a statutory officer group (the Governance Assurance Meeting (GAM)) which provides a further escalation route for considering governance or internal control weaknesses. GAM includes the CEO, CFO, Monitoring Officer, Chief Internal Auditor, Director of HR, DPO, and Ass’t Director Customer & Performance and reviews whistleblowing cases, information governance and other governance or internal control concerns, oversees and agrees improvement actions to be included in the Annual Governance Statement, and maintains a</p>	<p>Substantial</p>	<p>Improvement in response to the recommendation made by the External Auditor in the 2022/23 Annual Report:</p> <p>The council’s Annual Governance Statement will be strengthened to ensure unequivocal alignment to the Cipfa Good Governance guidance in the following areas:</p> <ul style="list-style-type: none"> • Documenting how the council has monitored and evaluated the effectiveness of its governance arrangements in the year; • Communicating to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority’s particular features and challenges.

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>watching brief on emerging risks and issues.</p> <p>Elsewhere, the external auditor’s Annual Reports have not identified any significant governance weaknesses and the latest review made only two minor improvement recommendations which have informed the adjacent ‘Identified Improvements’.</p>		
D: The Council applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? 2. Does the authority have in place a suitable local code of governance? 3. Does the authority have a robust assurance process to support its AGS? 		
<p>The Council has a clear framework for governance and internal control. There is an approved and adopted Code of Corporate Governance, Part 8.11 of the council’s constitution, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (Link: Part 8.11 Code of Corporate Governance). This uses the ‘3 lines of defence’ model of management controls, corporate oversight and independent review to provide assurance.</p> <p>The council’s Annual Governance Statement (AGS) demonstrates adherence to the CIPFA code and needs to be read alongside the Council’s constitution. The AGS is reported to the Audit & Standards Committee (Link: Annual Governance Statement 2021-22).</p> <p>Executive Directors review and annually assess the governance and assurance arrangements of their directorates with reference to strategic and directorate risk registers, audit reviews and AGS actions.</p> <p>The AGS details achievement of objectives, capability and capacity alongside the sustainability of resources, and identifies mitigations to identified risks and other improvement actions. It includes an internal audit assessment of governance arrangements in place and an Annual Audit Opinion reported to Audit & Standards Committee.</p> <p>Induction training for all new Members, following the May 2019 elections, included a focus on governance, code of conduct and officer/member relations. This will be repeated for the induction of new members following the forthcoming May 2023 elections.</p> <p>All partial and limited assurance audit reports and recommendations are considered by the Executive Leadership</p>	Substantial	<p>No specific actions are identified but the Annual Governance Statement for 2022-23, currently being developed, will be reviewed in the context of the CIPFA FM Code requirements and guidance, and will take on board the self-assessment findings and improvement actions identified in this report.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>Team and are reported in summary to the Audit & Standards Committee for oversight.</p> <p>The council’s Information Governance framework sets out how it manages information and keeps it secure and consists of:</p> <ul style="list-style-type: none"> • Information Risk Management Policy • Information Security Policy • Data Protection Policy and GDPR Guidance • Appointment and oversight of a DPO • Appointment of and ICO and SIRO <p>To ensure awareness of Information Governance and GDPR requirements, the council has developed a mandatory Information Governance e-Learning course for all staff which must be taken annually.</p> <p>The External Auditor’s Annual Report (Audit & Standards Committee 24 January 2023), which considers governance arrangements as a key part of their review, has not raised any concerns of non-compliance within the council’s Annual Governance Statement or with the ‘Delivering good governance in Local Government Framework’ (2016 Edition).</p>		
<p>E: The Financial Management style of the Council supports financial sustainability.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have in place an effective framework of financial accountability? 2. Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? 3. Does the authority’s finance team have appropriate input into the development of strategic and operational plans? 4. Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so? 5. Has the authority sought an external view on its financial style, for example through a process of peer review? 6. Do individuals with governance and financial management responsibilities have adequate delegated powers and appropriate skills and training to fulfil these responsibilities? 		
