

Leicestershire County Council
Assessment of Compliance with the CIPFA Financial Management Code - 2021

| Financial Management Standard | Current Assessment | Areas for Improvement (where needed) |
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| CHAPTER 1 – The Responsibilities of the Chief Finance Officer and Leadership Team | | |
| A | <p>The leadership team is able to demonstrate that the services provided by the authority provide value for money</p> <p>Compliant</p> <p>The Council reports on its performance regularly to the Corporate Management Team and in the Annual Delivery Report which summarises the work that the Council has undertaken over the last 12 months to progress its priorities set out in its Strategic Plan. A separate and related annual Performance Compendium sets out current comparative performance data using a wide range of performance measures. The compendium also includes information on the Council’s low funding position the service pressures and risks now faced and the campaign for Fairer Funding.</p> <p>The annual delivery report and performance compendium is considered by the Cabinet, Scrutiny Commission and full Council. There is also a separate specific Annual Report of the Director of Public Health on aspects of public health delivery and performance. Key performance information is also included in the statement of accounts.</p> | |
| B | <p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)</p> <p>Compliant</p> | |

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| | <p>Principle 1: The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.</p> <p>Principle 2: The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy.</p> <p>Principle 3: The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.</p> <p>Principle 4: The CFO in a local authority must 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>The S151 officer is a key member of the Corporate Management Team and is actively involved in helping to shape and deliver the County Council's Strategic Plan and Medium Term Financial Strategy (MTFS) as well as ensuring there are sufficient resources to deliver the Strategies. All significant investment decisions are subject to scrutiny by the S151 Officer and is challenged where the project is not aligned to the strategic vision of the council. Decisions are taken in line with the Council's Scheme of Delegation or referred to the Cabinet for consideration.</p> <p>As part of the MTFS the S151 Officer produces a number of financial Strategies including the Annual Treasury Management Strategy, the Capital Strategy, the Corporate Asset Investment Fund Strategy, and the Earmarked Funds and Risk Management Policies. The authority also has access to technical advice from LINK Asset Services. All Cabinet committee reports include a Resource Implications section that allows the S151 to request changes to report content to ensure financial implications and risks are able to be fully communicated and considered by members.</p> <p>Finance Business Partners are members of Department Management Teams. They support and challenge as appropriate when departments are considering matters that may have a financial bearing for the Council. The Council also provides financial training to all budget managers to ensure they have the skills necessary to carry out their role effectively. Informal challenge is provided as part of the Star Chamber process, with formal challenge through the Scrutiny process of the MTFS.</p> <p>The S151 Officer is supported by a highly skilled team which include qualified accountants (CCAB/CIMA) and technician qualified (AAT) accountants. Finance staff are encouraged to attend technical training as required.</p> <p>The S151 Officer is CIPFA qualified and has over 25 years of experience in local government finance as well as maintaining CPD compliance.</p> | |
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CHAPTER 2 – Governance and Financial Management Style

