

Appendix 1

Financial Management Standards

FM Standard Reference	Financial Management Standard	Guidance	Current position 2023/24	Areas for improvement
Section 1: The responsibilities of the chief finance officer and leadership team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	<p>FM Code includes guidance: The delivery of value for money will ultimately be dependent on decisions made by elected members. It is for the leadership team to ensure that the authority's governance arrangements and style of financial management promote financial sustainability. It is the elected members who are held to account by local people when a local authority fails, but an important element of collective decision making is to understand the risks and appreciate the different statutory responsibilities of those involved. Good financial management is the responsibility of the whole leadership including the relevant elected members. It is the responsibility of the senior officers within the management team to enact this.</p>	<p>VfM is a core consideration through the annual budget setting process, and services are consulted to ensure budgets are in line with achieving this. Savings proposals are reviewed with a focus on achieving VfM and similarly, growth considerations must provide VfM.</p> <p>VfM is a consideration in all Cabinet/Council reports, particularly where business decisions are to be made.</p> <p>SLT take regular finance reports and updates to ensure corporate understanding of financial position and financial resilience risks to the organisation.</p> <p>The Council Plan includes targets to continue delivering VfM. The Joint Contracts Board and Commercial Hub supports VfM in the decision making process, as every procurement over £500k requires a commercial strategy before agreement can be reached.</p> <p>The Constitution and Financial Regulations were updated in October 2021 and sets out clear governance structures where roles of Members and Chief and Statutory Officers are well-defined.</p> <p>The Council agreed a Social Value Policy and Ethical Standards in Feb 2022, which was implemented in April 2022, the aim of which is to maximise the social, economic, and environmental benefits for local residents from public sector contracts that are being procured, by incorporating social value into the outcomes. A new Commercial Strategy was approved in November 2023 to strengthen further arrangements to obtain the maximum value from council purchasing power.</p> <p>External audit provides a VfM report each year (although audit opinions have been delayed - significant issues in relation to VfM have not been raised by the auditor.</p>	The unaudited financial accounts from the 2020/21 financial year has increased risks due to the outstanding value for money opinion.
B	The authority complies with the <i>CIPFA Statement on the Role of the Chief Finance Officer in Local Government</i>	<p>The CIPFA Statement is as follows: The Chief Financial Officer in a public service organisation: 1 is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest; 2 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 alignment with the organisation's financial strategy; and 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. To deliver these responsibilities the Chief Financial Officer: 4 must lead and direct a finance function that is resourced to be fit for purpose; and 5 must be professionally qualified and suitably experienced The CFO is CIPFA qualified and has experience in local government as well as maintaining CPD compliance.</p>	<p>The Chief Financial Officer (CFO) role is undertaken by the Strategic Director, Resources. At Ealing, this role is a member of the Council's Strategic Leadership Team (SLT) and is involved in all key business decisions, which are reviewed by SLT before decisions are taken by elected members.</p> <p>All key decisions require review and comment of finance and legal, and as such the CFO is able to ensure that the financial implications and any opportunities or risks have been identified.</p> <p>The CFO is a professionally qualified accountant with local government experience. Within the finance function, all senior staff are professional accountants and training programmes are in place continue building the knowledge and experience within the team.</p>	<p>Continue to develop financial skills and knowledge across the finance function through ongoing training programmes.</p> <p>Review of finance structure to be undertaken during 2024 to ensure career development opportunities and succession planning and to consider wider financial management responsibilities to minimise transactional work, ensure budget holder ownership of budgets ensure that qualified staff are used to best advantage to support and challenge budget holders.</p>

Section 2: Governance and financial management style				
C	The leadership team demonstrates its actions and behaviours responsibility for governance and internal control.	<p>The FM Code emphasises the importance of the 'Nolan principles', which form the basis of the ethical standards expected of public office holders.</p> <p>The council has arrangements in place to</p> <ul style="list-style-type: none"> - establish a clear framework for governance and internal control across the authority, - establishing clear arrangements for assurance and accountability - espousing high standards of governance and internal control in its own activities - creating, maintaining and nurturing a culture in which governance and internal control are embedded into the way in which the authority works. 	<p>The constitution was updated in October 2021 and this sets out the roles and behaviours expected by members and officers of the Council.</p> <p>The Code of Conduct for Members includes a requirement to follow the principles of public life.</p> <p>The Audit Committee reviews arrangements for assurance and receives regular reports from officers.</p> <p>The Assistant Director of Audit and Investigations provides an annual independent opinion on the effectiveness of internal control and reports regularly to SLT with significant matters escalated to Cabinet members and Audit Committee as necessary.</p> <p>A follow-up programme is in place and outstanding actions are reported to Audit Committee</p>	Actively engaging managers for response to audit committee if recommendations are not implemented in a timely manner.