<p>The council has developed a Targeted Budget Management (‘TBM’) reporting framework which covers revenue and capital budget performance across all funds (GF, DSG, HRA), as well as other metrics such as income collection performance, monitoring of savings programmes, and compliance with Purchase Order (commitment accounting) requirements. TBM ensures that all capital and revenue cost centres are allocated to a named Budget Holder and named Finance Officer. Budget Holders are able to input forecasts (based on outturn forecasts) to the budget monitoring system (on SharePoint) and required to update forecasts either monthly or quarterly depending on the assessed scale, risk or complexity inherent in each budget area. TBM is reported monthly to Directorate</p>	<p>Partial</p>	<p>Greater involvement of the Policy Team in developing the budget and MTFS will help to improve alignment with Corporate Plan priorities and objectives, strategic partnerships, and other policy priorities and steers.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>Management Teams, the Executive Leadership Team, and a minimum of 5 times per year to Members (Committee).</p> <p>The authority has experienced budget shortfalls (gaps) for the last 13 years requiring identification of very substantial (£10m+) savings programmes each year. In order to minimise cuts to essential services, this inherently drives an approach of maximising efficiencies, optimising income sources and carefully considering where investment can reduce longer term costs, either through the use of its Modernisation Fund supported by capital receipt flexibilities, through capital investment (e.g. digital technologies), or through invest-to-save approaches, for example, investment in preventative services or new models of social care.</p> <p>The authority’s CFO and Finance team currently lead the development of the annual revenue and capital budgets and Medium Term Financial Strategy for all funds (GF, DSG and HRA). The Finance Service operates a Strategic Business Partner service model which ensures that each directorate has a lead Finance Business Partner (senior Finance staff) in attendance at Directorate Management Teams thereby ensuring that Finance are directly involved in the development of policy and strategy across the council alongside their service management peers. Similarly, the CFO is a member of ELT where significant policies and strategies are considered for sign off and approval. All reports to members for decision also require ‘Financial Implications’ statements, provided by senior finance staff on behalf of the CFO, to ensure that the full financial impact of policy or business decisions are transparent and consider affordability and value for money. Reports also consider sustainability and equality impacts as a mandatory requirement.</p> <p>Financial literacy across budget managers can be variable and depends primarily on the experience and aptitude of individuals. However, all budget managers are provided with Finance Surgeries (following appointment or promotion) to ensure they have full awareness of reporting/forecasting (TBM) and procedural requirements (e.g. Standard Financial Procedures including internal controls) as well as an understanding of capital and revenue budgets, VFM and the annual budget process. All budget managers also have named Finance Contacts available to assist with queries or concerns. The responsibilities of budget managers are clearly set out in Standard Financial Procedures (Part 7.4 Standard Financial Procedures). Similarly, there is a corporate procurement function that also operates as a business partner model and provides support, advice and training to contract and procurement managers to ensure compliance with Contract Standing Orders (CSOs) and support the achievement of improved value for money through procurement as well as other objectives including sustainability and social value.</p> <p>The Authority’s challenging financial position over many years has meant that the External Auditor has closely monitored the Authority’s financial sustainability and resilience, noting that its use of Medium Term Financial</p>		<p>A greater emphasis on integrating Capital, Revenue and invest-to-save financial planning aligned to the development of the annual budget and MTFS will ensure that the sustainability of all aspects of the budget are considered together.</p> <p>Budget setting will aim for robust Medium term financial planning over at least a 4-year planning period with associated service and financial plans and strategies spanning the MTFS period.</p> <p>The approach for adopting the above improvements will be agreed with ELT and Members and will be set out in the July Budget Planning and Resource Update report to committee.</p> <p>An external review of the Finance Function (as mentioned in B above) could incorporate a review of the robustness of the planning approach and the capability of the Finance Function to support and respond to the continuing challenging financial environment.</p> <p>Review and improve financial information, procedures, guidance</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>Planning has helped it to identify budget shortfalls (gaps) in advance and use this information to inform the budget setting process, including the development of savings options to address identified gaps. However, following recent, very challenging years which have seen the modest use of reserves to support the budget, an overspend of 1.3% of net budget in 2022/23 (£3m) and some under-achievement of savings targets due economic conditions, the latest Annual Report from the External Auditor identifies Financial Sustainability as a ‘significant weakness’ and the report therefore includes a ‘Key Recommendation’ to focus on improving sustainability. The recommendations were accepted by the council and have informed the adjacent ‘Identified Improvements Actions.’</p> <p>Elsewhere, during 2022/23 the Authority engaged the LGA on a number of occasions to provide peer support regarding both its financial sustainability and VFM and to look at specific areas including Adult and Children’s Social Care. The LGA is able to call on research and evidence from the work it does across the sector and these reviews can help to inform areas to target for improved VFM as well as identify potential changes to commissioning and procurement strategies. The External Auditor also comments on the authority’s approach to financial sustainability and effective use of resources which recognises that the authority’s medium term planning is effective at identifying financial challenges but has recommended both a more strategic and prioritised approach to identifying savings opportunities and considering a different approach to mitigating any under-achievement of savings.</p> <p>As noted above, training and coaching is provided to newly appointed or promoted budget managers which is tailored to the level of responsibility held. For example, Executive Directors and Assistant Directors will be given an overview of Local Government Finance and the council’s overall financial structure alongside more generic financial management training. The council’s Standard Financial Procedures (see link above) clearly set out the responsibilities of Executive Directors (or their nominees) and also set financial limits and thresholds for approvals or authorisations (e.g. budget virement, capital programme variation write-off of debts, etc). Similarly, Contract Standing Orders clearly set out approval and sign-off limits for procurements and contract award. The Scheme of Delegation to Officers further defines the responsibilities of Executive Directors, the CFO, the Director of HR and other officers including the scope of any specific financial responsibilities.</p> <p>The Strategic Business Partner approach adopted by the Finance function ensures that Finance Business Partners are present at Directorate Management Teams and other SMTs and are therefore able to identify gaps in financial skills and knowledge, particularly at senior management levels. Similarly, Finance staff have regular contact with lower-level budget managers and are able to identify gaps in financial skills. In this respect, specific training has been tailored and provided to services from time to time. Internal Audit reviews of financial management and</p>		<p>and training available on the council’s intranet (the Wave) and Learning Zone to support and strengthen the approach above.</p> <p>The authority should aim for a rolling programme of peer reviews from appropriate peer organisations and/or councils as part of an ongoing approach to improving VFM and sustainability.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
administrative processes, systems and controls also ensure that improvement actions are identified, including addressing skills gaps.		
Section 3. Medium to Long-term Financial Management		
F: The authority has carried out a credible and transparent financial resilience assessment.		
Tests of Compliance: <ol style="list-style-type: none"> 1. Has the authority undertaken a financial resilience assessment? 2. Has the assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios? 3. Has the authority taken appropriate action to address any risks identified as part of the assessment? 		
