



Derby City Council

Appendix 1

FINANCIAL MANAGEMENT CODE REQUIREMENTS

Updated July 2022

Version 2



Derby City Council

Version History			
Version	Date	Detail	Author
1	06/10/2021	First draft for comment	T Nash
2	21/03/2022	AP Reviewed	T Nash/P Shillcock
3	23/06/22	AP Reviewed	T Nash/P Shillcock



Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team

Financial Management Standard A: The leadership team is able to demonstrate that the services provided by the authority provide value for money.

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
A1	A clear governance structure	The Council's constitution makes clear how the Council operates and makes decisions. It describes how decision makers can be held to account. The Constitution explains the composition of the Council as well as the roles and functions of all councillors.	https://democracy.derby.gov.uk/TheConstitution.aspx	
A2	Scrutiny arrangements	The Council's scrutiny committees aim to improve the services that you use by monitoring the work of the council making recommendations to improve the services that are provided.	https://democracy.derby.gov.uk/Committees.aspx	
A3	Audit arrangements	<p>The Council external auditors are Ernst and Young (EY), The contract ends 2022/23. As at March 2022 the Council's Financial Statements have still not been signed off by the External Auditors.</p> <p>The Council's Internal Audit function have developed an Audit Strategy which sets out the role of the function which is to protect the Council's value by providing risk based and objective assurance, advice and insight.</p> <p>The Council's External and Internal Audit Protocol provides clarity to the Audit Committee regarding the roles and objectives of internal and external audit.</p>	 Item 07 - Internal Audit Plan 2021-22 ar	



A4	Clear objectives and strategy based on local need.	The Council Plan/Recovery Plan sets out the future direction of the Council and what we'll be working to achieve on behalf of our residents over the medium-term to help the city recover from the pandemic.	 Item 15 - Derby Recovery Plan 2021-  Item 15 - Appendix 1 - Consultation Report  Item 15 - Appendix 3 - Derby Recovery Plan	
A5	Effective service and financial planning	<p>The departmental business plans set out how each department will contribute to the Council Plan/Recovery Plan.</p> <p>The Council's annual budget is considered by Cabinet each year and commended to full Council for approval.</p>	https://iderby.derby.gov.uk/policy-and-insight/planning-and-performance/department-plans/  Item 12 - Draft - Medium Term Financi	
A6	Financial Procedure Rules	The Council's Financial procedures provides rules to assist the Council to deliver its services. It supports the operation of sound financial management policies that must be adhered to. The Regulations provide clarity about the role of individuals including Cabinet Members and officers.	https://iderby.derby.gov.uk/media/intranet/documents/finance/financial-procedure-rules-june-2019.pdf	
A7	Contract procedure Rules	The Council's Contract Procedure Rules provide a framework for procurement activity across the Council. They set out how contract for goods, services and works should be put in place; the Governance requirements associated with such activity and the	https://iderby.derby.gov.uk/finance-procurement-legal-and-tax/financial-governance/finance-and-contract-procedure-rules/	



		contract management of contracts once they are entered into.		
A8	Contract management arrangements	A Procurement Strategy has been developed. The Strategy is implicit in what is required to embed good procurement practice across the Council.	 Contract Procedure Rules Update June 20	
A9	Risk management	The Council has in place a Risk Management Strategy which brings together processes for the evaluation, and treatment of risk.	https://iderby.derby.gov.uk/media/intranet/documents/governance/riskassessment/derby-risk-management-strategy-2020.pdf	
A10	Thematic reviews/Value for Money/ Benchmarking	In achieving substantial savings during the last decade the Council has identified a number of services areas for a thematic review. ACTION – Detailed benchmarking analysis to be undertaken to ensure that all costs of services and value for money considerations inform the MTFP and decision-making process. PMO board – Add purpose/costing models	See MTFP in A5 evidence above	
A11	Monitoring of performance	DORIS is the Corporate Performance Management System with a range of measures across all areas available to users. However, its main use is to collect the Performance updates and data for reporting against the Council Plan deliverables and measures with quarterly performance reports going to SLT and Cabinet. We also produce an annual report which	Link to Doris Annual report - Derby City Council	



