

Audit Committee

30 June 2023

Compliance with CIPFA Financial Management Code

Ordinary Decision



Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide Members with an update against the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (FM Code), which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

Executive Summary

- 2 The FM Code sets out the principles by which local authorities should be guided in managing their finances and the specific standards that should be achieved.
- 3 The FM Code was introduced in 2020 and is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to:
 - financially manage the short, medium, and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services
 - manage unexpected shocks in their financial circumstances.
- 4 The FM Code is designed to be flexible to the needs, nature and circumstances of individual local authorities and therefore does not determine the extent and format to which an authority complies with

the code. It does however guide local authorities towards achievement of specific standards of financial management practice.

- 5 An annual self-assessment is undertaken by the Revenue, Pensions and Technical Finance Manager to review the Council's compliance with CIPFA's Financial Management Code and to identify any improvement opportunities.
- 6 The 2021/22 self- assessment concluded that the Council's arrangements complied with the CIPFA Financial Management Code and identified two improvement opportunities. This report provides an update of these elements.
- 7 The 2022/23 self-assessment has concluded that the Council's arrangements fully comply with CIPFA's Financial Management Code (full details and conclusion are attached at Appendix 2).

Recommendation

- 8 It is recommended that Members note the contents of this report.

Background

- 9 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 10 The FM Code was introduced in 2020 and sets out the standards of financial management for local authorities. The code takes in consideration the varying nature, circumstances and needs of individual authorities and is therefore not prescriptive, rather enabling each authority to determine individual levels of compliance.
- 11 The FM Code is based on a series of principles by which authorities should be guided in managing their finances and supported by specific standards which are considered necessary to provide the strong foundation to:
 - financially manage the short, medium, and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services
 - manage unexpected shocks in their financial circumstances.
- 12 Demonstrating compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management.
- 13 The FM Code builds on established CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments.
- 14 The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the code requires that a local authority demonstrates that its processes satisfy the principles of good

financial management for an authority of its size, responsibilities, and circumstances.

- 15 The FM Code acknowledges that good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.
- 16 The series of principles focus on an approach that assists in determining whether, in applying specific standards of financial management, a local authority is financially sustainable. The six principles are as follows:
- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
 - Financial management is undertaken with transparency at its core using consistent, meaningful, and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 - Adherence to professional standards is promoted by the leadership team and is evidenced.
 - Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit, and inspection.
 - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 17 These principles further translate into 17 financial management standards. These standards are as follows:
- The leadership team is able to demonstrate that the services provided by the authority provide value for money.
 - The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016).

- The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
- The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).
- The financial management style of the authority supports financial sustainability.
- The authority has carried out a credible and transparent financial resilience assessment.
- The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
- The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.
- The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
- The authority complies with its statutory obligations in respect of the budget setting process.
- 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.
- The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget.
- The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.
- The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

- 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.
- The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions

2021/22 Self - Assessment Update

18 The 2021/22 self-assessment review identified two improvement opportunities for consideration. The following updates are provided in terms of addressing the opportunities identified:

- **Improvement Opportunity 1 - A review of Reports and Oracle BI Dashboards should be undertaken to ensure relevance.** *(Any review should be in conjunction and should complement the Corporate BI review in the interim whilst a corporate solution is completed).*

An on-going financial reports review has commenced:

- a. new system generated reports have been created providing consistency and removing the requirement for manual service reports. It is anticipated that further reports will be created aligning services reporting across the council in the coming year;
- b. The Principal Accountants Group have reviewed and have commenced a relevance assessment of the current suite of reports within the financial system. A number of reports have been withdrawn from the system where financial reporting processes and practices are deemed to have changed. It is expected that the ongoing assessment will enable the removal of further reports;

The corporate BI project is underway with:

- c. The Finance Manager – Commercial, Capital, Treasury and Systems attends the Corporate BI Development Board meetings to enable alignment between systems.
- **2021/22 Improvement Opportunity 2 – Review of Budget Managers local government finance knowledge.** *(To further complement the Corporate Budget Manager Training*

Programme, a review via service management teams to identify service Budget Manager local government finance knowledge and, where required, provide further consistent training would add value across the authority).

The Corporate Budget Manager Training programme is being refreshed and relaunched via an E learning approach. Training content is complete with the E learning platform scheduled to go live via the Durham Learning and Development System (DLDS) during July 2023.

In addition, service teams have undertaken targeted training courses to enhance and refresh budget manager local government finance knowledge.