<p>The Authority assesses financial resilience in a number of ways and reports this to members accordingly. As an Authority with severe financial challenges and having experienced budget shortfalls of £10m to £20m per annum since 2010, the Authority is acutely aware of financial sustainability and resilience concerns. A testament to the effectiveness of its financial planning and financial management is that the Authority had not overspent during this period despite challenging annual savings requirements. However, a potential overspend is likely in 2022/23 (subject to the audited outturn) which is primarily due to the exceptional inflationary spike during 2022/23.</p> <p>Financial sustainability and resilience is considered and reported in a number of ways as follows:</p> <ul style="list-style-type: none"> • The CFO’s (S25) statement on the assessment of the robustness of estimates and the adequacy of reserves and provisions which considers the level of unallocated and earmarked reserves in light of identified risks and commitments. • A twice-yearly ‘Review of Reserves and Provisions’ reported as part of the Annual Budget and the Provisional Outturn monitoring report (TBM). • Development of a Medium Term Financial Strategy which is updated at least 3 times annually and which includes cost, income and resource (funding & revenues) projections for 4 years, with sensitivity of High, Medium and Low scenarios. This ensures future budget shortfalls (gaps) are identified early in the planning cycle and informs longer term planning. • Consideration of overall financial health informed by the External Audit Annual Report, recent LGA Peer Reviews and the Cipfa Resilience Index. These are used to compare the Authority’s indebtedness, reliance on income, levels of unallocated and earmarked reserves, and overall comparative spending and VFM. The Cipfa Resilience Index is publicly available and uses the latest annual data available (2021/22). It shows that the authority’s financial characteristics are broadly average for the majority of key indicators including the level of borrowing, capital financing costs, Council Tax requirement, business rate growth etc. However, there are two 	Partial	<p>The authority will continue to use external peer reviews and the findings of the External Auditor’s annual report to provide independent assessment of its financial resilience.</p> <p>The authority has developed prioritisation tools that could help it to improve financial resilience and sustainability and will consider how these can be utilised more formally in future budget setting rounds and in developing the MTFs.</p> <p>The council has agreed in principle to the improvement recommendations made by the External Auditor which are that the council should:</p> <ul style="list-style-type: none"> • Revisit financial plans with sustainability of reserves in mind to ensure medium term financial plans demonstrate a realistic plan

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>outlying areas: 1) the amount that the council generates from fees & charges is above average (primarily due to high visitor numbers) which is viewed as a positive result by CIPFA but also carries the burden of needing to maintain income at higher levels, and 2) the level of reserves is low by comparison with other unitary authorities or with 'nearest neighbour' comparators. The latter result is viewed as a high risk.</p> <ul style="list-style-type: none"> • Identification of Financial Sustainability in the council's Strategic Risk register (SR02) which is regularly updated and reported to Audit & Standards Committee and the Executive Leadership Team. <p>Strategic Risk 2 (SR02) concerns financial sustainability and is reported within the Authority's Risk Management Framework. The mitigations set out in SR02 are essentially those set out above and focus on effective Medium Term Financial Planning, including projections and scenario-testing, to provide early identification of future budget shortfalls to enable early planning and identification of options to achieve a balanced budget.</p> <p>The Authority has also developed two tools for both members and officers to utilise that can help in prioritising services and determining those where reduced investment, savings or dis-investment could be considered. One tool uses 6 criteria against which to assess services and enables weighting of the criteria (e.g. Financial Sustainability) as desired. The criteria are:</p> <ul style="list-style-type: none"> • Long-term Financial Sustainability • Community Wealth-Building Potential • Contribution to 2030 zero net carbon target • Addresses Housing & Homelessness Pressures • Supports a diverse, welcoming & tolerant city • Supports Health and Wellbeing • Supports those facing the impacts of austerity <p>The other tool provides a 'Budget Categorisation' analysis of all council services and determines whether services are Statutory, Business Critical, Income Generating, Business Important, a Policy Priority, or Discretionary. This does not mean that any category (e.g. Statutory services) is exempt from savings and efficiencies, but it does help to understand the relative importance of services.</p>		<p>for replenishing reserves where one-off use is expected to cover budget gaps.</p> <ul style="list-style-type: none"> • Focus its financial planning on reducing reliance on one-off measures and properly consider opportunities to review service delivery, particularly the prioritisation of statutory versus discretionary spend. • Review the process of setting savings schemes to build a greater element of contingency and over-programming into monitoring arrangements around those savings plans so that they are sufficiently robust to support the delivery of the current large scale savings plans necessary to bridge the budget gap. Due consideration must be given to the fact that the Council is likely going to need to make very difficult financial decisions in the near future if it is to maintain its financial stability.