		includes financial and performance information linked to key outcomes. Action – to implement consolidated performance and finance reporting to SLT and members.		
A12	Budget Consultation	The Council has for a number of years undertaken budget consultation activity with service users using a wide range of media to capture views of service users.	https://www.derby.gov.uk/news/2020/december/budget-consultation-goes-live/ Cabinet to consider Council's Medium Term Financial Plan for consultation - Derby City Council	
A13	Equality impact assessments	Where appropriate the Council undertakes Equality Analysis. There is clear guidance for officers on how to complete the analysis.	https://www.derby.gov.uk/community-and-living/equality-diversity/equality-impact-assessments/equality-impact-assessments-2021-2013/ Cabinet to consider Council's Medium Term Financial Plan for consultation - Derby City Council	
A14	Engagement with voluntary sector	The budget approach for this MTFP has been different from that previously adopted as the Council joined together across the Directorates to provide outcome-based solutions to the financial challenge. Partnership Board. It is through these partnership plans that the savings proposals have been The Council's ambitions are set out in the Council Plan, the themes of which have been co-produced and subsequently adopted by the City-wide developed asking the question of what can the City deliver for the City?	Cabinet to consider Council's Medium Term Financial Plan for consultation - Derby City Council  Partnership themes.pdf	



		The overarching principle of the MTFP and the Council Plan is 'Better Together' which seeks to: <ul style="list-style-type: none"> • Champion change • Work across organisation and community boundaries – informed by individuals, aspirations and need • See our communities and individuals as a strength, focusing on their assets to unlock their potential • develop resilience by using the strength of combined partnerships to support communities • work together to identify resources and recognise our collective skills and reach 		
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Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team				
Financial Management Standard B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government				
Ref.	Principle	Supporting Narrative	Evidence	RAG Rating
B1	The CFO is a key member of the leadership team.	The Council's s.151 Officer is a member of the Council's Senior Leadership Team. The team meets weekly.	 RE CIPFA FM Code - SLT.msg	
B2	Actively involved in, and able to bring influence to bear on, all material business decisions.	<p>The s.151 Officer is not only a member of the Senior Leadership Team, but he has a strong working relationship with the Leader of the Council and Cabinet Members.</p> <p>MTFP development practices are in place to support the budget framework in which the Council operates.</p>	<p>See MTFP in A5 evidence above</p> <p>https://iderby.derby.gov.uk/policy-and-insight/pmo/</p>	



		The s.151 is involved in all key decisions in respect of the Council's major investments – Chair of PMO board.	 PMO Board ToR v1.0.doc	
B3	Lead the promotion and delivery by the whole authority of good financial management.	<p>The Council has achieved an 'except for' value for money opinion from the external auditors with respect to our arrangements over working with third parties effectively to deliver strategic priorities in relation to implementing the disability and special educational needs (SEND) reforms – previously we have had a qualified audit opinion with respect to VFM.</p> <p>This demonstrates that the CFO and leadership embeds a culture of economy, efficiency and effectiveness.</p> <p>There is a framework of financial controls and procedures for managing financial risks, accounting processes and financial management. These are embedded in various policy documents including Financial Regulations, Standing Orders, internal control processes.</p>	 Appendix 1 - RM Strategy 2020_FINAL.  performance-management-strategy (2).do  Item 08 - Internal Audit Annual Report 2	
B4	Lead and direct a finance function that is resourced to be fit for purpose.	<p>The Strategic Director of Corporate Resources currently has responsibility for the following finance functions:</p> <ul style="list-style-type: none"> • Accountancy • Internal Audit • Procurement • Revenues and Benefits • Risk and Insurance 		



		<p>Service Directors and Heads of Services are experienced officers reporting to the Strategic Director of Corporate Resources regularly. The finance function is made up of approximately 200 officers.</p> <p>The core financial system provides accurate and timely financial reporting information. The move to a new Core Financial System in 2022 will see improvements in reporting, presentation of financial data and provide the end-user with a better user interface.</p> <p>The Council are procuring a new financial system that will be implemented in April 2023.</p>		
B5	Professionally qualified and suitably experienced.	The Section 151 Officer is qualified and has been a CIPFA Member for a number of years. A member of the Leadership Team who provides financial expertise and advice to peers and Members. This is supplemented with procured professional advice such as Treasury Management and Pensions. In addition, the Accountancy function has a number of professionally qualified accountants.		



