

Appendix A CIPFA Financial Management Code 2020-21

Review of Southwark Council's compliance with the CIPFA Financial Management Code 2020-21

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Introduction

CIPFA Statement on the Purpose of the Code

- Purpose of the code is to provide a strong foundation to manage the short, medium and long term finances of the organisation. To manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances.
- The code complies with other legislation and associated CIPFA codes and is evidence of compliance with statutory and professional frameworks
- The code is a principle based approach. There are 6 principles:-
 - i) Leadership
 - ii) Accountability
 - iii) Transparency
 - iv) Standards
 - v) Assurance
 - vi) Sustainability
- The six principles are translated into seventeen Financial Management (FM) standards (denoted from A-Q), grouped into seven sections (Table 1)
- The code comes into effect from 1 April 2020; LAs should be working towards the code in 2020-21 with compliance in 2021-22.

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Table 1 Link between Sections, Standards and Principles

Section		Standard	Principles
The responsibilities of the CFO and leadership team	A	The leadership team demonstrates services provide value for money	Leadership
	B	Compliance with CIPFA Statement on the role of the Chief Finance officer in Local Government (2016)	Leadership
Governance and financial management style	C	Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	Assurance
	D	Applies CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>	Accountability
	E	Style supports financial sustainability	Sustainability
Medium to long term financial management	F	The authority has carried out a credible and transparent financial resilience assessment	Assurance
	G	The authority understands the prospects of sustainability and reported to members	Sustainability
	H	The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i>	Standards
	I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Sustainability
The Annual Budget	J	The authority complies with its statutory obligations in respect of the budget setting process	Standards
	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	Standards

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		financial reserves	
Stakeholder Engagement and business case	L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Transparency
	M	Authority uses appropriate documented option appraisal methodology to demonstrate value for money decisions	Transparency
Monitoring financial performance	N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Assurance
	O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability	Leadership
External financial reporting	P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i>	Accountability
	Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	Accountability

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>A The leadership is able to demonstrate that the services provided by the authority provide value for money (VfM)</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? • Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? • Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved? 	<p><u>Exploring VfM</u>, and principles of VfM as the four pillars of economy, efficiency, effectiveness, equity</p> <p><u>Promote VfM</u> through,</p> <ul style="list-style-type: none"> -a clear governance structure -scrutiny arrangements -audit arrangements (remit for VfM) -corporate plan -annual budget detailing plans to deliver strategy -financial regulations -procurement regulations -contract management regulations -systematic approach to identifying and managing risk - compare VfM with others (efficiency reviews, benchmarking, peer review, monitoring of performance data, service reviews, user surveys, external assessments) -equity – equality impact assessments, engagement with service users and voluntary organisations <p><u>Demonstrate VfM</u></p> <ul style="list-style-type: none"> - Overview of governance arrangements 	<p><u>Exploring VfM</u>. Fairer futures promises Fairer future budget principles / Borough Plan</p> <p><u>Promote and demonstrate VfM</u></p> <ul style="list-style-type: none"> -clear governance structure. Constitution – updated Feb 2021, including financial regulations -Overview and Scrutiny committee meets 6-7 times a year, examines performance of services -corporate plan- new Borough plan in November 2020 setting out renewed strategy - annual budget in February 2020, links to fairer futures promises and commitment to keeping CT low by delivering value for money across all services, efficiencies and improved use of resources. -details of savings achieved and targets met through savings tracker -Procurement and contract management regulations- Fairer Future Procurement Framework approved June 2019 sets out expectations for ethical corporate behaviour, including consideration of ‘blacklisting’ activity -Contracts and grant agreements include requirements in respect of commitment to London Living Wage, Diversity Standard (approved February 2016), Ethical Care Charter -comparative data across London used to inform decisions

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<ul style="list-style-type: none"> - Details of savings achieved - Results of surveys - Address in narrative reports or AGS in financial statements - Provide info via its website on VfM <p><u>Delivery VfM in services delivered by alternative mechanisms,</u></p> <ul style="list-style-type: none"> - Outsourcing - PFI - trading companies - Maintain effective 'line of sight' accountability arrangements (governance, progress monitoring) 	<ul style="list-style-type: none"> -Record of professional advice in reaching decisions – record of financial, legal and procurement advice provided by officers is included in concurrents in decision reports -Publication of decisions, minutes and reports on council's website -Publication of open data, narrative report and AGS on website -The Borough Plan contains a range of commitments, underpinned by a set of detailed performance schedules, with responsibility for each commitment apportioned across the cabinet portfolios ensuring transparency and accountability. External audit in their report to AC in June 2020 that at the end of 2019-20 good progress has been made towards the delivery of the ambitious set of commitments.[update for June 2020]
<p>B The authority complies with the <i>CIPFA Statement on the Role of the Chief Finance Officer in Local Government</i></p> <p>Key questions</p>	<p>5 principles.</p> <p>Principle 1: Key member of the leadership team.</p> <p>Principle 2: Actively involved in all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the</p>	<p>Compliance with CIPFA's Statement on the Role of the Chief Financial officer in Local Government (CIPFA, 2015) and CIPFA's Statement on the Role of the Head of internal Audit in Public Services Organisations (CIPFA, 2010) – as confirmed in the annual governance statement</p> <ul style="list-style-type: none"> -Member of Chief Officers team -Attendance at all cabinet meeting, council assembly.