2022/23 Self - Assessment

- 19 The council's Financial management processes have again been reviewed in line with the 17 financial management standards within the FM Code and the outcome/ updates documented.
- 20 The review has concluded **Durham County Council's arrangements continue to comply with CIPFA's Financial Management Code**. Full details of the assessment and conclusion is attached at Appendix 2.

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Appendix 1: Implications

Legal Implications

Preparation of annual accounts in compliance with the Accounts and Audit Regulations 2015 and the latest CIPFA Code of Practice on Local Authority Accounting which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

Finance

There are no direct financial implications associated with this report.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The key risk is that the Council is not operating in Compliance with CIPFA Financial Management Standards. The review undertaken by the Revenue, Pension and Technical Finance Manager concluded that the council's arrangements continue to comply with CIPFA's FM code.

Procurement

None.

APPENDIX 2 – CIPFA Financial Management Code – Compliance with Standards 2022-23 Self-Assessment

FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
<p>The responsibilities of the chief finance officer and leadership team</p>		
<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money</p>	<p>Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?</p> <p>Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?</p>	<p>The Council's Constitution sets out the roles and responsibilities of all Members, committees, and chief officers, and in the Financial Procedures (start page 182 of DCC Constitution) contained within, sets out the responsibilities for VFM.</p> <p>The MTFP reported to Cabinet and Council each year includes updated financial position; factors/ considerations listed; robust programme management approach; HR implications; equality impact assessments; development of new approach through the Transformation Programme; consultation.</p> <p>Cabinet 8 February 2023 County Council 22 February 2023</p> <p>CMT / Cabinet MTFP (14) planning sessions commenced in April 2023.</p> <p>A clear timetabled approach to MTFP saving and growth requirements/ priorities is in place.</p> <p>The role of the Corporate Overview and Scrutiny Management Board (COSMB) is to oversee and coordinate the work of overview and scrutiny and the five thematic committees. COSMB's main focus each year is scrutiny of the Council's Medium Term Financial Plan process and revenue and capital budget proposals. Their work contributes to ensuring the council's resources are used effectively and efficiently. Another</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?</p>	<p>key role for the Board is corporate performance and budgetary monitoring which is undertaken on a quarterly basis.</p> <p>The Council's CMT, Cabinet and Overview & Scrutiny Committees, monitor performance and ensure that effective arrangements are put in place to deal with any failures in service delivery. Assurance is gained through quarterly performance reporting and through performance clinics between the Chief Executive and Corporate Directors during the year. These scrutiny / performance clinics are embedded within directorate management teams to inform CEO/ Director discussions/ considerations.</p> <p>Quarterly Forecast of Outturn reports to CMT, Cabinet and COSMB</p> <p>The Council has a locally led planning and performance management framework that links to the County Durham Vision 2035 and Council Plan. The council plan 2023-2027 has been refreshed and focuses on priority actions in line with the MTFP. The objectives for this plan align to the Vision for County Durham 2035.</p> <p>The performance management framework has been refreshed to link detailed service and improvement plans aligned to service budgets, major project plans and assurance through relevant boards.</p> <p>The format of performance reports has been realigned to the ambitions in the new Council vision and are reported quarterly to CMT, Cabinet and Scrutiny committees.</p> <p>Joined up, real-time performance and finance dashboards using business intelligence and reporting services tools continue to be developed to provide more immediate view and</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
			<p>visualisation of performance (including financial) as part of a Business Intelligence Programme.</p> <p>These will enable better targeting of resources and services and support the management and prediction of demand.</p> <p>The programme to implement a single data analytics platform for the whole council to automate the extraction, transformation, and presentation of data analytics across all our systems, allow matching of data from disparate systems and presentation of single views. This will replace all existing dashboards and management information reporting arrangements.</p> <p>In the interim, we have real time performance dashboards already in place for children’s social care data (linked to the liquid logic system implementation) and the new adults social care system (Azeus).</p> <p>We also have Power BI dashboards for anti-social behaviour integrating data from the council, police, fire and rescue service and housing providers.</p> <p>The Durham Insight data and intelligence platform for our joint strategic needs assessment also continues to be enhanced with a variety of dashboard products.</p> <p>The County Durham Partnership monitors performance towards implementing County Durham Vision 2035 and considers strategically how plans align and where efficiencies and value can be maximized through integration, shared services, and joint commissioning.</p> <p>Fourteen Area Action Partnerships (AAPs) are fully engaged with the community in identifying, addressing local priorities, and utilising locality budgets to drive improvements to the local area.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
			<p>Within our quarterly performance reports, we set out how we compare to our own performance a year ago, the National figure, the North East figure and nearest statistical neighbour, where relevant and data is available. The council reports on the performance of over one hundred key target/ tracker indicators.</p> <p>The Audit Completion report of the external audit sets out their views on whether the council satisfies its VFM criteria as set by the National Audit Office. This is reviewed by the Audit Committee before being published on the council's website.</p> <p>The Annual Governance statement included in the Statement of Accounts sets out the means whereby the council has evidenced VFM.</p> <p>Treasury Management Outturn reports benchmarking and TM indicators also provide evidence of VFM.</p>
	<p>The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government (2016)</i></p>	<p>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?</p> <p>Does the CFO lead and champion the promotion and delivery of good financial management across the authority?</p>	<p>Corporate Director of Resources is a key member of the Corporate Management team and is therefore involved in, and able to bring influence to bear on, all key business decisions.</p> <p>The CFO is also a member of the Statutory Officer group along with the CEO and Head of Legal and Democratic Services</p> <p>The CFO champions VFM, effective financial management and leads on the development of the MTFP.</p> <p>Also, within the Constitution, the Financial Procedures provide the framework for managing the Council's financial affairs.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p data-bbox="611 405 1032 469">Is the CFO suitably qualified and experienced?</p> <p data-bbox="611 1286 1162 1350">Is the finance team suitably resourced and fit for purpose?</p>	<p data-bbox="1205 236 2002 400">These procedures are supported by more detailed Financial Management Standards which set out how procedures will be implemented. The procedures identify the financial responsibilities of the full Council, the Cabinet, the Audit Committee and Officers.</p> <p data-bbox="1205 440 2018 536">A Finance Business Partnering approach is championed by the CFO at all levels across all services to ensure that a systemic 'One council' approach is embedded.</p> <p data-bbox="1205 576 2011 639">The CFO is chair to the Director of Resources Group and LA7, leading on financial management across the region.</p> <p data-bbox="1205 679 1995 743">The Corporate Director of Resources (S151 Officer) is CCAB qualified and complies with CPD requirements.</p> <p data-bbox="1205 783 1984 911">The Council's Constitution clearly sets out the roles and responsibilities of the Corporate Director of Resources including his statutory duties arising from his capacity as the Section 151 Officer.</p> <p data-bbox="1205 951 1995 1182">Section 25 of the LGA 2003 requires that when a local authority is considering its Budget and setting its Council Tax for the forthcoming financial year, its Chief Financial Officer reports to Full Council on the robustness of the estimates made for the purposes of the Council Tax requirement calculations and the adequacy of the proposed financial reserves allowed for in the budget proposals.</p> <p data-bbox="1205 1222 2018 1350">Each year before the budget is agreed Members of full Council are asked to take advice of the Chief Finance Officer as set out in a 'section 25' report. Provision of this information is a legal requirement and ensures that all Members have regard to the</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
			<p>professional authoritative advice provided by the authority's Chief Finance Officer when final budget decisions are made.</p> <p>The finance teams are well qualified, professional, and very experienced. Accountancy and Accountancy Assistant qualifications are encouraged throughout.</p> <p>Finance have embedded mentoring scheme which includes qualification mentoring and developmental mentoring The qualification mentoring programme provides tailored support to AAT and CIPFA students via qualified staff and technical support groups.</p> <p>The Head of Corporate Finance and Commercial Services, Finance Managers and Principal Accountants are all available to mentor individual and further develop staff with specific requirements and skills to enhance career prospects within the council under the 'grow our own' ethos.</p> <p>Mentoring profiles have been completed by all qualification and developmental mentors and a panel considers each mentoring request to align mentors based on individual requests.</p> <p>Line managers also consider individual request via PDRs and 1-1s and work alongside the administrator to ensure effective alignment.</p> <p>The Head of Corporate Finance and Commercial Services has strong links to County Council Network, SIGOMA and is highly regarded in terms of knowledge and expertise across these bodies, throughout the North East and national Local Authorities</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
			<p>The majority of Finance Managers and Principal Accountants have successfully undertaken formal (CIPFA) finance business partnering training and qualification which further promotes effective decision making via a systemic approach to service and corporate priorities, including value for money. This qualification is now being offered through the service training plan to eligible finance staff</p> <p>As a business as usual approach across the service, tasks deemed non-value adding are removed and resources redirected to priority areas.</p> <p>The development of financial systems has facilitated staffing restructures and downsizing, ensuring service delivery has not been compromised.</p> <p>Further projects are currently underway to further remove manual processes, automating reports and cross systems data.</p> <p>Improvement Opportunity 1 – ongoing into Business as usual approach</p> <p>Following the initial review undertaken as part of the 2021/22 improvement opportunity, continuous review of all system provided reports and Oracle BI dashboards will be undertaken to ensure relevance.</p> <p>Finance Manager oversight of Principal Accountant led reviews have been introduced to ensure alignment to corporate priorities</p>
	<p>Governance and financial management style</p>		

FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p>	<p>Does the leadership team espouse the Nolan principles?</p> <p>Does the authority have in place a clear framework for governance and internal control?</p> <p>Has the leadership put in place effective arrangements for assurance, internal audit, and internal accountability?</p> <p>Does the leadership team espouse high standards of governance and internal control?</p> <p>Does the leadership team nurture a culture of effective governance and robust internal control across the authority?</p>	<p>The Constitution sets out the standards to be met by Members, Chief Officers, and staff.</p> <p>The Council seeks to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.</p> <p>The Council uses a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.</p> <p>The Annual Internal Audit Charter, Strategy and Audit Plan reported to Audit Committee sets out Internal Audit's position within the organisation, including the nature of the Chief Internal Auditor and Corporate Fraud Manager's functional reporting relationship with the Audit Committee; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.</p> <p>Internal Audit are independent to other teams within the council; they will regularly review internal control arrangements within the authority. The Chief Internal Auditor and Corporate Fraud Manager reviews the effectiveness of the system of internal control throughout the year and regularly reports to the Audit Committee.</p> <p>The Council has a dedicated counter fraud response and strategy which includes fraud governance and arrangements to prevent, detect and pursue fraud.</p> <p>Fraud & Corruption is a Strategic Risk which is monitored and reported.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
			<p>The Council endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions.</p>
	<p>The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016)</p>	<p>Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements?</p> <p>Does the authority have in place a suitable local code of governance?</p> <p>Does the authority have a robust assurance process to support its AGS?</p>	<p>The authority seeks to apply the principles, behaviours and actions set out in the Framework within its own governance arrangements, including the Financial Regulations which form part of the County Council Constitution. These are supported by the more detailed Financial Management Standards.</p> <p>The council approved, adopted, and published on its website, a revised Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government.</p> <p>The key elements of the council’s governance arrangements are detailed in the council’s Local Code of Corporate Governance. This sets out the key documents and processes that determine the way the council is directed and controlled to meet the seven core principles of the CIPFA/ SOLACE Framework.</p> <p>The Annual Governance Statement is included in the Annual Statement of Accounts and explains how the Council’s arrangements for the governance of its affairs complied with its Local Code of Corporate Governance. This is regularly reviewed by CMT and reviewed and approved by Audit Committee and approved annually by the Chief Executive, Leader of the Council and the Corporate Director of Resources.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
	<p>The financial management style of the authority supports financial sustainability</p>	<p>Does the authority have in place an effective framework of financial accountability?</p> <p>Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness, and equity of its services?</p> <p>Does the authority's finance team have appropriate input into the development of strategic and operational plans?</p>	<p>The Constitution and Budget reports collectively set out the Council's approach to prudent, sustainable financial planning and the role of the Corporate Director of Finance role in commenting on the robustness of estimates, and duties under section 114 of Local Government Finance Act 1988.</p> <p>The robust MTFP planning process requires that all senior managers and budget holders be committed to continuous improvement in terms of the economy, efficiency, effectiveness, and equity of its services.</p> <p>The One Council ethos and business partnering approach highlights the Council's commitment.</p> <p>The performance management framework aligns closely to the MTFP</p> <p>The Council's Cabinet monitors quarterly performance and ensures that effective arrangements are put in place to deal with any failures in service delivery.</p> <p>A balanced Revenue Budget is prepared annually, and Members make decisions on council tax increases which ensure future sustainability. The rolling MTFP considers financial planning across a rolling four year period. The wider financial management style of the authority supports financial sustainability as reports taken to committee have to consider and document the financial implications of any material decision taken.</p> <p>Service Finance Managers play a key role on the Service Management Team which they represent. They play a vital role in helping the service managers and Corporate Director of</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so?</p>	<p>Resources to develop a balanced budget and longer term MTFP.</p> <p>The Head of Corporate Finance and Commercial Services supported by the Revenue Pensions and Technical Finance Manager, co-ordinates annual revenue budget setting, regular monitoring and MTFP plans across finance and wider services</p> <p>The Head of Corporate Finance and Commercial Services supported by the Capital, Commercial, Treasury and Systems team co-ordinates the capital budget setting, monitoring and MTFP planning, including MOWG consideration.</p> <p>The Strong links between Service and Strategic Finance via the Financial Services Management team ensure a fully considered approach to strategic and operational plans are undertaken.</p> <p>Financial management training is provided corporately to Budget managers as part of the DLDS. Budget Managers ought to attend an internal finance training session once they take responsibility for a budget to enhance their financial literacy and enable them to manage their budgets more effectively.</p> <p>The Corporate Budget Manager Training programme is being refreshed and relaunched via an E learning approach. Training content is complete with the E learning platform scheduled to go live via the Durham Learning and Development System (DLDS) from July 2023.</p> <p>In addition, service teams have undertaken targeted training courses to enhance and refresh budget manager local government finance knowledge. (e.g., Adults Mental Health</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>Has the authority sought an external view on its financial style, for example through a process of peer review?