

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12th APRIL 2022		
TITLE:	CIPFA FINANCIAL MANAGEMENT CODE		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	ALL	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Chartered Institute of Public Finance & Accountancy (CIPFA) launched a new Financial Management Code (FM Code) in 2019, attached as Appendix 1. The Code, which set out for the first time, 17 standards of financial management for local authorities to assess themselves against and had an implementation date of 1st April 2021.
- 1.2. The Guidance Notes to the FM Code, attached as Appendix 2, are intended to provide practical guidance regarding the implementation of the Code. The guidance notes state that “it is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them”. Effectively; an annual self-assessment exercise is required to assess compliance with the FM Code from 1st April 2021.
- 1.3. An initial self-assessment of the Council’s standing against each of the Financial Management Standards was carried out in March 2020 by the Financial Planning & Strategy Manager in conjunction with the Council’s Section 151 Officer using a RAG Rating approach and the findings were reported to the Audit & Governance Committee on 14th July 2020. The outcome was 8 Green ratings and 9 Amber ratings, with no Red ratings. It should be noted that the initial review was conducted in advance of the publication of the CIPFA FM Code Guidance Notes (May 2020) and in advance of the training sessions that CIPFA provided (from September 2020).
- 1.4. In summary, the initial findings of the 2021/22 self-assessment against the 17 Financial Management Standards are set out in the following table and are compared against the assessment presented to Audit & Governance Committee in July 2020. Any movements in RAG Rating are as a consequence of clarifications and/or better understanding of the requirements of the Code and do not necessarily represent an improvement or deterioration in the actual position.

Table 1. Financial Management Standards Progress Summary

RAG Rating	Progress Report	Number of Financial Management Standards (July 2020)	Number of Financial Management Standards (April 2022)	Movement
GREEN	Compliance is being demonstrated	8	6	(2)
AMBER	Minor to Moderate improvements are required to demonstrate compliance	9	11	2
RED	Moderate to Significant improvements are required to demonstrate compliance	0	0	0
TOTAL		17	17	0

- 1.5. The results of the self-assessment indicate an overall rating of Amber.

Appendices

Appendix 1 - CIPFA Financial Management Code 2019

Appendix 2 - CIPFA Financial Management Code Guidance Notes 2020

2. RECOMMENDED ACTION

That Audit and Governance committee note:

- 2.1. The findings of the 2021/22 Financial Management Code Self-Assessment.

3. BACKGROUND

- 3.1. The Chartered Institute of Public Finance & Accountancy (CIPFA) launched a Financial Management Code (FM Code) in 2019 with an implementation date of 1st April 2021 attached at Appendix 1. It sets out 17 standards of financial management for local authorities.
- 3.2. The FM Code is designed to support good practice in financial management and to assist local authorities to demonstrate their financial sustainability.
- 3.3. Local government finance in the UK is governed by legislation, regulation and professional standards. The general financial management of a local authority, however, has not until now been supported by a professional code. The Code was introduced because of fundamental weaknesses in financial management revealed in some organisations in recent years and concerns about the financial sustainability of some Councils.
- 3.4. Whilst there is much good practice across the sector, any failures threaten stakeholders' confidence in local government as a whole and more importantly, risk the services on which local people rely.

- 3.5. CIPFA's intention is that the FM Code will have the same standing as the Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017), which promotes the financial sustainability of local authority capital expenditure and associated borrowing. So, although the FM Code does not have legislative backing, it applies to all local authorities.
- 3.6. While the FM Code applies to all local authorities, it recognises that some have different structures and legislative frameworks. Where compliance with the Code is not possible, adherence to the principles is still considered appropriate.

4. RESPONSIBILITY

- 4.1. Application of the FM Code is a professional responsibility of all finance staff and establishes how the CFO demonstrates that they are meeting their statutory responsibility for sound financial administration.
- 4.2. However, CIPFA considers application of the Code to be the collective responsibility of each authority's organisational leadership team, not just the responsibility of the CFO or the finance team. For the purposes of the Code the 'Leadership Team' is defined as the collective group of elected members and senior officers. Therefore, depending on the model in place, it includes executive committees, elected mayors, portfolio holders with delegated powers and key committees of the authority as well as senior officers.

5. COMPLIANCE

- 5.1. It is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.
- 5.2. It is important to note, also, that the financial management standards are minimum standards. Some authorities may feel, that their own financial management arrangements exceed the standards set out in the FM Code.