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<ul style="list-style-type: none"> • 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? • Does the CFO lead and champion the promotion and delivery of good financial management across the authority? • Is the CFO suitably qualified and experienced? • Is the finance team suitably resourced and fit for purpose? 	<p>authority's overall financial strategy.</p> <p>Principle 3: Lead the promotion and delivery of good financial management</p> <p>Principle 4: Lead and direct a finance function that is resourced to be fit for purpose.</p> <p>Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced.</p>	<p>Actively engaged in budget and policy and resources strategy.</p> <p>-Sound financial management, reviewed against CIPFA resilience index and comparative data</p> <p>-Finance function staffed mainly through long term permanent staff with good levels of knowledge and experience.</p> <p>-CFO CIPFA qualified with 16 years as CFO in Southwark.</p>

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Governance and financial management style

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the leadership team espouse the Nolan principles? • Does the authority have in place a clear framework for governance and internal control? • Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? • Does the leadership team espouse high standards of governance and internal control? • Does the leadership team nurture a culture of effective governance and robust internal control across the authority? 	<p><u>Governance structure</u> (terms of reference, scheme of delegation, conduct at meetings). Transparent constitution that's available to public</p> <p><u>Clear arrangements for assurance and accountability</u></p> <ul style="list-style-type: none"> -internal audit planning and reporting -risk management -effective audit committee -recommendations from external auditor acted upon promptly <p><u>Ensuring high standards of governance and internal control</u></p> <ul style="list-style-type: none"> -code of conduct for leadership team -register of interests -constructive challenge (audit, scrutiny and oversight committees, stakeholder engagement) -realism bias (robust analysis of data, evidence based savings, robust decision making procedure) -balanced decision making-between desired 	<p><u>Governance structure</u></p> <ul style="list-style-type: none"> -Member and officer protocol -Constitution – updated Feb 2021 on website. The constitution states what powers are delegated to the cabinet, committees, individual members and what matters are reserved for collective decision of the council. This is updated annually through a review of the constitution -Scheme of delegation sets out roles and responsibilities, links to departmental schemes and sets clear arrangements for internal control and role of internal and external audit. Reviewed at least annually in the light of legal and organisational changes. <p>Standing orders and financial regulations which are reviewed on a regular basis</p> <p>Conduct at meetings</p> <p>Shared values guide decision making</p> <p>Whistleblowing policy</p> <p>Complaints procedure</p> <p>Anti-fraud strategy and fraud and bribery</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>social outcome and financial resources, and admin efficiency</p> <p><u>Culture of good governance</u>(continuous improvement, reward good behaviours in perf monitoring)</p>	<p>response plan</p> <p>Registers of interest (members and staff)</p> <p>Registers or gifts and hospitality</p> <p><u>Clear arrangements for assurance and accountability</u></p> <p>Effective internal audit service is resourced and maintained – annual report to audit, governance and standards committee in accordance with CIPFAs <i>Position statement on Audit Committee in Local Authorities and Police (2018)</i></p> <p>Audit, governance and standards committee complies with best practice as defined by CIPFA in terms of terms of reference, membership and training</p> <p>Effective external audit with recommendations acted on promptly- evidenced in audit committee minutes</p> <p><u>Ensuring high standards of governance and internal control.</u></p> <p>Codes of conduct for members and officers. Codes of conduct consistent with the latest recommendations from the Committee on Standards in Public Life reported in its 2019</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		<p>report <i>Local Government Ethical Standards</i></p> <p>Declarations of interests made at meetings</p> <p>Scrutiny of ethical decision making forms integral part of scrutiny members' function</p> <p>Championing ethical compliance at governing body level – e.g. zero tolerance of fraud and bribery</p> <p>Evidence of budget scrutiny and realistic analysis of data. Cabinet scrutiny budget strategy. Rigorous departmental budget challenge process, refined budget remit and review of budget options. Process more difficult due to one year settlement process.</p> <p><u>Culture of good governance</u></p> <p>Induction for new members and staff on expected standard of behaviour</p> <p>Communicating shared values with members, staff, the community and partners – leader's public question time</p> <p>Southwark staff performance outcomes linked to delivery of council commitments. Performance management system and appraisals</p>