<p>G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? 2. Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? 3. Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>(e.g., using a technique such as scenario planning)?</p> <p>4. Has the authority reported effectively to the Leadership Team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these on short and medium-term decision making?</p>		
<p>The responses to FM Ref 'F' above also apply here.</p> <p>The Authority has developed and regularly updates a Medium Term Financial Strategy which includes prudential assumptions and estimates of inflationary impacts and pay awards, anticipated demographic pressures, commitments including the impact of capital financing decisions, estimates of changes to tax bases and taxation increases, and assessments of income growth and government grant funding potential (based on Spending Reviews and LG Financial Settlements). These are tested to provide Worst to Best case scenarios. This provides the Authority with a clear picture of its probable financial position, which, in common with many authorities, demonstrates severe ongoing financial challenges without substantial increases in government grant and/or local taxation. It also enables the council to understand its financial sustainability in a worst-case scenario i.e. whether or not it would have enough reserves and balances to manage in such as scenario.</p> <p>The Authority has previously aimed to adopt longer term financial planning to align with its 4-year Medium Term Financial Strategy, however, a combination of factors have meant this has not been possible for some years. The following factors have mitigated against effective medium-term financial planning:</p> <ul style="list-style-type: none"> • The provision of short-term (1-year) settlements for local government with considerable uncertainty and movement from year-to-year. The 2023/24 financial settlement was the 5th single-year settlement in a row. • Successive governments' failures to review the system of local government finance including resolving the long-term funding of social care. Further delays to the Fair Funding Review, Business Rates review, and social care funding reform have now been confirmed and are unlikely to be resolved until after a General Election. • Other factors including managing through the pandemic and more recently responding to economic conditions, including an enormous inflationary spike, and a growing cost-of-living crisis. • A No Overall Control political balance which conflicts with long-term, strategic planning due to political tensions and the challenge for any minority group of securing support for difficult and often politically emotive cost or service reductions in order to address budget shortfalls. <p>As noted above, the Authority has the financial planning information, scenario-testing, tools and procedures in place in order to address medium-term financial challenges but has not been able to apply these beyond a one-year planning horizon for some years. They have, however, enabled some prioritisation and alignment of savings and investment decisions with Corporate Plan priorities, including Capital Programme Investments, but planning on a short-term basis can undermine longer term sustainability. There are, however, areas of clear alignment with</p>	<p>Substantial</p>	<p>The responses to FM Ref 'F' above also apply here.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>the Authority’s Corporate Plan, particularly concerning Housing & Homelessness, improving Council Tax Reduction (equality), improving sustainability and social value in procurement, and substantial investment in social care but this could be strengthened through an increased focus on medium-term service and financial planning.</p> <p>The Authority’s financial outlook and sustainability is regularly discussed and reported to the Executive Leadership Team and members. Budget update reports to July, December, and February committees (often more frequently) have highlighted for some years the growing financial pressures across the Authority, setting out the potential consequences of not addressing financial sustainability, including a potential Section 114 notice. Detailed briefings have been provided to members and officers on the legal and financial implications and potential consequences of not being able to set balanced budgets and/or exhausting reserves. This included two All-Councillor briefings in the lead-up to setting the 2023/24 budget and the provision of key legal and financial advice in committee reports in the lead up to setting the annual budget. Members have also been kept abreast of problems experienced by other authorities including Croydon, Thurrock, Slough and Liverpool among others.</p> <p>The General Fund budget report to Full Council in February also includes a detailed risk assessment (Appendix 5 of the report) of both short-term (i.e. current planning year) and medium-term risks, and scores these in accordance with the council’s risk management framework. This also indicates the scale of impact (for example, a 1% variation) and provides control measures and mitigations to address the identified risks should they materialise.</p>		
<p>H: The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Has the authority prepared a suitable capital strategy? 2. Has the authority set prudential indicators in line with the Prudential Code? 3. Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 		
<p>The Council approves an updated rolling 5-year Capital Strategy each year alongside the Medium-Term Financial Strategy and Treasury Management Policy & Strategy, with a recent update approved in February 2023. This allows key links between revenue and capital plans to be reported together for better decision-making.</p> <p>The Capital Strategy contains an assurance statement from the S151 Officer (CFO) (Section 12) stating that it is in compliance with the Prudential Code and that it is prudential, sustainable and affordable.</p> <p>An update on changes to the Treasury and Prudential Codes was reported to Budget Council in paragraph 5.5 of the Treasury Management Policy and Strategy.</p>	Substantial	<p>While compliance with Standard H is high, as noted earlier, the council will aim for greater integration of Capital, Revenue and invest-to-save service and financial planning aligned to the development of the annual budget, MTFs and Corporate Plan.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>The Prudential Indicators are contained within Annex C to the Treasury management Policy & Strategy.</p> <p>Performance against the prudential indicators is reported in the Council’s Treasury Management Strategy Mid-Year Review (1st December 2022) and Outturn Review (7th July 2022) to Policy & Resources Committee. The council is also provided with Treasury Management services by the Orbis Partnership which services 7 local authorities and produces regular updates to CFO’s, including regular Treasury Management bulletins.</p>		
<p>I: The authority has a rolling multi-year Medium-Term Financial Plan consistent with sustainable service plans.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have in place an agreed Medium-Term Financial Plan? 2. Is the Medium-Term Financial Plan consistent with and integrated into relevant service plans and its capital strategy? 3. Has the Medium-Term Financial Plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? 4. Has the Medium-Term Financial Plan been tested for resilience against realistic potential variations in key drivers of cost and demand? 5. Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment, including infrastructure assets, contribute effectively to the delivery of services and to the achievement of the authority’s strategic aims? 		