6. CIPFA PRINCIPLES OF GOOD FINANCIAL MANAGEMENT

- 6.1. The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that an authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances and that they are proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.
- 6.2. The underlying principles that inform the FM Code have been developed in consultation with senior practitioners across the sector and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.
- 6.3. The 6 Principles of Good Financial Management set out in the FM Code are:

- Organisational **leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** - based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

7. CIPFA FINANCIAL MANAGEMENT STANDARDS

- 7.1. The FM Code (pages 15-16 of Appendix 1) sets out the 17 CIPFA Financial Management Standards with detailed explanatory notes (pages 17-36 of Appendix 1).

8. FM CODE SELF-ASSESSMENT

- 8.1. A self-assessment exercise to benchmark Reading Borough Council's current processes and practice against the FM Standards has been undertaken using a RAG Rating approach as set out below:

Table 2. RAG Rating Key

RAG Rating	Progress Report
GREEN	Compliance is being demonstrated
AMBER	Minor to Moderate improvements are required to demonstrate full compliance
RED	Moderate to Significant improvements are required to demonstrate full compliance

- 8.2. The following table summarises the self-assessment RAG Rating for each standard. A more detailed analysis per standard is provided in sections 8.4 to 8.51, including an explanation of the reason for any changes

Table 3. Financial Management Standard Self-Assessment

Standard Reference	Financial Management Standard	RAG Rating (July 2020)	RAG Rating (April 2022)
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.	AMBER	AMBER
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	GREEN	GREEN
Section 2: Governance and Financial Management Style			
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	AMBER	AMBER
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	AMBER	AMBER
E	The financial management style of the authority supports financial sustainability.	GREEN	AMBER
Section 3: Long to Medium-Term Financial Management			
F	The authority has carried out a credible and transparent financial resilience assessment.	GREEN	GREEN
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	AMBER	AMBER
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	GREEN	GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	AMBER	AMBER
Section 4: The Annual Budget			
J	The authority complies with its statutory obligations in respect of the budget setting process.	GREEN	GREEN
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.	GREEN	GREEN
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.	AMBER	AMBER
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	AMBER	AMBER
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.	GREEN	GREEN
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	AMBER	AMBER
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 Code of Practice on Local Authority Accounting in the United Kingdom.	GREEN	AMBER

Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	AMBER	AMBER
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Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team

- 8.3. As set out above, the FM Code follows the practice of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government in referring to the collective group of elected members and officers as the leadership team. In local authorities, therefore, the concept of the 'leadership team' includes executive committees, elected mayors, portfolio holders with delegated powers, key committees of the authority and senior officers.

Standard A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.

Self-Assessment RAG Rating: AMBER (No change)

- 8.4. The previous self-assessment rating of Amber was prior to the completion of the 2017/18 and 2018/19 External Auditor VFM opinions. Both opinions were subsequently assessed as adverse with the 2018/19 opinion stating:

Basis for Adverse Conclusion

Informed decision making:

- ▶ Maintaining a sound system of internal control

We found that some of the basic financial controls were not working as expected, for example, the regular completion of reconciliations is not timely and the year-end bank reconciliation did not balance. This increases the risk of fraud and errors remaining undetected. In order to get our assurance, we took a substantive approach to our audit and therefore did not rely on controls.

However, deficiencies in the systems of internal control were still in place during 2018/19 and therefore there is evidence of weakness in arrangements in informed decision making.

Working with partners and third parties

- ▶ Children's Services

In August 2016, Ofsted issued an inspection report of services for children in need of help and protection; children looked after and care leavers and a review of the effectiveness of the local safeguarding children board.

It concluded that Children's services in Reading are inadequate and found serious, persistent and systemic failures in the services provided to children who need help and protection. The Inspection found that children are left too long in situations of unknown and acute risk.

The Council accepted the findings of the Inspection and put in place procedures to improve performance. Ofsted have monitored progress since the issue of its initial a report and in its update letter, issued in June 2017 concluded that the Council was not making the expected progress in improving services for its children and young people. Subsequent Ofsted reports throughout May and July 2018 and May 2019 continued to highlight concerns over the lack of consistency of both the improvements required and also of the services offered during the year.

