

Financial Management Code

Financial Management Standards

Standard		Evidence as at March 2023
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<ul style="list-style-type: none"> • External Auditor – positive VFM conclusion for the 2021/22 accounts (with narrative included in Auditor’s Annual Report). • Council Plan for 2023/24 focuses on key priorities including VFM. • KPIs are monitored in Performance and Resources Report (PRR). • VFM assessment included in all key decision reports. • Procurement Board reviews all procurements in excess of £500k to ensure proposed procurement meets the outcomes required, follows a compliant procurement route and delivers value for money. For lower value contracts, national frameworks or other commercial competitions are used to reflect value for money considerations.
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)	<ul style="list-style-type: none"> • The Chief Finance Officer (CFO) is a qualified accountant and is a key member of the Executive Leadership Team (ELT) and other strategic meetings such as Cabinet meetings including informal briefings of Cabinet. The CFO also is a member of the Procurement Board and the Capital and Assets Board. All material decisions impacting the Council follow these governance routes prior to a decision being made. • Good financial management is led by the CFO and supported by the senior finance team. • The deputy CFO represents the Council’s interest on the Property Joint Venture Board and is a Director and Company Secretary of Edes Estates. The post is currently vacant with a replacement being sought. There continues to be other Council officers who are Directors of Edes Estates. • A member of Finance SMT sits on the Commercial Panel. • The Strategic Business Partners sit on the departmental leadership team meetings providing financial insight and advice. • Effective reporting and management through review of the quarterly PRR with monthly monitoring undertaken and reviewed at ELT.

		<ul style="list-style-type: none"> • Finance team is sufficiently resourced and represented at Board and leadership team meetings to provide financial input and challenges, although there have been ongoing recruitment issues for staff at principal finance officer level, which are not unique to West Sussex. In addition, the competing demands of Council projects, including the replacement of key financial systems is putting strain on resources and requires the need to prioritise according to levels of risk. • The senior finance team encourages and supports staff to become qualified accountants and build career paths to enable progression.
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	<ul style="list-style-type: none"> • Financial Regulations in the Constitution set out the rules, to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management and budget monitoring demonstrate sound internal monitoring and control and have formal and well published arrangements for Member and officer oversight and transparency. • Internal Audit is provided by the Southern Internal Audit Partnership. They meet with Directors to plan the audit programme that is focussed on areas of concern raised in the risk register. The quarterly audit report is discussed at ELT and Regulation, Audit and Accounts Committee (RAAC). • Control is maintained through regular management information, supervision, and a structure of delegation and accountability. External audit of the Council's accounts in 2021/22 concluded that arrangements remained robust. • The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government 2010.' A continuous review is maintained. • A full review of Financial Regulations and Procedures was undertaken and a new version of Financial Regulations was approved in 2018. A further review is currently in hand as part of the Smartcore project (to replace SAP as the key financial system and the systems linked to it). • Each Director is required to review the use of internal governance systems for their area of responsibility, through an assurance mapping process. The statements made, based on the assurance mapping, are used to identify broader governance

		issues. Evidence of assurance given is noted in the annual assurance statement for each directorate. These include identified actions. From both sources, relevant governance assurance implications are included in this document.
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	<ul style="list-style-type: none"> • The Council's Annual Governance Statement is jointly signed by both the Leader and the Chief Executive and approved by RAAC at the same time as the approval of the audited financial statements. Updates on the agreed action plan are discussed at ELT and reviewed at RAAC. • The 'Officer Guide to Governance' provides details of governance framework in an easy access format for officers.
E	The financial management style of the authority supports financial sustainability	<ul style="list-style-type: none"> • The Financial Regulations and Standing Orders on Procurement and Contracts set out the framework for financial accountability. • The Medium-Term Financial Strategy (MTFS) forms part of the annual budget process and the capital strategy and five-year capital programme also drives the Council's strategic capital investment ambition to support the sustainable long-term delivery of services. The budget planning and MTFS process is led by ELT and reflects the current business plans. Directors are responsible for delivering their business plans with the budget set by the Council in February. • The Section 151 officer meets monthly with each Director to keep abreast of financial challenges affecting services and a joint approach to managing such challenges is adopted. • The efficiency, equity and effectiveness of each service is considered as part of this process. • Children's Services and Fire and Rescue are on a continuing improvement journey to ensure the services are effective and efficient. A two-year improvement programme for Adult Services has commenced. • Budget managers attend budget training courses to understand their responsibilities with to comply with the financial management regulations, contract standing orders and procurement procedures. • Strategic Business Partners sit with their respective services and leadership teams to support operational and strategic plans. CIPFA was invited to review the financial style