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<p>D The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in LG: Framework (2016)</i></p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? • Does the authority have in place a suitable local code of governance? • Does the authority have a robust assurance process to support its AGS? 	<p>Assess governance structures, maintain local code of governance, report publicly on compliance with code and how plans to improve (undertake in AGS)</p> <p>Adherence to the Principles of the good governance framework in the CIPFA code</p> <p>Adherence to ethical codes and rule of law</p> <p>Openness and stakeholder engagement</p> <p>Sustainable economic, social environmental benefits</p> <p>Achievement of intended outcomes</p> <p>Capability and capacity within organisation to achieve this</p> <p>Managing risks and performance</p> <p>Transparency , reporting and audit</p>	<p>The Council has a clear framework for governance and internal control.</p> <p>Local code of governance maintained. Review of code reported to AC 20 June 2020. Annual governance statement demonstrates adherence to CIPFA code</p> <p>AGS draft and final were reported to June 2020 and Sept 2020 meetings. Demonstrates compliance with CIPFA code. Details the sustainability of resource use, identifies risks and mitigations to identified risks.</p> <p>Open and transparent process reported and discussed at audit standards and governance committee. Looks to continuous improvement ethos and reviews external factors</p> <p>Departmental directors review annually the governance and assurance arrangements of their departments with reference to departmental risk registers, audit reports and internal and external reviews.</p> <p>Scrutiny of ethical decision- making forms</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		integral part of scrutiny members' function
<p>E The financial management style of the authority supports financial sustainability</p> <p>Key questions</p> <ul style="list-style-type: none"> • Does the authority have in place an effective framework of financial accountability? • Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? • Does the authority's finance team have appropriate input into the development of strategic and operational plans? • Do managers across the authority possess sufficient financial literacy to deliver services cost-effectively and to be held accountable for doing so? • Has the authority sought an external view on its financial style, for example through a process of peer review? • Do individuals with governance and financial management responsibilities have suitable 	<p><u>Robust approach to ensuring financial stability, able to plan for and have appropriate skills and training to deliver</u></p> <ul style="list-style-type: none"> • changes in LG funding • ageing population • pressures of adults and childrens social care • greater efficiency in response to resource constraints • demand for affordable housing • uncertainty with Brexit • new risks with commercialisation <p>• <u>Style of financial management team and leadership that enables transformation of services whilst maintaining accountability and supporting performance of services</u></p> <ul style="list-style-type: none"> -requires leadership that focuses on strategic direction and sets correct tone (accountable, supports performance through MTFS) -people with correct competencies (business partnering, budgets robust on accrual basis, accurate financial transactions, reporting and forecasting accurately) 	<p>Robust financial management framework (Financial standing orders; financial regulations; Contract standing orders; risk management strategy)</p> <p>Procurement decisions require consideration of economic, social and environmental issues to ensure obligations under Public Services (Social Value) Act 2012 are met</p> <p>Record of decision making – decision making report template includes requirement under policy implications to report on sustainability considerations where relevant</p> <p>Budget strategy discusses key service pressures (adults and children's social care; affordable housing, Brexit , changes in local government funding) and AGS reiterate the significant internal and external risks to the council</p> <p><u>Finance Team</u></p> <p>Leadership team reviews the Medium Term financial strategy on a continuous basis. Updating formally annually and during year as</p>

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<p>delegated powers and appropriate skills and training to fulfil these responsibilities?</p>	<p>-processes that support strategy -stakeholder relationships (evidence to external stakeholders of integrity and performance)</p> <p>Peer review gives best assessment of financial management style.</p>	<p>material events (local government funding / Covid-19) impact on financial plan.</p> <p>Finance department well qualified and experienced staff members. Business partnering, quarterly reporting to cabinet</p> <p>Provision of appropriate training to ensure staff have appropriate skills to support the delivery of services and transformational change as well as securing good stewardship</p> <p>Peer review – Treasurer to treasurer (Sutton in 2020 and Lewisham 2021)</p>

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Long to medium term financial management

FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>F The authority has carried out a credible and transparent financial resilience assessment</p> <p>Key questions</p> <ul style="list-style-type: none"> • Has the authority undertaken a financial resilience assessment? • Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios? • Has the authority taken appropriate action to address any risks identified as part of the assessment? 	<p><u>Financial resilience assessment</u></p> <p>The authority must explore the sensitivity of its financial resilience to alternative plausible scenarios for key drivers of costs, service demands and resources focusing on the LT</p> <p>Assessment needs to be credible (undertaken by qualified and experienced person/team; - independent of the authority itself;-with evidence from interviews and documentation)</p> <p>Assessment needs to be transparent (overseen by authority leadership team or committee; terms of reference; clear report and recommendations)</p> <p>Factors within the assessment statement</p> <ul style="list-style-type: none"> -getting routine management right (annual budget, assigning to budget holders, regular budget monitoring and actions to address variations, reported to senior management) -planning and managing capital resources well (capital strategy, asset management plan, regular reporting) -using PM effectively. (Benchmarking with other 	<p><u>Financial resilience assessment</u></p> <p>Southwark complies with section 25 of LG act 2003, on robustness of estimates and adequacy of reserves allowed for in the authority's annual budget.</p> <p>Budget principles underpin council's budget decisions and seek to limit impact of budget cuts on the most vulnerable</p> <p>Regular budget monitoring with budgets assigned to managers, and DFM held accountable for reporting and actioning significant variances. Capital and Revenue Budget monitoring on quarterly basis and reported to Cabinet.</p> <p>PM reported quarterly and data (where possible) reviewed against other authorities e.g. CT collection rates.</p> <p>Council's risk management strategy ensures proper management of the risk to the achievement of the council's priorities</p> <p>Decision making reports require consideration of current and potential risks</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>LAs; national data; internal performance information; peer review)</p> <p>-having clear plans for delivering savings (single central record of consolidated plan for savings, categorised by extent agreed/planned/ achieved; ; challenge from finance staff; oversee implementation)</p> <p>-Managing reserves well (policy on level of reserves and how they are to be used; use reserves for future activities and savings implementation and not to plug funding gaps)</p> <p>-carry out credible and transparent financial resilience assessment (guidance (p.55) gives prescriptive list of scope of assessment , documentation and relevant key</p>	<p>Single register for all savings plans – agreed by council members and revised through from Sept to Feb.</p> <p>Review undertaken of the CIPFA financial resilience index over last 2 years. 100% low risk on the ‘reserve sustainability measure’; low to middle risk compared to other LBs; and extremely low risk in change in reserves year on year.</p>
<p>G The authority understands the prospects of sustainability and reported to members</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? • Does the authority have a strategic plan and 	<p><u>Strategic Planning</u></p> <p>Authorities to set up long- term strategic planning usually on a rolling period of five years. This plan will set out the authorities’ vision and how it plans to achieve its vision.</p> <p>Alongside this there will be a financial strategy (which could be part of the strategic plan) which focuses on how the authority will finance their aims, strategies and activities set out in the</p>	<p>P and R strategy report to 2023-24 refreshed remit, reported to January Cabinet. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long term planning.</p> <p>Long term Impact of Brexit on council services</p>

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<p>long-term financial strategy that adequately address these risks?</p> <ul style="list-style-type: none"> • 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)? • Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making? 	<p>strategic plan.</p> <p>Up to ten years is a reasonable horizon for longer-term financial planning at significantly reduced level of details.</p> <p><u>Financial Strategy</u></p> <p>There are a broad range of factors that affect the authorities long-term financial success</p> <ul style="list-style-type: none"> • Balance of authorities sources of income and exposures to volatile income streams • Authorities cost base and to what extend costs are fixed, stepped or variable within a timeframe considered • Asset Management priorities • Capital Programme • Policies, procedures, financial systems and processes • Relationship with key stakeholders <p>The development of longer-term financial strategies can be characterised by the use of Scenario planning in contrast to forecasts. This should represent plausible scenarios and reject</p>	<p>assessed and a £2.3m risk reserve established.</p> <p>Contingency reserve £4m for financial risk</p> <p>Climate change strategy to 2030.</p> <p>Capital programme reported to cabinet (April 2020, June 2020, October 2020, Feb 2021)</p> <p>Budget principles underpin council’s budget decisions and seek to limit impact of budget cuts on the most vulnerable</p> <p>Record of decision making and supporting materials – decision making report template includes requirement under policy implications to report on sustainability considerations where relevant</p> <p>Risk management strategy</p> <p>Renewed Asset management plan (January 2021 Cabinet), which sets a policy framework and aligns to the council’s strategic corporate priorities. Has changed to reflect financial uncertainty from austerity, impact of Covid-19 and recovery from it and Brexit. Recognises that only essential, affordable investment is undertaken that meets strategic priorities.</p>

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	<p>extreme scenarios.</p> <p><u>Communication to Members</u></p> <p>Authorities should communicate to members what financial sustainability is, its importance, and how the authority is going about realising and handling threats.</p>	<p>All cabinet members have a responsibility to ensure that risk is well managed, with the cabinet member for finance, performance and Brexit having specific accountability for corporate risk management. All departments have departmental risk champions and the strategic director of finance and governance is the corporate risk champion. All departments and business units have risk registers and all risks are allocated an owner.</p> <p>Audit, governance and standards committee also reviews risk management arrangements.</p> <p>Earmarked reserves for possible change in LG funding review. Review of all funding streams and scenario planning for 3 levels of risk.</p> <p>Departmental reviews of cost basis on a risk basis.</p> <p>Budget report sets out Medium term and long term financial risks.</p>
<p>H The authority complies with the <i>CIPFA Prudential Code for Capital Finance in Local Authorities</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Has the authority prepared a suitable capital strategy? 	<p><u>Capital Strategy</u></p> <p>There should be a capital strategy in place that sets out the long-term context in which capital expenditure and investment decisions are made and that gives due consideration to risk and</p>	<p>Capital and Treasury Management strategy 2021-22 report , which meets the requirements of CIPFA’s Treasury Management and Prudential Codes (2021-24) , is considered by audit, governance and standards committee each year</p>