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016).	The FM Code requires that the Council undertakes a review of the effectiveness of the system of internal control and this is reported in an annual governance statement.	<p>The Annual Governance Statement (AGS) is published annually alongside the Statement of Accounts. The AGS includes details of the system of internal control and review of the effectiveness of internal controls. This is based on Annual Assurance Statements from each directorate.</p> <p>An AGS working group including the AD Audit and Investigations, the CFO, the Monitoring Officer, Director HR and OD and the Strategic Director of Strategy and Change meets to review the evidence and draft AGS before consideration by SLT.</p> <p>The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government 2016.</p>	As per A, the unaudited accounts means that there is a delay to the external audit sign off of the Council's AGS. The council will monitor the limited assurance opinion to reduce any delays in implementing recommendations.
E	The financial management style of the authority supports financial sustainability.	<p>Developing a robust approach to ensuring the financial sustainability of the authority's activities is central to compliance with the FM Code.</p> <p>Achieving financial sustainability requires the authority to have the capacity, the capability and the confidence to plan for the long term and to focus on the achievement of longer-term objectives, rather than to exist simply from year to year.</p>	<p>Financial sustainability is a key focus for the Council. The Council has consciously moved to a position of reducing the use of reserves and built in to the MTFs direct contributions to build up reserves and strengthen financial sustainability and resilience. It has delivered planned contributions to reserves over the past three years to strengthen financial resilience. The council has also introduced an increased Risk Contingency in to the budget to reflect the increased budget risks from demand-led services and inflation.</p> <p>The Council has continuously set a balanced budget each year, taking into account the adequacy of reserves when doing so, and has successfully maintained the targeted General Fund balance for a number of years.</p> <p>Due to increase costs of repairs and maintenance and new regulatory requirements the HRA is overspent and will require a significant draw on reserves in 2023/24 and a smaller budgeted contribution from reserves is required to balance the budget in 2024/25. Further work is required in 2024/25 to ensure that the HRA business plan is financially sustainable and to build back reserves.</p> <p>The Council is holding a deficit within the Dedicated Schools Grant in relation to the High Needs Block which is an area of national concern, a recovery plan is in place to proactively work towards reducing this balance.</p> <p>The Medium Term Financial Strategy is reviewed regularly and updates provided to members annually.</p> <p>Responsibility for budgets sits within service areas and Strategic Directors are accountable for their areas. Budget holders have access to financial information and can access this as needed, and also with support from the Accountancy function. Finance provide quarterly reporting to Cabinet, and high-risk areas are reported monthly to Portfolio Holders.</p> <p>Savings are monitored alongside forecasts to enable services to identify pressures and identify mitigating actions as required.</p> <p>The Financial Regulations were updated in October 2021 and provide full details of scheme of delegation for financial decisions.</p>	<p>Review of HRA business plan in 2024/25 to consider all options to improve financial sustainability.</p> <p>Additional monthly monitoring and reporting to SLT of high risk, demand led budgets (to now include homelessness) identified as a result of an increased risk and scale of increases in market costs.</p>

Section 3: Long to medium-term financial management				
F	The authority has carried out a credible and transparent financial resilience assessment.	FM Code states : 'Having carried out the finance resilience assessment, the authority will need to demonstrate how the risks identified have informed a long-term financial strategy. A local authority needs an over-arching strategic vision of how it intends to deliver outputs and achieve outcomes for which it is responsible. This should include a statement that sets out both the vision and the underlying strategy, together with the mix of interventions that the organisation will adopt in delivering services to achieve the intended outcomes. In many cases a basis for this will already exist in a corporate plan'.	As part of budget setting a review of the reserves has been carried out for long term and general adequacy of reserves. Part of monitoring and as part of budget setting a review of the council general demand pressures and inflation pressures has been carried out which helped outline the financial position for 2024 and beyond. This was review was worked through with services and presented and discussed with Strategic Leadership Teams (SLT). The council makes use of the CIPFA Resilience Index, review of OfLoG indicators and London Council's benchmarking data to highlight areas of risk to SLT and members as part of budget setting and risks in relation to the increasing proportion of expenditure of demand led service and fixed capital financing costs. Whilst the Council has comparatively low levels of reserves, the strategy has delivered increased levels rather than needing to utilise reserves to balance the in-year budget.	