<p>The rolling MTFS is a key part of the Council’s policy and budget framework and financial planning process. It is developed alongside the Capital Strategy and simultaneously approved by Council. It is regularly updated (at least three times per year) to inform the current and future years’ budget setting processes.</p> <p>As noted under Standard G above, the MTFS includes prudential assumptions and estimates of inflationary impacts and pay awards, anticipated demographic pressures, commitments including the impact of capital financing decisions, estimated tax base changes and taxation increases, income growth and government grant funding (based on Spending Reviews and LG Financial Settlements). These are also scenario-tested for worst to best case scenarios.</p> <p>As noted under Standard G above, while there is some alignment with the Corporate Plan this needs to be strengthened through an increased focus on medium-term planning. The council’s annual budget also includes ‘Budget Strategies’ for each of the 5 Service Directorates. These are valuable statements which indicate the direction of travel and approach to investment and savings across the functions provided by each directorate. While these strategies are forward-looking and are aligned to the Corporate Plan where possible, there could be much greater alignment to the MTFS financial assumptions and estimates, particularly beyond the first year of the MTFS.</p>	<p>Partial</p>	<p>Actions are as for Standard E above.</p> <p>In addition, the Asset Management plan requires a refresh to reflect the changing legislative environment within which the council operates, including the government’s revised approach to commercial assets and activities. Analysis and assessment of the Asset Management Plan will be undertaken to ensure it remains fit for purpose and supports medium term service and financial planning.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>The MTFS is scenario-tested but this creates its own challenges. The Authority is under severe financial pressure and has been in this situation for some years. It has the lowest Council Tax in East Sussex, some of the highest levels of deprivation in the region, but for many years received one of the lowest financial settlements in the country. It has regularly experienced annual budget gaps, i.e. savings requirements, of £10m to £20m in order to balance its budget. While scenario-testing is therefore useful, it generally only serves to show that the Authority would quickly reach the limits of financial sustainability if the worst-case scenarios played out in reality. Similarly, to plan for a worst-case scenario would require untenable and undeliverable levels of savings. However, this information is useful in informing members and officers of the potentially precarious position and the need to plan on a longer-term basis, aiming for some over-programming of savings and contributions to reserves if possible.</p> <p>The Finance team engages with directorates to integrate service demand and demographic changes with finance reporting, using the best and latest data available on cost drivers ('service pressures') and identifying any risks, opportunities and budget gaps.</p> <p>The annual budget process is generally aligned with Service Planning, with wide collaboration and consultation across the Council, partners (particularly the NHS) and with members in developing the budget. The Administration and lead portfolio members are closely involved in developing and setting the budget and considering options, including potential savings proposals. However, the short term nature of financial planning in recent years, primarily due to short term government funding announcements, has undermined longer term planning in many, but not all, areas.</p> <p>The Authority has an Asset Management Plan in place and this was previously supported by an Asset Management Board (AMB) including 3 members. The plan ensures that appropriate operational buildings are available to services and also considers disposal strategies, commercial property strategy and administrative building requirements in the light of increased remote working. There is a strong focus in the AMB on Housing assets including house-building, acquisition and other developments (e.g. Housing Joint Venture).</p>		
Section 4. The Annual Budget		
J: The authority complies with its statutory obligations in respect of the budget setting process.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Is the authority aware of its statutory obligations in respect of the budget-setting process? 2. Has the authority set a balanced budget for the current year? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>3. Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?</p> <p>The authority has an established process for setting a balanced budget in line with statutory obligations (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements. The process for developing and setting the budget is clearly set out in the Budget and Policy framework procedure rules (Part 7.2 of the Constitution). This requires that the procedure for the annual budget setting process is set out and agreed by committee in advance each year. This is normally provided to the July committee meeting.</p> <p>The Authority is aware of the requirements to set a balanced budget, to seek a statement from the CFO on the robustness of estimates and adequacy of reserves and provisions (S25 LG Act 2003 assurance), and to consult with stakeholders as required.</p> <p>The Authority has set a balanced budget every year since its creation in 1997, including for the current year, 2023/24.</p> <p>The CFO is fully aware of the circumstances under which to issue a Section 114 notice, which would require consultation with the CEO, Monitoring Officer and government (DLUHC) in the first instance, and has provided (and reported) detailed guidance to members as part of the approval of the annual budget including the implications and consequences of not setting the Council Tax by the statutory deadline and/or failing to set a balanced budget.</p>	Substantial	<p>No specific improvements have been identified, however, with regard to setting the budget and Council Tax, the council will continue to keep its legal and financial advice to members and officers under review in the light of findings from reviews where local authority compliance or financial failures occur.</p>
K: The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? 2. Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? 3. Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall? 4. Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? 		
<p>The General Fund Budget is agreed by Full Council and includes a statement by the CFO (Section 13 of the budget report) on the robustness of the estimates and the adequacy of reserves and provisions (Section 25 LG 2003 Act report).</p>	Substantial	<p>A key set of estimates in the budget process concerns determining the value of savings proposals. The External Auditor's concerns, set out</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>Appendix 4 of the Budget Report provides details of all reserves together with a statement on their adequacy. While the Authority has adequate reserves to meet known and planned commitments and has an adequate unallocated reserve (Working Balance) to mitigate against short-term risks, its overall level of reserves is known to be comparatively lower than many authorities and this needs to be kept under review and if possible improved over the medium term.</p> <p>The Budget and MTFS is developed by Finance working closely with Directorate Management Teams and the Executive Leadership Team to generate and review estimates and includes:</p> <ul style="list-style-type: none"> • Estimates of key budget pressures including changes in service demand and demographic changes. • Estimates for staff pay awards and price inflation. • Estimates for tax bases, taxation increases, and government grant funding where not confirmed. • Estimates for proposed savings options, including income generation (changes to fees, charges and rents). <p>At the start of the annual process these estimates and assumptions are scenario-tested for best, mid-point and worst case outcomes for demand pressures, cost pressures (inflation), taxation outcomes and government grant funding. The General Fund budget report to Full Council in February also includes a detailed risk assessment (Appendix 5) of both short-term (i.e. current planning year) and medium-term risks and scores these in accordance with the council's risk management framework. This also indicates the scale of impact (for example, a 1% variation) and provides control measures and mitigations to address the identified risks should they materialise.</p>		<p>in their annual report, regarding the council's recent record of achieving planned savings are noted. Future budget planning rounds will identify sensitivity regarding potential under-achievement of savings to provide members with clear information about potential risks of deliverability.</p>
Section 5. Stakeholder Engagement and Business Cases		
L: The authority has engaged as appropriate with key stakeholders in developing its long-term financial strategy, Medium-Term Financial Plan and annual budget.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan, and its annual budget? 2. How effective has this engagement been? 3. What action does the authority plan to take to improve its engagement with key stakeholders? 		