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<ul style="list-style-type: none"> • Has the authority set prudential indicators in line with the Prudential Code? • Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 	<p>reward and to impact on the achievement of the authorities priorities.</p> <p>The capital strategy should address key themes within -</p> <p>Capital expenditure</p> <ul style="list-style-type: none"> • Overview of governance process regarding capital expenditure with links to the authorities policies on capitalisation • A long-term view of capital expenditure plans where long term is defined by the financing strategy of, and risk faced by the authority with reference to the life of projects/assets. • Overview of asset management planning and any restrictions the authority may face in terms of borrowing, funding or capital finance <p>Debt, borrowing and treasury management</p> <ul style="list-style-type: none"> • A projection of external debt and the use of internal borrowing to support capital expenditure, provisions for the 	<p>prior and in 2020-21- taken to November 2020 meeting, prior to approval by council assembly.</p> <p>Investment strategy has been informed by advice from an external treasury advisor.</p> <p>Key areas highlighted are the council’s borrowing strategy and debt management activity. Policy of internal borrowing from reserves to temporarily fund capital expenditure where possible. The council has borrowed externally from PWLB in 2019-20, but as interest rates are low, more cost effective in short term to use short term loans from other authorities; and in 2020-21 Mayor of London’s energy Efficiency Fund (MEEF) for developments that reduce carbon emissions.</p> <p>Capital strategy report – overview of associated risk management of capital expenditure, financing and treasury management</p> <p>Treasury management strategy statement 2020-21 assesses the council’s financial risks from treasury activity, and details the council’s net borrowing position, investments, borrowing strategy and debt management.</p> <p>The annual investment management strategy 2021-22, states the council’s investment</p>

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	<p>repayment of debt,</p> <ul style="list-style-type: none"> • The authorised limit and operational boundary for the following year • The authorities approach to treasury management including processes in place to ensure effective due diligence and defining risk appetites in respect of such activity <p>Commercial activity</p> <ul style="list-style-type: none"> • Approach to commercial activities ensuring effective due diligence <p>Other long-term liabilities</p> <ul style="list-style-type: none"> • Overview of the governance process <p>Knowledge and skills</p> <ul style="list-style-type: none"> • Summary of the knowledge and skills available to the authority <p>The authority should set up prudential indicators for the forthcoming and following years before the beginning of the financial year.</p> <p>The CFO is required to establish procedures to monitor performance against all forward-looking</p>	<p>objectives and investment limits.</p> <p>Annual Minimum Revenue provision Statement 2021-22.</p> <p>Capital strategy – 2021-22 to 2030-31 aligns to Borough Plan, specifies core principles and a governance framework. . Long term strategy to be carbon neutral by 2030, additional funding to climate strategy.</p> <p>Commercial activity and investment property, loans and liabilities– set out in capital strategy report.</p> <p>Knowledge and skills set out in capital strategy report</p>

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	<p>indicators.</p> <p>Specify prudential indicators for capital expenditure, external debt and affordability.</p>	
<p>I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p> <p>Key Questions</p> <ul style="list-style-type: none"> • Does the authority have in place an agreed medium-term financial plan? • Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? • Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? • Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? • 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 	<p><u>The Medium-Term Financial Plan</u></p> <p>The MTFP is a translation of the authority's strategy into the near plan and provides a critical link between the authorities' financial strategy and service delivery.</p> <p>For an effective medium term financial plan it should be</p> <ul style="list-style-type: none"> • Be integrated with the authorities service plans and its capital strategy • Respond to uncertainty in the authorities funding regime • Translate the authorities longer-term aims into the medium term • Be developed in a robust manner • Integrate suitable drivers of demand and cost (PESTLE analysis) • Be subjected to sensitivity analysis to 	<p>P and R strategy report to 2023-24 refreshed remit, reported to January Cabinet. Scenario planning- and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long term plan.</p> <p>P and R report reported increasing levels of reserves over the previous 3 years, building resilience and therefore well placed to deal with Covid pandemic.</p> <p>Long term Impact of Brexit on council services assessed and a £2.3m risk reserve established.</p> <p>Contingency reserve £4m for financial risk</p> <p>Climate change strategy to 2030.</p> <p>Capital programme reported to cabinet (April 2020, June 2020, October 2020, Feb 2021)</p>