Confirmation of external audit position on audited areas. Further analysis and monitoring of high risk/ demand led service including benchmarking.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	FM Code states - 'Authorities will face different levels of political and financial stability which may have become embedded in different management cultures. However, CIPFA would promote ambition and stress the need for a financial strategy that matches the requirement for a strategic approach to service planning. The underlying key demand cost drivers, especially those linked to the age profile of the community, can be foreseen at least in broad terms for a decade and more ahead'.	With a new SLT, a review of each areas cost drivers and understanding of budgetary requirements and demand needs has been a key focus this year. SLT have had regular monitoring review of each area, a demand and risk evaluation for future requirement. This has then been used to set the budgets for future years, risks have been highlighted and risk ratings provided for savings. In year we have assigned to Grant Thornton's CFO insights tool, to support improved benchmarking.	Continue review of council service, include benchmarking and clear alignment of risks identified. Improved understanding of medium term demographic trends through financial foresight exercise. Integration of transformation and change work into the financial strategy for long term sustainability.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	FM code states - 'Capital strategy is a fundamental component of good financial management. It should set out how the organisation is currently managing its assets and more importantly its future plans linked to available resources. Balance sheet management in local authorities is about the better management of assets and liabilities to support service delivery and capital strategy. A long-term vision is needed for the configuration of service delivery and investment properties because timely asset disposals and/or investments will be dependent on complex interdependencies. A long-term vision should also be reflected in any commercial investment activity undertaken by the organisation. Guided by the Prudential Code and relevant guidance on borrowing for acquisitions of commercial properties, a local authority should not put public money and services at risk.	Council Plan and other priorities are reflected in budget setting for capital and revenue. Annual budgets are reviewed and realigned within directorates and services to reflect priorities of spend. The Council reflects the requirements of the Prudential Code in its Capital Strategy and Treasury Management Strategy are reported to Cabinet & Council as part of the annual budget report. The Prudential Indicators are agreed by Cabinet & Council each year as part of the budget process and then performance against these indicators is reported on to the Audit Committee & Full Council via the Treasury Management Outturn report, and monitoring reports are presented to the Audit Committee throughout the year. The council has relatively high levels of capital financing costs and these continue to be monitored and reviewed and capital financing of schemes challenged to minimise borrowing and maximise other funding unless the expenditure generates income or savings. The Council does not have any commercial investments funded from borrowing. The Land and Property Strategy was approved in March 2023 and is in implementation with an exercise started to implement a Corporate Landlord to improve oversight and management of the estate to meet council objectives.	Creating of a working group to monitor and assess the capital programme. Implementing a Corporate Landlord approach.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	The FM Code 'does not anticipate that a longer-term financial strategy will or, indeed, should provide sufficient detail to allow for it to be translated directly into an annual income and expenditure budget. To bridge this gap, therefore, and to allow the authority to ensure that its annual budget is in alignment with its longer-term financial aims, the FM Code requires the authority to prepare a multi-year medium-term financial plan. Furthermore, this plan should also be consistent with associated service plans for the authority's principal services'.	The Council has a rolling medium-term financial plan (MTFP) that is reviewed and updated during the year, and refreshed annually and presented to and approved by Members as part of the budget process. As stated above with a new SLT the approach was to review all service areas and highlight the demand and inflation pressures within service and risk assess these. This formed the basis for budget setting for 2024 25. The Council's capital strategy and treasury management and investment strategy are also reviewed, and the Council's capital programme is developed as part of this process and incorporated within the medium-term financial plan and budget report each year. The Council sets the HRA with a 30-year business plan which is agreed at Cabinet and Council each year.	If the government issues longer term settlement plan for future years this would assist in formulating future impacts on the MTFP. To encourage service accountability for managing their budgets a budget reporting tool is planned to be implemented and rolled out to budget managers.