Section 2: Governance and Financial Management Style

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
C1	Constitution	The Council's constitution makes clear how the Council operates and makes decisions. It describes how decision makers can be held to account. The Constitution explains the composition of the Council as well as the roles and functions of all councillors.	https://democracy.derby.gov.uk/TheConstitution.aspx	
C2	A&G accounts - Internal Audit reports	The Audit and Governance Committee regularly receives reports and updates from the Head of Internal Audit. The Committee provides oversight and scrutiny around Internal Audit activity, including ensuring Internal Audit recommendations are implemented.	 Item 13 - Appendix 1 - Internal Audit Progress	
C3	Annual Internal Audit opinion	The Public Sector Internal Audit Standards (PSIAS) requires that the 'Chief Audit Executive' (in the case of Derby City Council the Head of Internal Audit) must deliver an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement.	See Internal Audit Annual report in B3 evidence above	
C4	Annual Governance Statement	We produce an Annual Governance Statement and seek approval for this via the Audit and Governance Committee.	 Item 07 - Appendix 1 - Annual Governance	



C5	Main Controls	<p>We have a series of Main Control reconciliations that reconcile the key feeder systems into the Council's Financial Management System. This gives assurance that no transactions from such systems are omitted from the Council's financial records.</p> <p><u>Action – FPR review is planned for 2022/23</u></p>	 Front Sheet P3 202122.docx	
C6	Audit & Governance Committee	The Council operates an Audit and Governance Committee which is an oversight committee charged with reviewing arrangements for Internal and External Audit and the Governance arrangements that the Council operates.	https://democracy.derby.gov.uk/Committees/tabid/101/ctl/ViewCMIS_CommitteeDetails/mid/734/id/1894/Default.aspx	
C7	Code of conduct	<p>The Employee Code of Conduct forms part of the Council's Constitution and set out the behaviours expected of employees.</p> <p>In accordance with the Localism Act 2011 we have adopted a "Members' Code of Conduct" for our Councillors that is in keeping with the general principles of public life. All Councillors and co-opted Members undertake that they will observe the "Code of Conduct"</p>	 employee-code-of-conduct.pdf  Code_of_Conduct_September_2019.pdf	
C8	Register of interests	To ensure the Council operates in an ethical way the Council maintains register of interests for both employees and members.	Employees: https://iderby.derby.gov.uk/human-resources/managing-behaviour/employee-code-of-conduct/conflict-disclosure-of-personal-interests/	



			Members: https://www.derby.gov.uk/council-and-democracy/councillors-democracy-elections/councillors/councillors-declaration-of-interest/	
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Section 3: The Responsibilities of the Chief Finance Officer and Leadership Team				
Financial Management Standard D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government				
Ref	Principle	Supporting Narrative	Evidence	RAG Rating
D1	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	The Council prepares and Annual Governance Statement in line with the framework. The draft is provided to Audit and Governance Committee for review and approval in advance of its inclusion in the Statement of Accounts.	 Cipfa_solace good governance.pdf	
D2	Local Code of Governance	The Corporate Governance framework comprises of the systems and processes, culture and values by which an organisation is directed and controlled. For local authorities this includes how a council relates to the community it serves.	 DerbyCityCouncil-Local-Code-of-Corporat	



Section 3: The Responsibilities of the Chief Finance Officer and Leadership Team

Financial Management Standard E: The financial management style of the authority supports financial sustainability

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
Leadership				
E1	Medium Term Financial Strategy cabinet document	Robust financial planning and financial management alongside our budget preparation, performance management and stakeholder reporting is an integral part of our corporate governance and gives us the ability to look strategically and align our priorities beyond the current budget period. This is crucial to support and ensure our resilience and long-term financial sustainability. Reserves are reviewed monthly and reported quarterly to cabinet. This is supplemented by the S25 Reserves and Adequacy report compiled by the S151 officer as part of the budget setting report.	 Item 13 - Medium Term Financial Strategy	
E2	Medium Term Financial Plan	The budget process is an ongoing process which engages officers, members and the public on a cyclical basis to continuously update the medium-term position of the Council once new information becomes available. This includes funding projections and any emerging pressures and savings.	See MTFP in A5 evidence above	