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aims?	<p>allow any vulnerabilities to be identified (probability spread, regression analysis)</p> <p>The asset management plan might include</p> <ul style="list-style-type: none"> • An overview of the authorities asset portfolio • Assessment of the condition and performance of the assets held • The authorities priorities for maintaining, enhancing, adding to and divesting from its asset portfolio • The actions that will be taken to achieve these priorities, together with the outputs and outcomes that are to be achieved • The resources necessary to maintain and improve the asset’s portfolio and how it will be secured • Timescales and responsibilities for the actions identified 	<p>Fairer future vision and principles / Borough Plan</p> <p>Renewed Asset management plan (January 2021 Cabinet), which sets a policy framework and aligns to the council’s strategic corporate priorities. Has changed to reflect financial uncertainty from austerity, impact of Covid-19 and recovery from it and Brexit. Recognises that only essential, affordable investment is undertaken that meets strategic priorities. Includes a detailed investment strategy methodology to ensure limited resources are used effectively (Detailed criteria/ weightings/Business case) Methodology reviewed regularly through the Asset Investment Board.</p> <p>Defined decision making processes and structures for management Planning is in place across all parts of the asset base, under the lead of the Council’s Director of Regeneration and Head of Property.</p> <p>Asset management plan sits alongside the Medium Term Financial Strategy and the Capital</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
		Investment Strategy. Capital programme and capital investment strategy
The Annual Budget		
<p>J The authority complies with its statutory obligations in respect of the budget setting process</p> <p>Key Questions</p> <ul style="list-style-type: none"> Is the authority aware of its statutory obligations in respect of the budget-setting process? Has the authority set a balanced budget for the current year? 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><u>Statutory requirements regarding Budget-Setting</u></p> <ul style="list-style-type: none"> Local government Act 2000 requires councils to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand Local Government Act 2003, Section 25 requires the S151 officer to report on the council's robustness of their estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations. <p>Setting a robust and sustainable budget (in accordance with Local Government Finance Act</p>	<p>Budget principles underpin council's budget decisions and seek to limit impact of budget cuts on the most vulnerable</p> <p>Monitoring officer is responsible to the council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p> <p>Balanced budget set for 2021-22 despite years of austerity and impact of the pandemic. Budget report (Feb 2021 cabinet report) itemises changes in resources available, efficiencies and savings, and impact of demand pressures and growth commitments arising from councils priorities. Full budget report with accompanying appendices detailing the budget context, the proposals by department and the governance</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
	<p>1992)</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 will need to raise in the year meets its estimated future expenditure • Such financial reserves might be required to fund deficits generated in previous periods 	<p>process.</p> <p>Statement included on the adequacy of the reserves. No use of reserves over previous 3 years but this year a planned contribution due to exceptional circumstances. Future years budgets will be planned on basis of replenishing reserves used in 2021-22</p>
<p>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</p> <p>Key Questions</p> <ul style="list-style-type: none"> • 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 	<p>Identify how estimates are made e.g.</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 	<p>Budget report by Strategic Director of Finance and Governance details</p> <ul style="list-style-type: none"> • The 2020-21 financial performance, noting the impact of the pandemic and the resultant financial pressures and mitigations put into place. • Planned contingency of £4m maintained for 2021-22 • Staff pay awards, inflation , savings and

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>reserves?</p> <ul style="list-style-type: none"> • 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? • ☑ Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? • ☑ 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? 	<ul style="list-style-type: none"> • 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 <p>The authority's financial reserves should only balance general reserves should only be used for</p> <ul style="list-style-type: none"> • Planned investment • Capital projects • Change programmes • Unexpected events such as natural disasters • Other reasonable uses for which they have been earmarked 	<p>commitments</p> <ul style="list-style-type: none"> • Funding through CT and BR and fees and charges • Review of the use of financial reserves (£5m)

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Stakeholder engagement and business plans		
<p>L The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget</p> <p>Key Questions</p> <ul style="list-style-type: none"> • 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? • How effective has this engagement been? • What action does the authority plan to take to improve its engagement with key stakeholders? 	<p>In order to comply with this code authorities are encouraged to consider the extent of stakeholder engagement in the LT strategy/MT financial plan and annual budget.</p> <ul style="list-style-type: none"> • Identify key stakeholders • Engage effectively • Use the results of this engagement wisely <p>Where the authority has good productive strategic relationship with its key stakeholders, this level of engagement may not be necessary, providing the needs of these stakeholders are sufficiently well understood.</p>	<p>Open meetings, consultation process</p> <p>Council assembly meetings / democratic engagement events (e.g. leader’s public question time) held around the borough</p> <p>The council’s Fairer Future vision is informed through outcome of consultation. In turn, the vision’s five principles and ten promises set out how the Council will deliver its objectives. The borough plan therefore sets the framework for, and is informed by, business plans. Business plans at a service and functional area level highlight how the results of consultation have impacted on forward planning as appropriate</p> <p>Regular customer surveys</p> <p>Consultation in respect of key decisions and through area based meetings.</p> <p>‘Consultation engagement’ section on council’s website includes a consultation hub, forums</p>