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| <p>C</p> | <p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> | <p>Compliant</p> <p>The authority has in place a constitution that sets out how it operates, how decisions are made and how the authority ensures that its activities are appropriate, transparent and accountable to local people.</p> <p>The authority has in place a formal governance structure that is appropriate to the way in which it operates. This includes relevant committees and reporting lines, terms of references and conduct, including provision for scrutiny of decisions taken.</p> <p>The authority has in place a formal scheme of delegation, which sets out which individuals or committees are entitled to make which decisions.</p> <p>The Internal Audit Service is a key part of the Council’s assurance framework. The authority ensures that the Head of Internal Audit Service is able to fulfil their role effectively, in line with the responsibilities set out in the CIPFA Statement on the Role of the Head of Internal Audit (2019)</p> <p>Internal audit works to an agreed plan, which is based on a robust analysis of the authority’s governance, risk management and internal control arrangements, the environment within which the authority operates and the risks and challenges that it faces. Internal audit is resourced adequately and reports to the Corporate Governance Committee.</p> <p>The authority has in place a robust approach to the identification, assessment and management of risks to the achievement of its objectives and to the delivery of services. Responsibility for the management of individual risks is allocated clearly. The status of significant risks and their management is reported regularly to the Corporate Governance committee and to the leadership team.</p> <p>The external auditor will attend and provide regular reports and updates to the Corporate Governance Committee, all recommendations are acted upon promptly.</p> <p>The authority has formal codes of conduct for officers and members.</p> <p>The authority maintains an up-to-date register of interests for all senior</p> | |
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| | | <p>officers and members.</p> <p>The Head of Internal Audit Service oversees the development and preparation of the Council's Annual Governance Statement (AGS) and its Local Code of Corporate Governance. Chief Officers and certain corporate functions complete an annual return on their departments' governance arrangements and any areas for improvement. This is then collated into the AGS which is reviewed by a 'governance group' before being signed by the Chief Executive and the Leader of the Council and submitted with the annual financial statements. The External Auditor reviews the AGS.</p> | |
| <p>D</p> | <p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government:</p> | <p>Compliant</p> <p>The authority complies with the requirements of the CIPFA/SOLACE Delivering Good Governance in Local Government, which contains 7 principles.</p> <ul style="list-style-type: none"> A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. B: Ensuring openness and comprehensive stakeholder engagement. C: Defining outcomes in terms of sustainable economic, social, and environmental benefits. D: Determining the interventions necessary to optimise the achievement of the intended outcomes. E: Developing the entity's capacity, including the capability of its leadership and the individuals within it. F: Managing risks and performance through robust internal control and strong public financial management. G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability. <p>Reporting on compliance, effectiveness and improvement is undertaken within the authority's Annual Governance Statement published alongside the audited financial statements. The most recent update was completed in November 2020 and was reported to the Corporate Governance Committee. This shows that most requirements are met with some minor improvements required.</p> | |

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| E | The financial management style of the authority supports financial sustainability | <p>Compliant</p> <p>Financial sustainability is about the ability of the authority to continue to fund its activities not just in the present, but also in an increasingly uncertain future. Financial sustainability is a key fundamental of the 4 year MTFS, which is refreshed each year. The MTFS includes the four year revenue and capital programmes. This includes realistic estimates of funding available and budget growth required over the medium term and appropriate levels of contingencies and reserves required based on an assessment of risks it faces.</p> <p>The authority has an active and realistic savings programme. This allows it to manage savings in a controlled way and avoid the need to implement savings at short notice. The transformation unit and external experts, for example Newton Europe in social care, supports the identification, delivery and monitoring of savings plans. The MTFS process also means that the Council is able to understand longer term risks and plan a response to those appropriately.</p> <p>All budgets are assigned to budget managers who are required to monitor their budgets actively on a monthly basis. All budget managers are given access to financial information to enable them to do this. Budget managers forecast and explain significant variances from the budget. Finance provide support through business partners and the financial analysis and information team. Budget variances are managed both for their in year impact and where appropriate any ongoing impact in the refresh of the MTFS. Budget monitoring reports are reported regularly to the Cabinet and Scrutiny, as well as the outturn report.</p> <p>The external auditor reviews the financial statements and gives an opinion on the financial sustainability of the new MTFS on the Council. No issues were reported in the most recent external audit.</p> | Opportunities to compare LCCs approach to other organisations are likely to arise, for example the update of the CIPFA resilience index. |

CHAPTER 3 – Medium to Long Term Financial Management

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| <p>F</p> | <p>The authority has carried out a credible and transparent financial resilience assessment</p> | <p>Compliant</p> <p>A well-established MTFS process allows for the early identification of issues including the long term sustainability of funding. The MTFS includes prudent modelling of estimates of income and funding sources, local government funding, service drivers and growth, risks and contingencies. The MTFS is contributed to and agreed by the senior leadership team before approval by the County Council.</p> <p>Savings programmes include a robust business case process reviewed by the finance and transformation teams. Approved savings are then monitored closely for delivery. The Council has a good track record of planning savings early and delivering approved MTFS savings.</p> <p>The MTFS is a four year plan covering the revenue and capital programmes. It includes a number of strategies mentioned earlier in this assessment, as recommended by the FM Code.</p> <p>The authority has also used the CIPFA Financial Resilience Index and is in the lowest risk categories for the vast majority of the indices used.</p> | |
| <p>G</p> | <p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members</p> | <p>Compliant</p> <p>The authority has a Strategic Plan that sets out its aim and vision for the future. The four year MTFS which is updated annually supports the Strategic Plan and sets out the medium term financial position of the authority, including various strategies and policies that explain how risks are managed over the medium/ longer term.</p> <p>The authority retains appropriate reserve balances, general fund and earmarked funds (e.g. insurance reserves) to manage risks over the medium term. There is a specific policy on reserve balances which is agreed as part of the MTFS.</p> <p>A review of the council's financial resilience was reported to Cabinet in November 2020</p> | |