E3	Financial Procedure Rules	<p>Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and employee of the Council and anyone acting on behalf of the Council. As stated previously there is a review of FPR's planned for 2022/23.</p> <p>The objective of the Financial Procedure Rules is to specify a number of rules and key control measures which ensure that public accountability and high standards of financial integrity are exercised in the use of public funds and to reduce risk.</p>	Financial Procedure Rules	
E4	Contract Procedure Rules	<p>Compliance with these Rules is a requirement not discretionary. Every officer involved in buying goods or services or ordering building or engineering works must be aware of the Rules and comply with them. Failure to do so could result in disciplinary action.</p> <p>The purpose of the Rules is to:</p> <ul style="list-style-type: none"> • achieve value for money (Value for money is not the lowest possible price; it combines goods or services that fully meet your needs, with the level of quality required, delivery at the time you need it, and at an appropriate price.) 	Contract Procedure Rules	



		<ul style="list-style-type: none"> • be consistent with the highest standards of integrity • ensure fairness in allocating public contracts • comply with all legal requirements • support the Council's procurement strategies • prevent fraud and corruption • protect the interests of Council employees 		
E5	Budget Manager Training documents	<p>Good financial management is essential to the success of every Directorate.</p> <p>Financial management deals with the procurement of goods and services and the effective use of those resources. Good financial management aims to understand the reasons for the authority's current financial position, and to facilitate strategic decisions that will improve the performance of the services to customers. There has been a restructure in Accountancy to support business partnering approach, with planned further roll-out of budget manager/ commercialisation training.</p> <p>A programme of budget manager training has been developed and commenced February 2022.</p> <p>A new Financial Management System has been scoped and procured and will be implemented by April 2023, vastly improving the budget manager oversight and accountability.</p>	Financial advice and support (derby.gov.uk)	



E6	Gateway approval criteria for capital programme	<p>The Gateway process is a series of independent reviews at key stages of a programme or project lifecycle, aimed at ensuring its successful delivery. The process is managed by the Programme Management Office (PMO) chaired by the S151 officer. Major projects which fit the criteria identified in the handbook are expected to seek approval through the PMO Board prior to progressing through to the next stage of their respective project. This applies to all projects, whether revenue or capital funded.</p>	Programme Management Office (PMO) Board (sharepoint.com)	
E7	Scrutiny reports - Budget	<p>Scrutiny of the MTFP, and specifically the pressures and savings proposals included within it, is an integral part of the Boards functions. The Board will then make any appropriate recommendations to Council Cabinet.</p>	 Item 04 - Budget Proposals 2021-22.pptx	
E8	Delivering accountability	<p>The Council submits regular budget monitoring reports for consideration by Cabinet. For the 2020-21 financial year the reports will be submitted quarterly with a full outturn report.</p> <p>The Council produces its statutory accounts within the prescribed timeframes and with the minimum number of audit recommendations.</p> <p>Reports are widely published on the Council's website.</p>	 Item 14 - 2021-22 Quarter 1 Financial M  Item 06 - Appendix 1 - DCC Updated Audit See MTFP in A5 evidence above.	



E9	Supporting performance	<p>All Cabinet and Cabinet Member reports are subject to financial review before consideration by Members with senior finance officers actively involved in the preparation of all reports.</p> <p>Cabinet receive quarterly performance monitoring reports.</p>	<p>Document.ashx (derby.gov.uk)</p> <p>Document.ashx (derby.gov.uk)</p>	
E10	Enabling transformation	<p>The Council undertakes annual budget consultation activity with its residents and other stakeholders (e.g., business ratepayers) utilising a range of media and local forums to ascertain views and opinions, which subsequently feed into the annual budget setting process.</p> <p>The Council has a Working Smarter portfolio in place with supporting programmes on Insight Led, Contract Management, Commercial, Digital and Demand Management.</p>	<p>See MTFP in A5 evidence above</p> <div data-bbox="1424 564 1626 826">  <p>Item 15 - Appendix 1 - Consultation Report</p>  <p>Item 15 - Appendix 2 - Recovery Plan.pdf</p> </div> <div data-bbox="1424 868 1626 986">  <p>Working Smarter Portfolio ToR 2021 v1</p> </div>	



Section 3: Medium to long-term financial management

Financial Management Standard F: The authority has carried out a credible and transparent financial resilience assessment.