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		<p>section</p> <p>P and R strategy review to 2023, informed by ‘Southwark conversation’ with 3000 residents and renewed borough plan 2018-22 consulted on to inform council priorities. In addition, consultation on the Voluntary and Community strategy was conducted to ensure that all sections of the voluntary and community sector could contribute to the development of the strategy, and a series of four open Invitation listening events, which recognised need to find new ways of making the most of diminishing budgetary resources. There has also been consultation on the development of the policy and policy drafts through the Health and Wellbeing Board, Children’s and Adults’ Board, the Forum for Equalities and Human Rights, the council’s departmental commissioning network and the council/VCS Liaison Group.</p>
<p>M The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions</p> <ul style="list-style-type: none"> • Does the authority have a documented option 	<p>Option Appraisal Methodology</p> <ul style="list-style-type: none"> • Understanding what the authority wants to achieve • Generating options 	<p>Decision making practices</p> <p>Fairer Future Procurement Framework – sets framework for what the council wants to achieve. Series of gateway reports.</p> <p>Example in 2020-21- Gateway 0- Appraisal of</p>

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>appraisal methodology that is 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> <ul style="list-style-type: none"> • Does the authority offer guidance to officers as to when an option appraisal should be undertaken? • ☑ Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? • ☑ Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty? • ☑ 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)? 	<ul style="list-style-type: none"> • Assessing the options • Making the decision <p>Use CIPFAs 'Option appraisal: A practical guide for public service organisations'</p> <p>Authorities also need to know when to undertake an optional appraisal - strategic importance, the time horizons, conflicting priorities, risk and uncertainty.</p> <p>When considering non-financial factors in an option appraisal, including –</p> <ul style="list-style-type: none"> • Economic appraisal • Cost-benefit analysis • Multi-criteria analysis • Impact assessments <p>There are range of techniques that the authority can use to address uncertainty</p> <ul style="list-style-type: none"> • Risk and uncertainty – use adjusted discounted rates to compensate for the inherent uncertainty surrounding cash flows for higher risk projects or activities • Sensitivity analysis 	<p>Management Options for Leisure centres. Consider a more effective delivery model.</p> <ul style="list-style-type: none"> -identified key drivers for change -adapted decision making to take into consideration the impact of Covid pandemic on operation and financial performance of sport. Financial risk increased with outsourcing of contract. - peer review and benchmarking of other London boroughs basis of provision -generation of options over the long term- in-house/contracted /creation of LA controlled company. - Option appraisal through evaluation criteria- multi criteria analysis/risk assessment -community impact assessment

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	<ul style="list-style-type: none"> • Optimism bias • Peer reviews • Post implementation reviews <p>While the authority will need to tailor the appraisal report to the needs of the particular to be made, the following elements might usefully be included</p> <ul style="list-style-type: none"> • Approach • Constraints • Long and short list of options • Non-financial analysis of short-listed options • Risk • Sensitivity analysis • Optimism bias • Peer review • Post-implementation review 	

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>Monitoring financial performance</p>		
<p>N The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> <p>Key Questions</p> <ul style="list-style-type: none"> • 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? • Do the reports cover both forward and backward-looking information in respect of financial and operational performance? • Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data? • Are the reports provided to the 	<p>In order for the leadership team to have access to the information it needs to identify emerging risks, leadership must:</p> <ul style="list-style-type: none"> • Receive reports about the right things (planning assumptions/financial performance against budgets/risks short, medium and long term plans/Performance in implementing savings initiatives • Receive reports at the right time (critical reports at right time) • Receive reported in the right format (clear/concise/accurate) • Takes action in respect of any issues identified (minutes as a record of action) <p>EG Reports that allow the monitoring of financial performance against budget could include</p> <ul style="list-style-type: none"> • Budget for period under consideration • Accruals-based income and expenditure 	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p> <p>Annual performance reports</p> <p>Risk management strategy / policy has been formally approved and adopted and is reviewed and updated on a regular basis</p> <p>Reports are clear, written to a standard format. Reports are accurate and clear.</p> <p>Budget monitoring reports at period 5 and period 8 reported to cabinet</p> <ul style="list-style-type: none"> - Budget and actual by period, and spend includes commitments; forecast outturn. - Demand numbers and unit costs underpin numbers - Mitigations required for all variances from budget - Defined line management structures in place