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| | | The capital programme covers four years with the associated costs reported as part of the MTFS. The ongoing costs of capital investment decisions beyond the MTFS period are reported as part of the capital programme/ MTFS. | |
| H | The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities | <p>Compliant</p> <p>The authority complies with the Cipfa Prudential Code for Capital Finance on an annual basis as part of the MTFS through:</p> <ul style="list-style-type: none"> • a set of Prudential Indicators; • an Annual Treasury Management Strategy including an Annual Investment Strategy • an annual Minimum Revenue Provision (MRP) Policy Statement; • a Capital Strategy including non-financial and treasury management investments; and • a Prudent, sustainable, affordable and value for money Capital Programme including capital expenditure and capital financing <p>Performance is regularly reported and shows that the Council has operated within the latest approved Capital and Treasury Prudential Indicators and in compliance with the County Council's Treasury Management Practices.</p> | |
| I | The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans | <p>Compliant/ Some Improvement needed</p> <p>The authority has a well-established 4 year MTFS that is refreshed annually for the plans to be rebased for the forthcoming budget setting year to reflect the latest position in terms of funding, cost pressures, investments and savings. The MTFS is informed by corporate and departmental service plans as part of the corporate service planning process.</p> <p>The MTFS includes the Capital Strategy which links to the asset management plan that seeks to ensure that its property, plant and equipment and infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims.</p> <p>Where additional budget is required (Growth) the MTFS process</p> | Several of the infrastructure schemes in the county have implications beyond the usual 4-year planning horizon. For example, development of schemes in phases and retrospective claiming of section 106 funding. The planning processes need to continually evolve to respond to this change. |

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| | | <p>ensures that these amounts are reviewed and challenged to ensure they are realistic and sufficient and ensure that key requirements of services are met. This involves DMT and finance business partner review, corporate finance review and member and officer review through the Star Chamber process and member scrutiny as part of the MTFS.</p> <p>The MTFS has shown a financial gap for several years. New savings initiatives or additional funding will be required before services can be said to be truly sustainable. A pipeline of initiatives is reported alongside the MTFS, as Savings Under Development.</p> | |
| CHAPTER 4 – The Annual Budget | | | |
| J | The authority complies with its statutory obligations in respect of the budget setting process | <p>Compliant</p> <p>The Council is required by statute to set and agree an income and expenditure budget prior to the beginning of the financial year to which the budget relates.</p> <p>The Local Government Act 2000 requires the full council to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand.</p> <p>the Local Government Act 2003, Section 25 requires the authority's section 151 officer to report to the council on the robustness of the estimates made in the annual budget and on the adequacy of the proposed financial reserves assumed in the budget calculations.</p> <p>The Council sets a balanced budget each year, approved by the full Council.</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>Compliant</p> <p>The MTFS includes a statement in relation to the robustness of estimates made and on the adequacy of the proposed financial reserves.</p> | |

CHAPTER 5 – Stakeholder Engagement and Business Cases

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| <p>L</p> | <p>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>Compliant</p> <p>Public consultations are undertaken for the MTFS proposals using a variety of methods to engage with stakeholders. The MTFS is published on the Council website and consultation exercises undertaken annually with members of the public, staff, councillors and the business community within Leicestershire.</p> <p>Consultations includes annual questionnaires and stakeholder events with members of the public – the last was in 2019.</p> <p>A range of communications activity is used throughout the consultation period to encourage people to have their say, including: online content, intranet stories, Yammer posts, media releases (Twitter, Facebook and LinkedIn posts) and direct emails to staff and businesses. This generated engagement across social media platforms and wide-ranging press coverage, helping to generate more responses</p> <p>Members Seminars are held on a regular basis so that all Members are given opportunities to understand and challenge the budget and assumptions.</p> <p>Public Statutory consultations are also undertaken for specific developments/service changes there is a requirement to undertake more active involvement of service users, stakeholders and partners in decisions about budgets, services, resource allocation and taxes at the earliest stage of preparing plans.</p> | |
| <p>M</p> | <p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions</p> | <p>Compliant/ some improvement needed</p> <p>The Council uses standard business case templates for development and management of projects and savings programmes.</p> <p>All business cases are reviewed by the relevant finance business partner and Transformation unit lead.</p> <p>The County Council has a very good record of starting savings plans</p> | <p>Implement post implementation review for the more significant capital projects; outcomes, timelines, budget.</p> |