</p>	<p>teams including TEWV staff have recently undertaken targeted financial training in conjunction with other council service teams)</p> <p>The Head of Corporate Finance and Commercial Services has recently completed a Financial Planning questionnaire for consideration across the LA7 authorities.</p> <p>In addition, an LA7 benchmarking exercise has recently been considered by the partner Corporate Directors and will be commencing in the coming weeks.</p> <p>Financial surveys are regularly completed across County/ Municipal Treasurer and other networks with feedback obtained and considered.</p> <p>A peer review was undertaken in September 2021 by South Tyneside on the Council's Financial style. The review concluded that the financial management at DCC is strong and the financial foundations of the Council robust. The assumptions underpinning its financial planning are generally reasonable and prudent with key risks identified related to its ongoing financial resilience and sustainability.</p> <p>The regional consensus is to undertake peer reviews every 3-5 years. Any advice from OFLOG however will be considered and should clear expectations for peer reviews become more prominent, the council will act accordingly</p> <p>The Annual Value for Money Judgement provided by external audit as part of the Statement of Accounts highlights the councils financial style and standing in relation to its strategic and financial planning approach</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>Has the authority taken appropriate action to address any risks identified as part of the assessment?</p>	<p>The robust MTFP process details and assesses the risks to financial sustainability and sets out how the budget will be balanced, identifying budget pressures and savings proposals to ensure a balanced budget. All proposals are risk assessed.</p> <p>Risk Registers are reviewed regularly with emerging issues and concerns considered and assessed throughout this process</p>
	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</p>	<p>Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?</p> <p>Does the authority have a strategic plan and long-term financial strategy that adequately address these risks?</p> <p>Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational, and financial challenges that it might face (e.g., using a technique such as scenario planning)?</p> <p>Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks, and the</p>	<p>MTFP provides a financial framework associated with the Council Plan that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes. It also enables the continued provision of value for money. comprehensive schedules of savings targets are programmed to achieve the necessary savings to enable the delivery of a balanced annual budget and MTFP. Proposed savings are fully assessed for potential risks to the council with monthly CMT and Cabinet sessions to review and direct.</p> <p>The corporate strategic finance teams regularly horizon scan and scenario plan to consider a number of potential outcomes to government funding and business decisions being considered by the council. Service Finance teams regularly horizon scan and scenario plan regarding service specific requirements.</p> <p>Regular updates are shared with CMT and Cabinet, on preparations for the next MTFP as information becomes available.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>impact of these for short and medium-term decision making?</p>	<p>A service business case approach is embedded with the council which includes input by relevant business partners, finance, HR, legal, planning, CPAL etc.</p>
	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities</p>	<p>Has the authority prepared a suitable capital strategy?</p> <p>Has the authority set prudential indicators in line with the Prudential Code?</p> <p>Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?</p>	<p>DCC prepares and publishes an annual Capital Budget and Strategy as part of the budget setting process included in the MTFP.</p> <p>In the MTFP report, the authority sets out prudential indicators included within the Treasury Management Strategy, and in line with the Prudential Code.</p> <p>A mid-year review report on Treasury Management is approved by Cabinet which is our means of monitoring performance against indicators set. The report provides a summary of the Council's treasury position, borrowing activity, investment activity, treasury management and prudential indicators.</p> <p>The change in borrowing and investment is reported via quarterly outturn reports</p>
	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p>	<p>Does the authority have in place an agreed medium-term financial plan?</p> <p>Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?</p>	<p>Yes - annually revised and approved, rolling four-year MTFP linked to the Council Plan.</p> <p>MTFP provides a financial framework associated with the Council Plan that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes. It also enables the continued provision of value for money. A comprehensive schedule of savings targets has been programmed to achieve the necessary savings to enable us to deliver a balanced budget and MTFP.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?</p> <p>Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?</p> <p>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>	<p>The detailed MTFP has been prepared on the basis of a robust assessment of relevant drivers of cost and demand, determined via a multi service approach.</p> <p>The Head of Corporate Finance and Commercial Services leads on various scenarios (best case, worst case, and most likely case) of the MTFP model which are developed from May of each year onwards, considering potential funding scenarios, budget pressures and one-off investments, use of reserves and council tax increases likely to receive support from Members. Alternative service provision scenarios are fully considered when developing the MTFP.</p> <p>Property and Land assets are maintained by the Corporate Property and Land Service. Outside of this, to ensure the effective delivery of services, plant and equipment registers are maintained by the Environment Service and an IT asset register is maintained by Digital and Customer Services.</p> <p>The Corporate Asset Management Plan was approved by Cabinet in April 2023</p>
	The annual budget		
	The authority complies with its statutory obligations in respect of the budget setting process	<p>Is the authority aware of its statutory obligations in respect of the budget-setting process?</p> <p>Has the authority set a balanced budget for the current year?</p>	<p>The authority is aware of its statutory obligations in respect of the budget setting process and sets a balanced budget for the following year within the required timeframe.</p> <p>Proposals set out in the MTFP, and Revenue and Capital Budget Reports enables the Council to set a balanced budget for the forthcoming year.</p>

FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
	<p>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>Where its forecast expenditure exceeds the financing available and therefore a balanced budget cannot be set, a section 114 notice should be issued.</p> <p>At the earliest possible stage, the S151 Officer should make informal confidential contact with DLUHC to advise of financial concerns and a possible forthcoming S114 requirement, and at the same time should communicate the potential unbalanced budget position to Cabinet and the external auditor.</p> <p>Discussion with DLUHC may delay/avoid the need to issue a S114 notice, and the resulting freeze on local spending that inevitably follows.</p>
<p>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</p>	<p>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?</p> <p>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> <p>Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?</p>	<p>Section 25 of the LGA 2003 requires that when a local authority is considering its Budget and setting its Council Tax for the forthcoming financial year, its Chief Financial Officer reports to Full Council on the robustness of the estimates made for the purposes of the Council Tax requirement calculations and the adequacy of the proposed financial reserves allowed for in the budget proposals.</p> <p>Each year before the budget is agreed, Members of full Council are asked to take advice of the Chief Finance Officer via the section 25 Report. Provision of this information is a legal requirement and ensures that all Members have regard to the professional authoritative advice provided by the authority's Chief Finance Officer when final budget decisions are made.</p> <p>The MTFP report sets out the current level of reserves and reports on any shortfall estimated, alongside proposals to address the shortfall.</p>

FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
	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?	DCC has sufficient reserves to ensure its financial sustainability for the foreseeable future – this is set out in the MTFP report and updated during the year in the quarterly forecast of outturn reports to Cabinet.
Stakeholder engagement and business cases		
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget	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?	<p>Each year the Council engages with a range of stakeholders and communities in its budget preparations via its 14 Area Action Partnership Board and Forum members which include community groups, organisations, and individuals. In addition, we engage with the <u>County Durham Partnership</u> and its thematic partnerships and networks.</p> <p>Our 14 Area Action Partnerships are fully engaged with the community to identify and address local priorities and utilising locality budgets to drive improvements to their local areas. In addition, Durham County Council worked alongside its partners to develop a County Durham Vision.</p> <p>The 2023/24 revenue budget setting approach included the following:</p> <ul style="list-style-type: none"> • Between 25 October to 22 November 2022, consultation was undertaken with residents and partners regarding proposals to balance the council's budget for the next financial year (2023/24) that were published in the Cabinet report in October 2022. During the same period and beyond to 1 December 2022,

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		How effective has this engagement been?	<p data-bbox="1301 233 1912 300">presentations were made to the 14 Area Action Partnership Boards.</p> <ul data-bbox="1249 336 2020 943" style="list-style-type: none"> <li data-bbox="1249 336 2020 504">• Officers also attended meetings of the County Durham Partnership (CDP), County Durham Association of Local Councils (CDALC) and the Youth Council and met with Trade Unions representatives during the period of the consultation <li data-bbox="1249 541 2020 775">• Consultation was published on the Councils website and fully promoted whilst CDP partners were written to, seeking their views on the Councils budget strategy. The Corporate Overview and Scrutiny Management Board met on 24 October 2022 to consider the October Cabinet report and on 23 January 2023 to consider the 18 January 2023 Cabinet report. <li data-bbox="1249 812 2020 943">• The consultation was promoted with press releases; social media posts; posters displayed in libraries and Customer Access Points and targeted emails were sent to a range of partners <p data-bbox="1205 979 2020 1078">Full details are included within the Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget Report to Council on 22 February 2023</p> <p data-bbox="1205 1115 2020 1350">Extensive consultation combined with reviewing what people have told us during recent consultations helped us to gather insight, knowledge and understanding about people’s priorities. This insight enabled Durham County Council to formulate the budget proposals and obtain feedback from a range of stakeholders, community groups and individuals through a series of presentations and discussion.</p>