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
F1	Getting routine financial management right	<p>The Council's financial system, Oracle, provides arrangements for processing and recording income and expenditure in a timely manner.</p> <p>The annual budget process breaks down pressures and savings targets to the level of individual services and budget holders.</p> <p>Budget holders can access regular reports (with appropriate training) on their performance against budget, with significant variations and action taken to address them.</p> <p>budget monitoring reports are presented to the Director of Finance on a monthly basis and formally reported to cabinet on a quarterly basis including the financial outturn at year-end.</p>	 DCC_GLO1 Balances by Cost Centre.xls  Savings delivery Sept 2021 - All directorates  Budget Manager Dash board.docx  Financial Monitoring P5 .docx	
F2	Planning and managing capital resources well	<p>Capital Strategy is agreed by full Council annually</p> <p>Action – The Council are planning further development of the capital ambition for 2022/23</p> <p>Asset Management Plan sets out how it will ensure that Council assets are fit for purpose.</p> <p>Continue to improve the deliverability of the capital programme.</p>	<p>See MTFP in A5 evidence above</p> <p>https://www.derby.gov.uk/housing/land-and-premises/corporate-asset-management-plan/</p>	



F3	Using performance information effectively	The Council utilises the appropriate performance management software (DORIS) to regularly monitor and report its performance to Cabinet.	Performance reporting - DORIS (derby.gov.uk)	
F4	Having clear plans for delivering savings	Departments have targeted savings, which is linked clearly to the annual budget and 3-year MTFP. Savings are monitored to the extent that they are identified, implemented and achieved. This is reported in reports to Cabinet.	 Savings delivery Sept 2021 - All directorates	
F5	Managing reserves well	The Council continuously monitors and reports on its reserves position. It sets out its statutory s25 report annually as part of the MTFP. Frequently monitors and reports its general and earmarked reserves balances to show planned use of balances over the medium term. The reserves position is reported to Cabinet quarterly.	See MTFP in A5 evidence above See Quarterly monitoring in E10 evidence above	



Section 4: Medium to long-term financial management

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
G1	Medium Term Financial Strategy	<p>In developing its 3-year MTFP including the 30-year HRA business plan, the Council considers the following:</p> <ul style="list-style-type: none"> • Government funding • Specific Government grants • Business Rates • Council Tax • Inflation • Pay awards • Demographic and demand growth • Delivery of savings • Capital programme • Treasury management and investments • Rent increases • Housing related capital investment 	See MTFP in A5 evidence above	
G2	Reporting to Members	<p>The Council's 3-year MTFP is reported to Members setting out:</p> <ul style="list-style-type: none"> • funding reductions and increased demand • actions to address key risks • income assumptions/changes • inflation assumptions • pressures and savings • reserves strategy 	See MTFP in A5 evidence above	



Section 4: Medium to long-term financial management

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
H1	Determining a capital strategy	<p>Arrangements are in place for the governance process for approval and monitoring of capital expenditure</p> <p>The capital programme report sets out a long-term view of capital expenditure plans, cost of past borrowing, maintenance requirements and any restrictions that the Council may face in respect of borrowing, funding or capital finance. The report also demonstrates:</p> <ul style="list-style-type: none"> • A projection of external debt and use of internal borrowing • Provision for the repayment of debt • Authorised limit and operational boundary • The Council's approach to Treasury Management 	<p>See MTFP in A5 evidence above</p> <p>See quarterly monitoring in E10 evidence above</p>	
H2	Setting prudential indicators	<p>The Council sets its prudential indicators for the forthcoming and following years as part of the Capital Programme and Treasury Management Strategy which is approved annually by full Council.</p> <p>The Council have undertaken an initial review compliance with the Prudential code mainly in terms of MRP and commercial borrowing.</p>	Included in MTFP report above	



Section 4: Medium to long-term financial management

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
I1	Integrating financial and service planning	<p>The budget process leading up to these proposals</p> <ul style="list-style-type: none"> • The Financial Context • The current local government financial picture nationally and locally • The MTFP financial position and main risks • Directorate savings and pressures • Impact on FTE • Proposed Council Tax levels. 	See MTFP in A5 evidence above	
I2	Translating the authority's longer-term aims into the medium term	The 3-year MTFP is aligned to the Council's strategic objectives as set out in its Council Recovery Plan. Key service transformation is reflected in the Plan. Key transformation programmes are also reflected.	See MTFP in A5 evidence above	
I3	Developing a robust medium-term financial plan	The 3-year MTFP is a medium-term financial plan which sets out the overall shape of the Council's budget, by establishing what resources are available for allocation to reflect Council and community priorities. The Council Recovery Plan sets out service and organisational priorities. This is reflected in the development of the MTFP.	See MTFP in A5 evidence above	