		of the council in the autumns of 2019. The recommendations of that review were accepted and implemented.
F	The authority has carried out a credible and transparent financial resilience assessment	<ul style="list-style-type: none"> • The budget process considers the potential pressures impacting the Council finances for increased demand, increased costs, change to national policies (e.g. Adult Social Care Reform, Education White Paper, Statutory Override for Dedicated Schools Grant (DSG) deficits) as well as local context such as Climate Change. It also reviews the undelivered savings from previous years and builds the savings back into the budget if there is no prospect of them being realised. • The budget principles followed as part of the budget setting process states that we will not use reserves to balance the budget and any necessary use of reserves in previous years need to be repaid. • The MTFS, which includes full details of the Council’s financial risks and their likelihood of impact, is reviewed regularly and managed through the Council’s budget process and Reserves Strategy. • The CIPFA financial resilience index is reviewed each year to identify funding and flag any risks. The index applies fifteen measures, including areas such as reserves, flexibility with budget and reliance on different funding sources, including fees and charges. It compares the outcome for each authority to peer groups. The latest published index was February 2022 and showed the County Council had good resilience in terms of a reasonable level of overall reserves (earmarked and general reserves). The Section 25 statement included in the Budget Report examines the level of reserves available and determines its adequacy to meet pressures arising from unforeseen events.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	<ul style="list-style-type: none"> • The MTFS is included in the annual budget, with Cabinet updates and Member Day events focused on it, including the importance of reserves. Financial sustainability is also covered in the quarterly PRR presented to Cabinet and Performance and Finance Scrutiny Committee. This report reviews progress against the Council Plan, including KPIs alongside the projected financial outturn.

		<ul style="list-style-type: none"> • Various scenarios are considered and there remains significant uncertainty in the longer term as a result of the current inflationary pressures, demand pressures, adult social care reforms and future years funding.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	<ul style="list-style-type: none"> • A Capital Strategy is an integral part of the County Council’s MTFS and is in place and refreshed on an annual basis as part of the budget setting process. The Strategy enables the delivery of the Council's priorities and is underpinned by a five-year capital programme and Asset Management Strategy. The Asset Management Strategy is currently being updated and provides an overview of the Council’s land and property estate together with our main priorities for managing and developing that estate over the next twenty years. • The Prudential Indicators are set and reported through the Treasury Management and Capital Strategies. Compliance with the Prudential Indicators is reported in the Treasury Management mid-year and the annual reports which are scrutinised by the Performance and Finance Scrutiny Committee. • CIPFA published revised codes in December 2021 with formal adoption required for the 2023/24 Treasury Management and Capital Strategies. The strategies approved as part of the budget for 2023/24 reflected the new requirements.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	<ul style="list-style-type: none"> • The MTFS covering four years is included in the annual budget along with a five-year capital programme. The MTFS runs alongside the business planning process ensuring the changes to the national and local context is reflected in the MTFS. The underlying assumptions and assessment of relevant cost and demand drivers are regularly reviewed throughout the year and updated as appropriate. • The uncertainty in estimates in demand and price is recognised as part of the budget build. A revenue contingency budget is included in the annual budget to deal with these uncertainties. • Asset Management plans are in place that correspond to strategic aims.

J	The authority complies with its statutory obligations in respect of the budget setting process	<ul style="list-style-type: none"> • Obligations in respect of the budget setting process are set out in the budget principles • Balanced budget for 2023/24 was approved at Full Council in February 2023. • The circumstances needed to issue a Section 114 Notice are understood and communicated to Members at Member Days when the budget is discussed.
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	<ul style="list-style-type: none"> • The budget report includes a statement on 'Robustness of Estimates, Adequacy of Reserves and the Management of Risk (Section 9 within the 2023/24 budget report). • The statutory override to manage the deficit balance on the DSG has been extended to March 2026. • The MTFs and assessment of reserves is set on the basis we will receive adequate funding from government for the proposed Adult Social Care Reforms.
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	<ul style="list-style-type: none"> • The long-term financial strategy follows the Council Plan and the integrated business and financial planning process brings together our business planning, financial planning and risk management processes and involves ongoing engagement with key stakeholders across our partners including districts and borough Councils, economic partnership and health partners.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	<ul style="list-style-type: none"> • Business cases are required for all major decisions and option appraisal methods applied. • Decision reports include a section on demonstrating value for money and options appraisals. • Support is provided by the Finance team where options appraisals need to be carried out.
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<ul style="list-style-type: none"> • The quarterly PRR captures emerging risks to the budget for both capital and revenue and on a monthly basis key risks are captured and reported to ELT. Reports to ELT are presented in a timely fashion. The reports to public Committees follow a longer timeline due to the need to plan meetings in advance. • Strategic and Critical suppliers require the most attention with an emphasis on supplier relationships that can deliver value that goes beyond the contract including, amongst