<p>The Authority has a number of partnerships in place through which partners can share their financial plans and outlook to help inform MTFS planning. Engagement with key partnerships and stakeholders includes:</p> <ul style="list-style-type: none"> • Engagement with the Administration and cross-party members in development of the Corporate Plan. Similarly, considerable engagement with the Administration in developing options for the annual budget as well as support to opposition groups to develop alternative budget proposals. 	Substantial	<p>The authority will look to improve partnership working and stakeholder engagement through:</p> <ul style="list-style-type: none"> • Revitalising and strengthening the

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<ul style="list-style-type: none"> • A close relationship with NHS Sussex Health & Care Integrated Care System where considerable financial interdependency exists (e.g. Winter and Discharge Planning) including through joint agreements (e.g. Better Care, S31 Partnership, S117, etc). • The City Management Board which includes the NHS, Police, Fire, Universities, DWP and others where financial strategies and information are shared periodically, particularly in the lead up to annual budget setting. • The South-East 7 group of local authorities provides insight and information and opportunities for information sharing and joint lobbying. • The Greater Brighton Economic Board and the Economic Partnership provide information and insight from the local and regional business sector which can help to inform elements of budget and MTFS including regeneration investment and support. • Engagement with Community & Voluntary Sector including through Community Works. • Wider engagement with residents and service users through appropriate consultation mechanisms and portals, on Service Plans and Strategies and/or specific service change proposals that inform current and future budget rounds. • Consultation with staff and unions as proposals emerge. <p>Engagement is therefore widespread and is reasonably effective in terms of enabling information sharing and opportunities for stakeholders to raise issues or concerns and therefore influence policy and proposals. However, this inevitably works within the constraints that both the Authority and its partners and stakeholders are working within. However, there are plans in place to strengthen partnership working and engagement, particularly the Local Strategic Partnership, which is currently in the process of being rejuvenated through a programme of work led by the council’s Policy Team, and there are opportunities to improve consultation and engagement with residents, for example, through on-line or social media engagement for the development of budget proposals, which are being explored by the Policy & Communications service.</p>		<ul style="list-style-type: none"> • Local Strategic Partnership; • Development of a new Corporate Plan 2023 – 2027; • Developing its over-arching consultation and engagement strategy led by the Policy Team; • Continuing to develop links with the NHS through the Sussex Health and Care Integrated Care Board as the local ICS develops.
<p>M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? 2. Does the authority offer guidance to officers as to when an option appraisal should be undertaken? 3. Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? 4. Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty? 5. Does the authority report the results of option appraisals in a clear, robust, and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>The Authority has an established Business Case and Option Appraisal template and process for securing funds from its Modernisation Fund or for invest-to-save proposals. However, a gap has been identified in terms of assessing capital programme investments in terms of their alignment with corporate priorities, affordability and value for money. This is addressed under identified improvement actions.</p> <p>Business cases identify the aims and objectives of the investment, the alignment with the Corporate Plan and relevant service strategies, the financial, legal and sustainability implications, and set out the capital and revenue implications, including cashable and non-cashable benefits.</p> <p>Business Cases are considered by the Corporate Modernisation Delivery Board (CMDDB) chaired by the CEO and attended by the Executive Leadership Team and officers presenting business cases.</p> <p>Detailed guidance is provided on the council’s intranet (the Wave) including OBC and FBC templates and a Business Case checklist and timetable. This provides clear guidance on when a Business Case should be drawn up. The Authority’s Finance function also operates a Strategic Business Partner model which ensures that Finance Business Partners support and attend Directorate Management Teams and other SMTs and can advise on business case requirements and development.</p> <p>Qualitative and quantitative assessment are catered for in the OBC and FBC templates in terms of cashable and non-cashable benefits and risks.</p> <p>However, although the council has agreed documents and procedures, the understanding of the need to complete a business case and the associated approvals required is inconsistent. Similarly, business cases can come at any time during the financial year and may not always have been indicated clearly or transparently within service Budget Strategies or Directorate Business Plans. This means that business cases are assessed in isolation as and when presented instead of being assessed and contrasted with other competing requirements at the same time. This does not always result in effective prioritisation of resource allocation and does not support a medium term planning approach.</p> <p>Similarly, the External Auditor’s annual report ‘found evidence of the council continuously setting high capital programmes at budget setting and failing to deliver against these targets come year-end. This casts doubt over the council’s ability to accurately forecast expenditure and present and deliver a realistic capital programme.’</p>	<p>Partial</p>	<p>The council will adopt a standard and clear decision process for all business cases irrespective of where they are ultimately approved or how they are intended to be financed. Specifically, an improved ‘gateway’ process for assessing capital investments will be developed together with appropriate officer governance (e.g. A Capital Programme Board) to ensure effective review and evaluation of schemes and proposals before agreeing to seek member approvals. The process needs to reflect the differing levels of detail required depending on risk, value and complexity.</p> <p>This will also enable an effective response to the External Auditor’s Annual Report recommendation and ensure that the council sets a more realistic and deliverable capital budget going forward.</p>
<p>Section 6. Monitoring Financial Performance</p>		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>N: The Leadership Team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? 2. Do the reports cover both forward and backward-looking information in respect of financial and operational performance? 3. Are there mechanisms in place to report the performance of the authority’s significant delivery partnerships such as contract monitoring data? 4. Are the reports provided to the leadership team in a timely manner and in a suitable format? 5. Is the Leadership Team happy with the reports that it receives and with its ability to use these reports to take appropriate action? 		