14	Understanding drivers of demand and cost	<p>In developing the MTFP, consideration of the following is made:</p> <ul style="list-style-type: none"> • Price inflation • Pay awards • Savings programme • Demographic changes • Council tax base • Business rates growth • Funding Changes • Growth bids • New burdens <p>The above list is not exhaustive.</p> <p>Action – to do further work to embrace intelligence led council. To refresh the risks as part of the budget setting process (MTFP report).</p>	See MTFP in A5 evidence above	
15	Identifying relevant drivers	<p>A robust budget setting process requires the development of business plans for service pressures which will set out detail of cost drivers. Both adult and children's social care utilise appropriate tools to forecast demographic changes.</p>	<p>Adults utilise PANSI (Projected Adult Needs Service Information) and POPPI (Projected Older Person Population Information) as a basis for estimating demographic growth. This is a national database of projected Adult Social Care needs. In Children's they use the data intelligence teams forecast of numbers</p>	



16	The role of asset management plans in the MTFP	The Corporate Asset Management Plan sets out the basis on which Derby City Council's property portfolio is managed so as to make a positive contribution to both the delivery of public services for citizens and also to the growth and development of Derby as a vibrant city. These principles are reflected as appropriate in the MTFP.	See Asset Management plan in F2 evidence above	
17	MTFP Alignment with Recovery Plan	The Council has aligned its MTFP approach with the Council's post-COVID Recovery Plan.		



Section 5: The annual budget

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
J1	Statutory requirements regarding budget setting	<p>In setting its budget, the Council meets the requirements of the Local Government Act 2000 in that the budget is approved by full Council, and the Local Government Act 2003, Section 25 in that the Section 151 Officer reports on the robustness of estimates.</p> <p>Historically, the Council has approved its budget (by full Council) in early February, thereby meeting the requirements of the Local Government Finance Act 1992 which stipulates a deadline of 1 March.</p>	See MTFP in A5 evidence above	
J2	Setting a robust and sustainable budget	<p>In accordance with the Local Government Finance Act 1992, the Council's budget requirement for the year includes:</p> <ul style="list-style-type: none"> the expenditure that the authority estimates it will incur in the year in performing its functions an allowance for contingencies in relation to this expenditure the financial reserves that the authority estimates it will need to maintain in the year to meet its estimated future expenditure 	See MTFP in A5 evidence above	
J3	Responsibility for setting the budget	The Section 151 Officer is a member of the Corporate Management Team which ensures that the leadership team of the Council are pro-active in developing the annual budget process.	SLT reports and quarterly cabinet reports	



		The Section 151 Officer ensures that robust budget monitoring procedures and processes are in place to ensure that the Council's financial position is regularly reported to CMT and Cabinet.		
J4	Implementing spending control	<p>The Council's Financial Procedure Rules prescribe the spending limits for both officers and members.</p> <p>The departmental schemes of delegation prescribe the departmental authorisation levels.</p> <p>Implementation of the spending panels in September 2021 to manage in-year forecast overspend.</p> <p>Working smarter programme - includes Contract management commercialisation, debt management and intelligent council, started in 21/22 for 22/23.</p>	Financial Procedure Rules	
J5	Issuing a section 114 notice	The Section 151 Officer is aware of the requirements of the Local Government Finance Act 1988 in the event that the Council is likely to exceed the resources available to meet that expenditure.		



Section 5: The annual budget

Financial Management Standard K: The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
K1	Understanding budget estimates	<p>In setting the budget, the Section 151 Officer considers the following significant estimates:</p> <ul style="list-style-type: none"> • the level of demand for individual services • staff pay levels and pension scheme contribution levels • interest rates, likely returns on financial investments and other capital finance issues • pressures on major capital projects • the level of funding received through council tax and other sources • receipts from the sale of capital assets • the achievement of savings plans and targets. 	See MTFP in A5 evidence above	
K2	Providing assurance in respect of budget estimates	<p>The revenue budget report includes the following:</p> <ul style="list-style-type: none"> • Estimates of pay awards based on national and local discussions • Inflation estimates based on statistics and local data • Demographic growth based on local models and projections 	See MTFP in A5 evidence above	