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FM standard reference	FM Guidance Notes	Examples of systems, processes, documentation and other evidence demonstrating compliance
<p>leadership team in a timely manner and in a suitable format?</p> <ul style="list-style-type: none"> Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action? 	<p>to date</p> <ul style="list-style-type: none"> A forecast for the remainder of the year and an estimate of the year-end position Relevant underlying service activity data Action to be taken to address any variation from budget Who to contact for further information 	
<p>O The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> <ul style="list-style-type: none"> Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? Is the authority taking action to mitigate any risks identified? 	<p>The CIPFA publication Balance sheet Management in Public Services: A framework for Good practice (2007) outlines a number of elements of good practice for balance sheet management from a governance perspective. Including –</p> <ul style="list-style-type: none"> In organisational management emphasis is placed on BSM activities and considerations BSM requirements are addressed coherently and comprehensively across all strategies and plans BSM responsibilities are identified and assigned to appropriate people The authorities decision making 	<p>Regular reviews of activities, outputs and planned outcomes, including discussion of risks in achievability</p> <p>The authority monitors its performance using KPIs. The performance against these is reported to the cabinet in the annual performance report and is reflected in the borough plan.</p> <p>There are also different levels of monitoring below the quarterly cabinet report, which includes local PIs</p> <p>BSM- review of general reserves and affordability. Used £5m of reserves to support budget for 2021-22 due to Covid-19 pandemic. Assessment undertaken to affordability.</p> <p>Earmarked reserves are assessed each year.</p>

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<ul style="list-style-type: none"> • Does the authority report unplanned use of its reserves to the leadership team in a timely manner? • Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes? 	<p>framework is effective and requires appropriate consideration of balance sheet implications</p> <ul style="list-style-type: none"> • BSM has appropriate levels of assurance • Financial and operational risk management activity pays due regard to balance sheet drivers and its impact <p>In order to comply with the FM code authorities:</p> <ul style="list-style-type: none"> • Determine which elements in balance sheet pose a significant risk to its financial sustainability • Monitor these elements (treasury management/cash management/need for new provisions/level of reserves) • Respond promptly and proactively to any issues that these mechanisms identify (impact of performance on reserves/use of unplanned reserves/monitoring against prudential indicators) 	<p>DFM (corporate) responsible for BSM.</p> <p>Regular update of risk of DSG deficit balance</p> <p>Currently at £21m</p>
	<p>External Financial reporting</p>	

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<p>P The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i></p> <p>Key Questions</p> <ul style="list-style-type: none"> • Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? • Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? • Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom? 	<p>External financial reporting processes require statutory accounts are produced on an annual basis in accordance with</p> <ul style="list-style-type: none"> • „ the Accounts and Audit Regulations 2015 for English Authorities • Comply with Code of practice • Comply with CIPFAs statement on the role of the CFO in Local government (accounting policies/prevention of fraud/reasonable estimates • Demonstrate compliance- preparation and submission of accounts in CFO JD and annual performance targets/ submitted on time/finance team resourced to comply. 	<p>The responsibilities of the chief finance officer are set out in the constitution and are also included in employment contract/job description, with accountability through the performance management system</p> <p>Code of practice complied with</p> <p>CFO in post for 16 years</p> <p>Accounts prepared on time and in compliance demonstrated by past external audit reports</p>
<p>Q The presentation of the final outturn figures</p>	<p><u>Presenting effective financial outturn</u></p>	<p>Revenue and capital outturn reported each year</p>

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<p>and variations from budget allows the leadership team to make strategic financial decisions</p> <ul style="list-style-type: none"> • Is the authority’s leadership team provided with a suitable suite of reports on the authority’s financial outturn and on significant variations from budget? • Is the information in these reports presented effectively? • Are these reports focused on information that is of interest and relevance to the leadership team? • Does the leadership team feel that the reports support it in making strategic financial decisions? 	<p><u>information</u></p> <ul style="list-style-type: none"> • Accurate • Relevant • Granular • Analysed • Put into context <p><u>Questions for the Leadership team to ask</u></p> <ul style="list-style-type: none"> • Is the final outturn position broadly in line with the budget? • How well have different services performed against budget? • Have any issues been highlighted prior to the end of the year? • Has the authority achieved its savings targets? • Is the authority’s capital programme on track? 	<p>to cabinet, enabling strategic financial decisions to be taken, e.g. variations to capital programme</p> <p>Reports detail significant variances, allow for scrutiny and are contextualised through narrative</p> <p>Outturn in 2021-22 in line with assumptions despite 2021-22 pandemic.</p> <p>Performance of services scrutinised in budget monitoring</p> <p>Savings target that were unachievable £3m covered by Covid grants and reported to MHCLG.</p> <p>Capital underspends due to pandemic but planned action to achieve long term targets.</p>