<p>The council has developed a Targeted Budget Management (‘TBM’) reporting framework which covers revenue and capital performance across all funds (GF, DSG, HRA), as well as other metrics such as income collection performance, monitoring of savings programmes, and compliance with Purchase Order (commitment accounting) requirements. TBM ensures that all capital and revenue cost centres are allocated to a named Budget Holder and named Finance Officer. Budget Holders are able to input forecasts (based on outturn forecasts) to the budget monitoring system (on SharePoint) and required to update forecasts either monthly or quarterly depending on the assessed scale/risk inherent in each budget. TBM is reported monthly to Directorate Management Teams, the Executive Leadership Team, the key Members, and a minimum of 5 times per year to the appropriate committee.</p> <p>The TBM reports provided to ELT allow consideration of any necessary actions and mitigations. For example, in 2022/23 a substantial overspend forecast earlier in the year led to the introduction of expenditure and recruitment controls alongside other corrective action to address the overspend. Directorate Financial Recovery Plans are also developed in response to overspend forecasts and are included in the reports.</p> <p>The forecast outturn position at Month 9 (December) is also incorporated into the budget setting report to ensure that one-off resources (i.e. underspends or overspends) are considered when setting the following year’s budget.</p> <p>ELT are provided with regular updates of the Council’s financial position and of the ongoing funding pressures it faces as part of the budget setting process and monthly TBM reporting.</p> <p>The council has a risk management framework in place. The Risk register incorporates financial sustainability as a key Strategic Risk (SR02) and this includes regular updates of the control measures and mitigations put in place to manage the risk. Strategic Risks and their treatment are reviewed quarterly by ELT and regularly by Members (Audit & Standards Committee).</p>	<p>Substantial</p>	<p>Development of improved TBM reporting on the delivery and performance of capital investment programmes, particularly the development of more realistic expenditure profiles which also directly impact on treasury management forecasts.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>The TBM and budget setting reports contain both forward and backward looking data and insights regarding significant forecast variances. The TBM framework also ensures that budgets that are of corporate financial significance, mainly demand-led budgets such as adult and children’s social care placements, are given additional attention to indicate current trends, risks and issues including medium term implications.</p> <p>The TBM reporting framework covers all funds (GF, DSG and HRA) and also reports on partnerships including S31 NHS Partnerships, the Orbis Partnership (for Support Service Functions) and any forecast risks related to other partnerships e.g. the council’s Housing Joint Venture.</p> <p>Contract Management is recognised as an important function in the Authority and, in this respect, training has recently been provided to over 200 contract managers. There is also significant guidance available, including toolkits, on the council’s intranet to assist contract managers in overseeing the management and performance of contracts. This has also been the subject of recent Internal Audit reviews which have helped to identify further improvements. Financial performance in relation to contracts is reported through the TBM reporting framework.</p> <p>Procurement and contract management reporting, including waivers of Contract Standing Orders, are reported to DMT, ELT, and Members (Committee). ELT receive quarterly updates from the Head of Procurement regarding progress against the Procurement Forward Plan which identifies all procurements expected to come up during the year. This also reports on compliance with Contract Standing Orders and any issues with current procurements and contracts including financial or litigation risks.</p> <p>All reports to ELT and Members are provided in the standard council report writing format and in a timely manner. TBM reports to DMT are normally presented within 2 to 3 weeks of month end and to ELT within 3 to 4 weeks of month end.</p> <p>The Leadership are familiar with the TBM reporting framework and are regularly invited to provide feedback to continuously improve reporting. The report format currently meets their needs in respect of revenue reporting, however, potential improvements to reporting of capital programme performance are currently being considered given the high levels of reprofiling, slippage and variance of schemes. As noted under Standard M an improved gateway process for evaluating capital programme investments will be developed and this should be accompanied by a review of the performance reporting approach within the TBM reporting framework. ELT will work with the CFO and Finance officers to consider potential information requirements to enable an improved focus and understanding of capital spending and delivery.</p>		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
O: The Leadership Team monitors the elements of its Balance Sheet that pose a significant risk to its financial sustainability.		
Tests of Compliance:		
<ol style="list-style-type: none"> 1. Has the authority identified the elements of its Balance Sheet that are most critical to its financial sustainability? 2. Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its Balance Sheet? 3. Is the authority taking action to mitigate any risks identified? 4. Does the authority report unplanned use of its reserves to the Leadership Team in a timely manner? 5. Is the monitoring of Balance Sheet risks integrated into the authority's management accounts reporting processes? 		