		<p>Many professional officers are involved in a process which takes into account and evaluates all known facts. There continues to be great emphasis on assessing and evaluating all known changes, including pay and price levels, statutory changes and demands for service. None of these matters are omitted from advice to Members. The process is underpinned by the Council's integrated Risk Management Strategy, service improvement and Improvement and Scrutiny deliberations. In particular, emphasis is placed on the ability to maintain and develop services through a three year forward financial planning process.</p> <p>Where uncertainty remains in the preparation of the revenue budget, the Council utilises a General reserve and Other Earmarked reserves.</p>		
K3	The adequacy of the proposed reserves	<p>The Council has in place a reserves framework which sets out which decisions are made regarding the level of reserves. The balance and level of reserves are regularly reviewed. Details of the General Reserve balance and medium-term projections are set out in the report.</p> <p>In setting the revenue budget, historically, the Council has used both general and earmarked reserves to support one-off expenditure. This helps to support service pressures and to produce a balanced budget. The reasons for one-off use of expenditure are clearly explained in the report.</p>	See adequacy of reserves section of the MTFP in A5 evidence above	



Section 6: Stakeholder engagement and business cases

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
L1	Engaging effectively with stakeholders	<p>We are aware who are stakeholders in terms of business community, rate payers, workforce, voluntary sector</p> <p>Engaged with stakeholders through social media platforms making it more accessible</p> <p>Socialising through SLT/members</p> <p>Video platforms used to engage with stakeholders during the pandemic</p>	<p>Sound bytes</p> <p>Budget consultation documents</p>	
L2	Using the results of the engagement	<p>The results of engagement with key stakeholders are reported to SLT/Cabinet as appropriate. The outcomes are used to inform Council/Recovery Plan.</p> <p>The Council undertakes annual engagement with residents as part of its budget setting process. Historically, it has used a range of media to capture residents' views ranging from panel forums. More recently, the Council has utilised social media which has helped to increase the number of responses.</p>	<p>See Recovery Plan in E12 evidence above</p> <p>See Consultation Report in E12 evidence above</p>	



Section 6: Stakeholder engagement and business cases

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
M1	Option appraisal methodology.	<p>Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits. Where appropriate the time value of money should be considered. Alternative options should be considered. The complexity of the business case should be proportionate to the decision.</p> <p>Actions – development of project management portal (PMP) for major projects. This provides guidance and assurance on delivery.</p> <p>Financial oversight in the preparation and evaluation of the models.</p> <p>PMO – critical assurance - governance arrangement</p> <p>Assurance team.</p>	<p>See Audit results in F1 evidence above</p> <p>Business planning (derby.gov.uk)</p> <p>Major-Projects-Gateway-Handbook-July-2019.pdf</p> <p>https://iderby.derby.gov.uk/policy-and-insight/pmo/</p>	



Section 7: Monitoring financial performance

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

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
N1	Receiving reports about the right things	<p>The Council's 3-year MTFP is updated on an on-going basis and reported regularly to the leadership team and annually to Cabinet. The Plan clearly sets out the key assumptions/estimates.</p> <p>The financial monitoring position is reported regularly to the senior leadership team/Cabinet and relevant directorate management teams</p> <p>Risks are identified in the budget monitoring reports and appropriate cabinet reports</p> <p>Progress against savings initiatives is monitored and reported in the budget monitoring reports.</p> <p>Action - development of the delivery plan portal</p> <p>Historically, service performance has been reported separately to the financial position, however, work is in train to ensure that performance and financial reporting is integrated in the 2021/22 financial year.</p> <p>Regular activity reports around our high-risk budgets – Children placements and Adult social care.</p>	See MTFP in A5 evidence above	