Section 4: The annual budget				
J	The authority complies with its statutory obligations in respect of the budget setting process.	FM code states - 'The annual report setting out the proposed budget for the coming year is a key document for the authority. It will also demonstrate compliance with CIPFA's Prudential Code (Financial Management Standard H). The best budget plans are those owned and articulated by the whole leadership team and senior managers, not simply the CFO. Reserves are acknowledged in statute. Local authorities are directed to have regard to the level of reserves when considering their budget requirement. Consequently, reserves are a recognised and intrinsic part of financial planning and budget setting'.	The S151 has advised SLT and members through robust quarterly monitoring and budget setting of the Council financial position. The financial management of the council and financial resilience is owned corporately by SLT and the Cabinet. The 2023/24 outturn forecast is to breakeven and the 2024/25 budget is balanced, with continued contribution to reserves to improve financial resilience with increasing financial risk. The budget report includes all necessary statutory requirements. Review of capital projects to advise if these are financially viable and if still meets council priorities to be completed.	Further develop SLT and member understanding of the revenue implications of capital and debt and review of the capital programme.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	FM Code states - 'The budget report should include details of the earmarked reserves held, and explain the purpose of each reserve, together with the estimated opening balances for the year, details of planned additions/withdrawals and the estimated closing balances. A well-managed authority, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed'.	The budget report includes details of reserves held and this has been discussed by SLT and members as part of the budget setting process. Whilst reserves remain comparatively low, the budget strategy has a continued base budget contribution to strengthen the position and they are currently considered sufficient to meet short term risks. There is no planned use of reserves required to meet ongoing revenue budget requirements.	
Section 5: Stakeholder engagement and business plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Financial sustainability will be dependent upon difficult and often complex decisions being made. The authority's decisions must be informed by clear business cases based on the application of appropriation option appraisal techniques. Professional accountants can be expected to comply with the IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation'.	The Council continues to engage/consult with groups which include: <ul style="list-style-type: none"> • Strategic Leadership Team and wider Ealing leadership Team • Leader of the Council • Cabinet • Labour Group • Opposition Groups • Overview & Scrutiny Committee • Local businesses via the Ealing Business Partnership. Engagement with communities is undertaken on any significant new project or change in service and consultation and co-production with communities is expected to increase and will need to include mature discussions on financial resilience.	To set up a capital programme working group which will review appraisals of business cases and their financial requirements.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	FM Code states - 'It is the responsibility of the CFO to ensure that all material decisions are supported by an option appraisal which in its rigour and sophistication is appropriate for the decision being made. It is likely that the authority's documented option appraisal methodology will include a relatively simplistic approach for decisions of low value and/or low risk'.	Projects continue to progress when they have been through a review and approval process and are in line with the organisation's priorities and outcomes as outlined in the Council Plan. Various boards are set up for review of proposals such as digital board, Major Projects Board and Housing. All key decisions and Cabinet reports include a section on 'Reasons for Decision and Options Considered' and include Financial Impact. Relevant portfolio holders alongside SLT are consulted on projects to ensure the vision of the corporate plan, values for money and to develop long term financial strategy. Revised process for housing delivery project management and gateway reviews being developed.	To set up a capital programme to provide an overview of the various capital programme projects/ schemes. Implementation and embedding of housing scheme project management documentation and gateway reviews.