<p>Reserves are reviewed twice-yearly and are approved as part of the annual budget. Allocation of reserves is by a nominated budget manager. New reserves require approval of Committee, ensuring that there is oversight of the purpose, funding and rationale for any reserve.</p> <p>All balance sheet items (codes) are reviewed by finance teams across months 9, 10, 11, 12 and 13 (i.e. post year-end) with month 13 being reviewed and signed off by a Head of Finance.</p> <p>The closure of accounts process and production of the Statement of Accounts identifies key balance sheet items for review, reconciliation (e.g. debtor, payroll control accounts) or analysis. The outcome of this process is reported to the CFO for review and sign off.</p> <p>Unplanned use of reserves is not allowable.</p> <p>The council's TBM budget monitoring framework includes a section for reporting on changes to reserves or other items that may have an impact on the in-year or medium-term financial position.</p> <p>The council's risk management process includes the identification of financial risks and incorporates their escalation to the Executive Leadership Team as well as Audit & Standards Committee and the Governance Assurance Meeting (Statutory Officers). Key balance sheet risks can therefore be surfaced through these routes alongside mitigating actions.</p>	Partial	<p>Balance sheet issues that are critical to the council's financial sustainability will be highlighted at least quarterly as part of the risk management process to the Directorate Management Teams and, where of corporate significance, to the Executive Leadership Team and Governance Assurance Meeting.</p>
Section 7. External Financial Reporting		
P: The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.		
Tests of Compliance:		
<ol style="list-style-type: none"> 1. Are the authority's Leadership Team and CFO aware of the CFO's responsibilities in terms of the preparation of the annual financial statements? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<ol style="list-style-type: none"> 2. Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? 3. Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom? 		
<p>The delegations to the CFO are set out in the Scheme of Delegation to Officers (Part 6 of the Constitution) and the responsibilities of the CFO are set out in Financial Regulations and Standard Financial Procedures (Parts 7.3 and 7.4 of the constitution).</p> <p>The Authority's members and Executive Leadership Team are fully aware of the CFO's responsibilities including responsibility for completion and certification of the Statement of Accounts.</p> <p>The responsibilities of the CFO are also set out in the job description for the role and affirmed by the External Auditor in the Statement of Accounts.</p> <p>The Statement of Accounts are prepared in compliance with the Code and International Financial Reporting Standards (IFRS), and are approved by the CFO prior to submission to the External Auditor and the Audit & Standards Committee. The Council received an unqualified audit opinion for 2021/22. The latest audit report acknowledges the accounts have been prepared in accordance with the Code of Practice. The Council has consistently received an unqualified opinion from the external auditor on its Statement of Accounts and in its value for money opinion. The CFO is the Head of Profession and ensures adequate resources within Finance, including suitably trained and qualified accountants.</p>	Substantial	<p>No specific improvements identified, however, the resources available to complete timely, accurate and compliant financial statements is increasingly challenged and needs to be kept under review.</p>
Q: The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Is the authority's Leadership Team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget? 2. Is the information in these reports presented effectively? 3. Are these reports focused on information that is of interest and relevance to the Leadership Team? 4. Does the Leadership Team feel that the reports support it in making strategic financial decisions? 		
<p>A provisional outturn (TBM) report is provided to ELT and Committee in June/July each year setting out the financial position of the Authority at the end of the financial year including:</p> <ul style="list-style-type: none"> • Capital and revenue performance and commentary in relation to significant variances. • Capital variations or reprofiling requirements. • Requests for any carry forward of revenue funding for approval. • Collection Fund performance. 	Substantial	<p>As noted above, while significant attention is given to revenue outturn, the Provisional Outturn TBM report will give more attention to capital outturn, enabling a review of deliverability and timelines (profiling).</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<ul style="list-style-type: none"> • Capital Receipts performance. • Progress against savings plans. • Implications for reserves/Working Balance and the MTFS. • Proposed allocation/s of any available resources (underspending). • Proposed treatment or management of any overspend. <p>The information enables informed decisions to be made about approving the carry forward of specific capital and revenue resources to support the delivery of the Council’s priorities in the following financial year. The information is in the standard financial reporting format (TBM) that members receive throughout the financial year which clearly sets out the structure and purpose of each section of the report.</p> <p>The report can be viewed in the context of regular strategic financial reporting, in that it is consistent with:</p> <ul style="list-style-type: none"> • The annual budget setting report. • Preceding budget monitoring reports presented to ELT and Committee throughout the year. • Enabling reconciliation with previously reported results and linking through to the Statement of Accounts. • Enabling significant variations that emerge during monitoring and at outturn to be investigated further and informing updates to the in-year budget position, MTFS and forward planning and the implications on financial sustainability. <p>TBM reports include a section on the ‘Implications for the MTFS’ which highlights to ELT any strategic or financial sustainability issues or risks arising from revenue, capital and collection fund outturn. This enables ELT to consider the treatment of under or overspending in the context of the next financial year, and the MTFS, based on advice from the CFO. ELT also have oversight of proposed carry forwards, enabling peer review and moderation of proposals to ensure they are consistent with the principle of meeting priorities.</p> <p>ELT and members are regularly invited to suggest improvements to the TBM reporting framework including the use of visualisation (e.g. infographics) to assist the reader as well as ensuring reports work on an ‘exception reporting’ basis while providing sufficient contextual information to provide an insight to key risks and issues for both the current and future financial years. In this respect, and as noted under other standards above, improvements to capital programme performance reporting will be considered in response to ELT and External Auditor comments and suggestions.</p>		