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>What action does the authority plan to take to improve its engagement with key stakeholders?</p>	<p>Responses regarding the 23/24 budget consultation process were received from the following partners:</p> <ul style="list-style-type: none"> • AAP Sessions; • County Durham Partnership partners – Durham Police, Police Crime and Victim’s Commissioner (PCVC) and Livin; • Youth Council; • CDALC; • Residents <p>Full details of participation and responses are included within the Medium Term Financial Plan 2023/24 to 2026/27 and Revenue and Capital Budget Report to Council on 22 February 2023</p> <p>We use various channels of communication and feedback mechanisms, including press releases, social media (Twitter, Facebook, Instagram, and YouTube), posters displayed in libraries and Customer Access Points and targeted emails across partners to reach out to and meet the needs of its communities.</p> <p>Each year, we plan how best to carry out the budget consultation. The approach may vary from year to year depending on the scale of change required, as well as the insights we have already obtained from consultations, engagement and discussions with our partners, stakeholders, and the general public.</p>
	<p>The authority uses an appropriate documented</p>	<p>Does the authority have a documented option appraisal methodology that is</p>	

FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
<p>option appraisal methodology to demonstrate the value for money of its decisions</p>	<p>consistent with the guidance set out in IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?</i></p>	<p>The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme which are set out in the MTFP. When bidding for capital funding it is imperative that effective business cases are submitted initially to the Capital Member Officer Working Group, before being presented to members of the Cabinet.</p> <p>The Prudential Code requires that local authorities produce a Capital Strategy to ensure that they can demonstrate that they are making capital expenditure and investment decisions in line with service objectives and properly take into account stewardship, prudence, sustainability, and affordability. Specific Appendices to the MTFP sets out the Capital Strategy providing the framework in which the capital programme is developed.</p> <p>As part of the development of the capital programme for the MTFP, services develop capital bid submissions during the summer alongside the development of revenue MTFP proposals. Bids are submitted to maintain the two year rolling programme approach to the capital budget. The Capital Member Officer Working Group (MOWG) considers the capital bid submissions taking the following into account:</p> <ul style="list-style-type: none"> (a) service grouping assessment of priority; (b) affordability based upon the availability of capital financing. <p>This process takes into account the impact of borrowing upon the revenue budget; and</p> <ul style="list-style-type: none"> (c) whether schemes could be self-financing i.e., capital investment would generate either revenue savings or additional income to repay the borrowing costs to fund the schemes.

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
		<p>Does the authority offer guidance to officers as to when an option appraisal should be undertaken?</p> <p>Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?</p> <p>Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty?</p> <p>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)?</p>	<p>Finance Managers work with service managers to evaluate options and prepare reports, fully considering risks. Options are set out clearly in reports.</p> <p>The authority uses documented business case and option appraisal methodologies for strategic programmes and projects. Staff have received training on such methodologies and these methodologies have been applied in practice.</p> <p>REG colleagues in particular use approaches for their major projects as also needed when bidding for large grants etc. A corporate programme has been undertaken for officers with key roles in business case development.</p> <p>CIPFA have provided courses to staff across the Council for Foundation and Practitioner Business case training, aimed at staff involved in preparing and submitting business cases.</p> <p>CIPFA also provided finance staff training [Business Cases and Costing Techniques for Finance Staff].</p> <p>Business cases are largely structured around the Treasury 5 case test and clearly set out options, costings, financing and risks. All business cases are considered by the Head of Corporate Finance and Commercial Services.</p> <p>The following techniques are applied, to ascertain affordability and funding and viability;</p> <ul style="list-style-type: none"> - Financial appraisals undertaken in the form of Long term cash flow forecasts, cash inflows and outflows, produced. The impact on revenue is considered in cash flow, along with interest and inflation rates, increased

	FM Code Requirements	Self-Assessment Criteria	Self-Assessment Response
			<p>variations over the lifespan of asset, void period assumptions, sinking funds, management costs etc.</p> <ul style="list-style-type: none"> - The outcome of financial appraisal cash flows are included in decision making reports (e.g., Investment / capital reports) and considered by service management teams, and cabinet. - Due diligence checks on companies - Sensitivity analysis, scenario analysis including financial return - Funding Options appraisals considered when appropriate - Consideration of entity depending on commercial undertaking and council powers etc, - Policy and council aims and objectives etc also considered in report to back up financial appraisals. Considering what, how, who, when and funding.
	Monitoring financial performance		