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| | | <p>early and delivering planned savings.</p> <p>Significant investments decisions are subject to a specific appraisal to assess the level of return on investment anticipated over a suitable time frame and taken to the Cabinet for approval, either as part of the MTFS or through specific reports.</p> <p>An area for improvement is to ensure that significant capital schemes are subject to a post implementation review to ensure if there are any lessons to be learnt.</p> | |
| CHAPTER 6 – Monitoring Performance | | | |
| N | <p>The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p> | <p>Compliant</p> <p>Monthly budget monitoring is undertaken by budget managers and agreed with strategic managers before a review by the finance team and the relevant finance business partner. This covers completeness, accuracy and explanation of material variances and actions being taken where appropriate. The position is reported to the relevant departmental management teams and lead members, and centrally to the Technical Accounting Team. Overall summary reports are then compiled and reported to the Cabinet and Scrutiny Commission, at least quarterly every year and at the outturn.</p> <p>Reviews are carried out on areas of significant variances of overspend so that recovery plans can be formulated. Some areas of particular demand pressure, e.g. SEND, are the subject of additional specific reviews.</p> <p>Risks are updated and reported within the monitoring reports and how the risks are being managed.</p> <p>Alongside the savings work in the key social care and SEND areas operational reporting is developed to ensure that the teams responsible have the viability required to manage their services in a holistic way.</p> | |

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| <p>O</p> | <p>The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability</p> | <p>Compliant/ some improvement needed</p> <p>The balance sheet comprises assets and liabilities of the authority and Usable and Unusable (reserves that cannot be used to provide services - unrealised gains and losses and technical adjustment accounts to comply with accounting standards).</p> <p>The levels of Usable reserves pose the most significant risk to the County Council upon its financial sustainability. Reserves are monitored at least quarterly with regular updates to the Cabinet and Scrutiny Commission reported throughout the year; at the start, in the autumn, and at the outturn. This includes the policy on levels of reserves and what reserves may be used for. The updates also include the current position and forecast for the end of the current year and the next four years.</p> <p>Other key areas of the balance sheet for the County Council include Fixed Assets, Investments, Debtors, Creditors, Long Term Borrowing, and the Pension Liability.</p> <p>The authority manages the balance sheet through:</p> <ul style="list-style-type: none"> • Approved capital programmes, capitalisation policy, regular valuations by qualified professionals (Fixed Assets) • Treasury management policies and how the authority selects approved counterparties for its investments (Cash and Investments) • Credit control policies for trade debtors and how the authority pursues unpaid debts (Debtors) • Management of borrowing, including the setting of the authority's prudential indicators (Borrowing) • Estimation of Pension Liability by a professional Actuary <p>Monitoring includes:</p> <ul style="list-style-type: none"> • Financial performance and its impact on usable reserves • Monitoring of investment returns and the forecasting of future cash inflows • Regular review of aged debtors and of the actions being taken to secure recovery • Forecasting of cash balances and of the authority's ability to pay amounts falling due | <p>Ensure all balance sheet codes are monitored at least every quarter</p> |
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| | | <ul style="list-style-type: none"> Monitoring of performance against the authority's prudential indicators Assigned officers responsible for monitoring each balance sheet code at least quarterly. Some improvement is needed to ensure this happens for all codes every quarter. | |
| CHAPTER 7 – External Financial Reporting | | | |
| P | The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom | <p>Compliant</p> <p>The Statement of Accounts is prepared on an annual basis in accordance with the Accounts and Audit Regulations 2015, and the Code of Practice on Local Authority Accounting in the United Kingdom (the local authority accounting Code).</p> <p>This is stated within the Accounts, within the 'Statement of Responsibilities' and is signed by the Director of Corporate Resources (S151 Officer).</p> <p>The County Council has consistently received an unqualified audit opinion from the external auditors.</p> | |
| Q | The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions | <p>Compliant</p> <p>The outturn position is reported to the Cabinet and Scrutiny Commission. The report presents the significant variances to the approved budget with explanations of the reasons and where necessary actions being taken. Any key issues arising from the outturn figures are reflected in the budget and MTFS process.</p> | |