		<p>others, cost avoidance, reduced risk and greater supplier innovation. For these suppliers/contracts, we then apply, manage and monitor in accordance with our Contract Management Framework such as the "Balanced Scorecard" and "Supplier Relationship Management plans" which enable monitoring health and effectiveness of our contracts. These are reviewed annually, with some of our more strategic relationships undertaken quarterly. The Balanced Scorecard is an assessment of contract governance, performance, risk and relationship etc and results in a balanced score and rating which we capture and record in our eProcurement system 'Atamis' and share back with SLT/DLT as agreed. A pack is being developed for ELT which summarises/aggregates the results across all Directorates.</p>
O	<p>The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability</p>	<ul style="list-style-type: none"> • The level and use of the Council's reserves are reported in the quarterly PRR, which is reviewed by ELT. Debtor balances are reviewed annually and appropriate bad debt provisions are made to reflect likely collectability. • Contingent liabilities are considered as part of the preparation of accounts to ensure all known potential liabilities are provided for in the balance sheet. • A review of outstanding purchase orders is considered as part of the year end process to ensure there is no over provision of creditors. • Reserves are reviewed in detail to ensure sufficient funds have been set aside to meet future PFI obligations. • The valuations of investment properties are reported as part of the Treasury Management mid year and annual reports.
P	<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>	<ul style="list-style-type: none"> • The Section 151 officer reviews the financial statements before signing. The production of accounts follows a detailed timetable with qualified and experienced staff who are encouraged to update their knowledge for any changes in accounting practices.

Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	<ul style="list-style-type: none">• ELT reviews the final outturn figures, variation from budget and confirms their agreement. They discuss the drivers of any variations from budget, the ongoing impact and mitigations.• Monthly finance briefings are held with the Leader, Deputy Leader and Cabinet Member for Finance and Property.• Scrutiny Committees review and discuss the outturn position for their respective areas.• Cabinet reviews and agrees the outturn position.
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Financial Management Code – 2023/24 Action Plan

Areas for improvement	Standard	Key actions	Who	When
Carry out a review of qualified finance staff, progression and learning opportunities to address current recruitment issues within Finance	B	<ol style="list-style-type: none"> 1. Develop a Workforce Planning Strategy for Finance - including consideration of: <ol style="list-style-type: none"> a. Current business partnering way of working b. The need for a joined-up approach across all of Finance with other support services c. Roles and responsibilities of Finance and services and the approach to embedding good financial management d. The right balance of resources and grades reflecting the level of work within the teams e. Career grades for trainees f. The introduction of a more structured career path within teams to ensure there are sufficient opportunities for progression/retention 2. Review training opportunities for staff in Finance, including apprenticeships 3. Develop a training and development plan for all staff in Finance 	Finance SMT	March 2024
The Medium-Term Financial Strategy (MTFS) identifies a funding gap in future years. Savings plans should be developed for the whole period of the plan.	E, F, G, I, K, L	<ol style="list-style-type: none"> 1. Update the MTFS and publish in July 2023, with a five-year outlook for revenue 2. Move to longer term planning with a focus on identifying savings in two phases – initially for 2024/25 and 2025/26 and then across the whole period of the MTFS 3. Develop closer working of the revenue and capital planning process, both in the development of the MTFS and annual budget 	ELT / Finance SMT	February 2024

Areas for improvement	Standard	Key actions	Who	When
		<ol style="list-style-type: none"> 4. Include capital planning and monitoring as part of the Directors business planning process 5. Continue to further strengthen the links between financial planning and corporate planning 6. Ensure that addressing the financial challenges is owned across ELT and Cabinet 7. Review the current use of data, evidence and scenario planning to inform the MTFS assumptions 8. Investigate greater use of benchmarking to consider service delivery in terms of value for money, cost effectiveness and cost reduction/income opportunities 		
Requirements of the Financial Management Code to be reflected in the Treasury Management and Capital Strategies.		<ol style="list-style-type: none"> 1. Review Treasury Management and Capital Strategies ahead of the budget process for 2024/25, to ensure compliance with the Financial Management Code 	Finance SMT	February 2024
The MTFS and capital programme to reflect the long-term approach where service contracts are in place, to demonstrate the contracts can be funded over the whole period of the contract. The MTFS to cover a ten-year period and focus on future years savings plans including demand pressures.	E, G, I, K, L	<ol style="list-style-type: none"> 1. Publish the MTFS in summer 2023 that will focus on a five-year period for the revenue budget. 2. Develop the Capital Strategy that will be agreed at County Council in February 2024, in line with the Asset Management Strategy to reflect the Council's plans for the next 10 to 15 years. 	ELT/ Finance SMT ELT/ Finance SMT	July 2023 February 2024

Areas for improvement	Standard	Key actions	Who	When
Strengthen the alignment of finance and operational service plans	A	1. Strengthen the Council’s business planning process. The MTFs published in the summer will align, at an organisational level, the Council’s financial resources with the priorities in the Council Plan and will be used as a basis to align Directorate and departmental finance and operational plans. This will be driven forward through a new cross Council Business Planning Group which has been created and also through ELT and Directorate Management Teams.	ELT/ Finance SMT	March 2024
Refresh the Financial Regulations	B	1. The Financial Regulations will be reviewed as part of the implementation of Oracle and presented to the Regulation, Audit and Accounts Committee in September 2023.	Finance SMT	September 2023
Ensure all Budget Managers understand their responsibilities in line with the Financial Management Code	E, L	1. Define/develop roles and responsibilities for both Finance staff and Budget Managers. 2. Develop a plan for the financial management training to Budget Managers as part of the implementation of Oracle, to include the self-serve role Budget Managers will have for monitoring and forecasting their budgets.	ELT/ Finance SMT Smart core project team/ Finance SMT	March 2024 March 2024