Section 6: 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.	FM Code states - 'Significant unplanned overspends and/or carrying forward undelivered savings into the following year might be a sign that an authority is not translating its policy decisions into actions. It also creates the conditions for further financial pressures and possible service reductions in subsequent years. However, the warning signs could also be in other nonfinancial performance measures. These trends should inform the decisions taken on the medium and long-term financial planning It is a requirement of this code that authorities should more closely monitor the material elements of their balance sheet that may give indications of a departure from financial plans. This is especially important for local authorities with significant commercial asset portfolios'.	<p>Members of the Strategic Leadership Team receive regular financial performance reports on a quarterly basis throughout the year, and these are discussed in various forums. Each quarter results are signed of the the Strategic Director and discussed in meetings with wider DMT members. Included in these reports is information on the forecast end of year position, alongside details of financial pressures that are emerging, as well as actions that are being taken to address these. The reports are used as the basis for discussion with Lead Members for each portfolio. The Lead Member for Inclusive Economy will discuss all financial projections and performance with the Strategic Director, Resources and relevant Directors.</p> <p>There is also information on the progress to date in relation to the delivery of agreed savings, and these are RAG rated and services are asked to identify mitigating actions where these are at risk.</p> <p>Financial Monitoring reports are subsequently considered by Cabinet on a quarterly basis. The Council has limited commercial exposure in its current and long terms strategy.</p> <p>High risk budgets are reported monthly to senior officers and the Leader/Portfolio holders - during the year this has now included Homelessness.</p> <p>SLT and Members take quarterly wider performance reports which are subsequently reported to Cabinet.</p> <p>The strategic risk register is presented to SLT regularly.</p>	<p>Additional monthly monitoring and reporting to SLT of high risk, demand led budgets (to now include homelessness) identified as a result of an increased risk and scale of increases in market costs.</p> <p>Refreshed risk register to be approved.</p>
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	FM Code states - 'Contingencies and commitments are monitored to identify any items where a balance sheet provision may have crystallised. Key drivers of provisions (e.g. asset decommissioning decisions, legal claims, reorganisation activities) should be monitored to identify whether an actual or constructive obligation has arisen. Finally, cash flow is managed through application of Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (CIPFA, 2017)'.	<p>A quarterly balance sheet review is in place, carried out by finance staff, and this is reported on and monitored through the Financial Strategy Group (FSG). Key areas of financial risk relate to the debt and debt collection. The Strategic Director has monthly meetings on council tax and business rates collection and reviews and discusses bad debt and related provisions. In addition monthly meetings are held to monitor social care debt, including provisions.</p> <p>Earmarked, General Fund and HRA reserve balances and use of provisions are reviewed through the quarterly budget monitoring process and reported to SLT, Members via Cabinet reports to ensure reserve levels are sufficient to support financial sustainability.</p> <p>Other financial provisions are reviewed at least annually as part of closing for completeness, accuracy and need.</p> <p>Cashflows and cash balances are managed in line with the Treasuring Management Strategy and are monitored on a monthly basis through the Treasury Risk and Investment Board, chaired by the Strategic Director, Resources.</p>	<p>As a result of high interest rates, a review of the sustainability of borrowing is undertaken to ensure adequate and responsible financing of capital projects.</p> <p>Improvements on modelling scenarios out treasury outcomes and implementation of the capital working group.</p>
Section 7: External financial reporting				
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> .	The FM Code states that the external financial reporting process for authorities is prescribed by statute. Local authorities are required to produce their statutory accounts on an annual basis in accordance with the relevant legislation.	<p>The Constitution and Financial Regulations set out the role of the CFO, which includes ensuring the Statement of Accounts is prepared in accordance with the Code of Practice.</p> <p>The CFO reviews and signs off the Accounts prior to approval by Audit Committee.</p> <p>External audit have provided consistent unqualified opinions on the Statement of Accounts and acknowledged in their latest reports that the Statements comply with the Code of Practice.</p> <p>The Council produced the draft unaudited accounts on time in 2020/21, 2021/22 and 2022/23, however due to various reasons, the publication of audited accounts has been delayed.</p> <p>New external audit providers are in place for 2023/24.</p>	<p>Timeliness of the annual external audit of the financial accounts and value for money position.</p> <p>Council officers to engage and plan an effective external audit of the 2023/24 accounts.</p>
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	The FM Code states that effective financial reporting is key to ensuring that the authority and its leadership team understand how effectively its resources have been utilised during the year, including how material variances from initial and revised budgets to outturn have arisen and been managed.	<p>Final outturn figures are presented to SLT and then Cabinet in line with the closing timetable and production of the Statement of Accounts.</p> <p>SLT and Cabinet also receive the forecasts regularly throughout the year and any significant variances from budget or from the latest forecasts will be investigated.</p> <p>Information from the Q2 and Q3 budget monitoring forecast outturn is used to inform budget setting decisions for the following year.</p> <p>The final outturn figures are used to update the in year budget position and update the MTFs for future years as required.</p> <p>Schools outturn position is additionally reporting to schools forum to allow schools to inform their own strategic direction.</p>	<p>Continue to improve quality of reporting based on feedback from officers and members and improve accuracy of profiling and forecasting budgets.</p> <p>The Council is preparing the introduction of an ICT system for budget monitoring and budget setting for budget managers.</p>