		Payments are made through the contract management system (controcc) which greatly improves forecasting and financial analysis. Monitoring is carried out weekly in some high- risk areas		
N2	Receiving reports at the right time	<p>There are monthly meetings between the Director of Finance and Strategic Director of Corporate Resources to review the Council's financial position.</p> <p>The reports to Cabinet have a standard format. Reporting to SMT's has a number of formats to suit local need and requirements of budget holders.</p> <p>The Council's core financial system has been in place for over 10 years and provides for a range of reporting and drill down. This is currently subject of a procurement process to replace the existing system.</p>	See monitoring reports in F1 evidence above	
N3	Taking action in respect of issues identified	Overspends are reported and appropriate actions are taken to address these where appropriate. These are reported to the Leadership Team where cohesive agreement is reached to support any overspends. In addition, the Council has now formed review panels to try and bring the in year overspend down. These panels look at overspends, savings, vacancies, agency spend and procurement approval forms. In addition, there is a separate panel that concentrates on placements in social care.	See monitoring reports in F1 evidence above	



Section 7: Monitoring financial performance

Financial Management Standard O: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
O1	Determining risk on the balance sheet	<ul style="list-style-type: none"> • Non-current assets – the Council’s planned maintenance programme is reviewed regularly; however, it is recognised that there is a significant backlog. The revenue implications of the capital programme feed into the budget setting process • Long term and short-term investments – the Council’s Treasury Management Strategy is implicit in its approach to managing risk. The Council utilises a range of investment vehicles to provide additional income from its investments • Debtors – the Council’s average debtors’ days is a key performance indicator. Historically, the Council has in place robust processes for income collection and collection rates are good, however, Covid has affected this. • Cash – robust Treasury Management processes are embedded to ensure that the Council monitors its cashflow • Current liabilities – as above • Provisions – procedures are embedded to ensure that provisions are identified as appropriate 	See MTFP in A5 evidence above	



		<ul style="list-style-type: none"> • Pensions liabilities – these are reviewed and revised as appropriate and built into potential future pressures in the MTFP. Long-term borrowing – the Treasury Management Strategy is explicit in the Council’s borrowing requirements • Council’s borrowing requirements • Usable reserves – the Council’s Reserves and Adequacy report sets out a framework for monitoring the Council’s reserves balances • TM reported to cabinet mid-year and at outturn • Regular TM meetings with our professional advisors, officers and the S151 officer 		
O2	Monitoring risk on the balance sheet	The Council has in place a number of appropriate policies to monitor balance sheet risk.	See MTFP in A5 evidence above	



Section 7: Monitoring financial performance

Financial Management Standard: The chief finance officer has personal responsibility for ensuring that the statutory accounts provided by the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom

Ref	Principle	Supporting Narrative	Evidence	RAG Rating
P1	The purpose of the statutory financial statements	<p>The content of the statements meets the requirements of key stakeholders. The format is as prescribed in the Code of Practice.</p> <p>The narrative report explains significant features of the accounts, based on information contained in the financial statements. It also sets out the Council's main objectives, provides performance information and explains how the Council has used its resources.</p>	derby-city-council-draft-statement-of-accounts-2020-21.pdf	
P2	The role of the chief financial officer	<p>In preparing the accounts, the Strategic Director of Corporate Resources has:</p> <ul style="list-style-type: none"> • selected suitable accounting policies and then applied them consistently • made judgements and estimates that were reasonable and prudent • complied with the local authority Code. • kept proper accounting records which were up to date • taken reasonable steps for the prevention and detection of fraud and other irregularities. 	See - The Strategic Director of Corporate Resources responsibilities within the Statement of Accounts at P1 evidence above Statement of Accounts	



P3	The CFO's responsibility for the accounts of the authority	The Strategic Director of Corporate Resources is aware of their responsibilities for the preparation of the annual financial statements. These responsibilities are in their role description.	See - The Strategic Director of Corporate Resources responsibilities within the Statement of Accounts at P1 evidence above	
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Status:	Number	%
Red	1	1%
Amber	10	14%
Green	63	85%
Total	74	100%



Action Plan

Reference Number	Action	Owner
A10	Add examples of detailed benchmarking analysis to be undertaken to ensure that all costs of services and value for money considerations inform the MTFP and decision-making process.	Major Projects/Amanda Fletcher
A10	PMO board – Add examples of purpose/costing models	Major projects/Amanda Fletcher ?
A11	To implement consolidated performance and finance reporting to SLT and members.	Toni Nash/Sarah Walker
C5	FPR review is planned for 2022/23	Democratic Services/Financial Services
F2	The Council are planning further development of the capital ambition for 2022/23	Alison Parkin
M1	Development of project management portal (PMP) for major projects.	Sarah Walker
N1	Development of the delivery plan portal	Sarah Walker