	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	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?	Development of the Oracle business suite means that budget managers have direct access to the system to produce reports, providing historical data and allowing for budget profiling and forecast of outturn.
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		<p>Do the reports cover both forward and backward-looking information in respect of financial and operational performance?</p> <p>Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?</p> <p>Are the reports provided to the leadership team in a timely manner and in a suitable format?</p> <p>Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?</p>	<p>Quarterly service budget performance/ forecast of outturn reports are prepared in line with internal and statutory reporting deadlines, for consideration and approval by Service management teams, CMT, Cabinet, Council and Overview & Scrutiny Committees. Reporting includes details of the monitoring position against the budget, forecasts general balances and earmarked reserves for the end of the financial year and highlights any other pertinent information relating to the overall financial position of the council. These reports also detail relevant service specific financial and operational issues.</p> <p>The Council has a locally led planning and performance management framework that links to the County Durham Vision 2035 and the Council Plan. The format of performance reports has been realigned to the ambitions in the new Council vision. We are continuing to develop online real-time performance dashboards using business intelligence and reporting services tools to provide more immediate views and visualisations of performance as part of a business intelligence programme.</p> <p>A programme to implement a single data analytics platform is underway for the whole council to automate the extraction, transformation, and presentation of data analytics across all our systems, allow matching of data from disparate systems and presentation of single views of the child, individual, family and of debt. This will replace all existing dashboards and management information reporting arrangements.</p> <p>In the interim, we have real time performance dashboards already in place for children's social care data (linked to the liquid logic system implementation) and the new adults social care system (Azeus).</p>
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			<p>We also have Power BI dashboards for anti-social behavior integrating data from the council, police, fire and rescue service and housing providers.</p> <p>The Contract Procedure Rules are part of the council's constitution. They set out the council's procedures for procurement, and all service areas must adhere to them. They are regularly updated and communicated to all DCC managers.</p> <p>Council's Contract Procedure Rules ensure that a lead Contract Manager is assigned for each contract.</p> <p>Contract management performance is managed on a contract by contract basis within each service grouping and reported appropriately within the service</p> <p>Although contracts are robustly managed on an individual basis, at this point the Council does have a centralised system for recording or reporting performance outcomes. There is, however, a new fully integrated e-procurement solution, OPEN, which is due to go live in late 2023. The OPEN solution is end to end system dealing with activity from pre-procurement through to contract management and has been developed working in collaboration with our 11 other partners in our North East Procurement Organisation (NEPO) Shared Service.</p> <p>Contract Management Training - as part of the Council's corporate learning and development offer/programme, a contract management on line training module for all contract managers within the authority is being rolled out with final implementation within the coming months.</p>
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			<p>All data and training records will be captured within the Council's Learning and Development programme and reportable going forward.</p>
	<p>The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability</p>	<p>Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?</p> <p>Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?</p> <p>Is the authority taking action to mitigate any risks identified?</p> <p>Does the authority report unplanned use of its reserves to the leadership team in a timely manner?</p> <p>Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?</p>	<p>The Head of Corporate Property and Land has responsibility to manage our land and property.</p> <p>Regular meetings are held between the capital finance team and the asset valuation/ management team.</p> <p>Regular meetings are also held between the capital finance team and capital project/ budget managers.</p> <p>The performance of the capital programme and implications arising from capital monitoring are brought to the attention of the Service Grouping Management team, Corporate Management Team and Cabinet. Budget monitoring is reported to Cabinet on a quarterly basis for consideration of slippage and budget amendment. At year end, the outturn position for capital schemes is determined including accommodation for any slippage and budget carry forwards.</p> <p>These quarterly reports detail the reserves position including a forecast to the year end.</p> <p>The Council's Asset Register is updated with new acquisitions within the year. The annual statement of accounts reflect movement on assets within the balance sheet and specific notes. Reviews of projects are conducted once they have been completed to consider what extent the key delivery objectives – such as time, cost and quality were met. Lessons learned being used to improve the organisation's processes for selecting, developing and delivering capital projects.</p>

			<p>Work has been undertaken during 2022/23 to streamline and connect data via the Asset Management system – Asset Manager. The Capital Accountancy team have worked closely with Assets to automate and link data between the two services.</p> <p>Monthly treasury management team meetings with the Corporate Director of Resources and the Head of Corporate Finance to discuss the capital programme, financing costs and investments.</p> <p>The largest liability on our BS relates to the IAS19 pension liability, however the Pension Fund’s Funding Strategy Statement and triennial valuations are the means by which the authority will ensure it meets its liabilities as they fall due.</p>
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