Qualified conclusion - Adverse

- 8.5. The Ofsted rating for Children’s Services has subsequently moved to “Requires Improvement” and significant progress has been made in improving the system of internal control.
- 8.6. The latest residents survey has also reported that the percentage who agreed that Reading Borough Council provides value for money has increased from 44% to 54%.
- 8.7. The direction of travel indicates that an unqualified Value for Money judgement will be delivered in 2021/22 and therefore the self-assessment rating for 2021/22 remains Amber.

Standard B. The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

Self-Assessment RAG Rating: GREEN (No change)

- 8.8. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government states that the Chief Financial Officer:
- 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 (Principle 1)
 - 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 authority’s financial strategy (Principle 2)
 - must lead the promotion and delivery by the whole authority of good financial management so that public money is always safeguarded and used appropriately, economically, efficiently and effectively (Principle 3)
 - must lead and direct a finance function that is resourced to be fit for purpose (Principle 4)
 - must be professionally qualified and suitably experienced (Principle 5)
- 8.9. The Council complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government in respect of all of the above criteria, except for one minor element within Principle 1 as the Chief Finance Officer does not report directly to the Chief Executive. Therefore, a Green RAG Rating has been determined.

Section 2: Governance and Financial Management Style

Standard C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

Self-Assessment RAG Rating: AMBER (No Change)

- 8.10. The Internal Audit Annual Assurance Report of the Chief Auditor, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards, gives the Chief Auditor’s opinion on the overall adequacy and effectiveness of the organisation’s governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also sets out key themes arising from the work of the Audit Team during the financial year, and compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.
- 8.11. The 2020/21 report, presented to Audit & Governance Committee on 19th July 2021, reported a limited assurance level, which was the same level as the 2019/20 report. However, the 2020/21

report notes that a positive trajectory to improvement is starting to emerge following improvement initiatives, such as the Finance Improvement Programme and the significant improvement in the implementation of historic audit recommendations, since implementing the new tracking and reporting process. Clearly, this improvement trajectory needs to be sustained in 2021/22 to enhance assurance that control, risk and governance arrangements are effective across the Council.

- 8.12. An Amber RAG Rating has been determined for 2021/22 based on the aforementioned improvements, however it is vital that these improvements continue in order to deliver a Green RAG Rating in future.

Standard D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).

Self-Assessment RAG Rating: AMBER (No Change)

- 8.13. The Council's published draft Statement of Accounts for 2019/20 contains an Annual Governance Statement that sets out the Council's governance arrangements in conjunction with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. However, as the most recently audited set of accounts (2018/19) were issued with an adverse opinion in respect of putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019. The 2019/20 and 2020/21 Statement of Accounts have not yet had their external audit opinions given, and therefore external assurance that the framework has been complied with is currently outstanding. The audit of the 2019/20 accounts is currently being finalised and 2020/21 will subsequently commence.
- 8.14. Currently an Amber RAG Rating is appropriate but with the caveat that external assurance is outstanding.

Standard E. The financial management style of the authority supports financial sustainability.

Self-Assessment RAG Rating: AMBER (Previous Rating Green)

- 8.15. CIPFA have recently published its latest Financial Resilience Index which uses a basket of indicators to measure each individual authority's financial resilience in comparison with local authority comparator groups.
- 8.16. Based on the latest data available (2020/21), in terms of the indices relating to levels of financial reserves, the Council's position is now around the average compared to all unitary authorities, which is a significant improvement from the 2017/18 position and mirrors the 2018/19 and 2019/20 data.
- 8.17. A detailed savings tracker is reported to CMT monthly and all savings proposals that are presented as part of the MTFs process are risk assessed for deliverability and an appropriate level of contingency provided within the budget to mitigate that risk. However, the successful delivery of savings has been reducing over recent years. The Council's financial position is complex with the 2021/22 budget monitoring showing an £8m overspend on services but a small underspend overall.
- 8.18. The 2022/23 Budget was approved in February 2022 and includes a contribution to increase earmarked reserves. However, a recurring budget gap of just under £6m is forecast for 2023/24 and 2024/25 which will need to be closed. In response to this, the Council has launched a new Transformation and Efficiency Programme, chaired by the Chief Executive, of which one objective is to oversee development of service efficiency plans to identify additional savings across the

Council which reduce aggregate running costs by an additional £6m over and above the current Medium Term Financial Strategy (MTFS) agreed savings.

- 8.19. The Code guidance recommends that the assessment of an authority's financial management style is best undertaken by means of peer review. No such review has been undertaken.
- 8.20. In light of the reduced savings delivery, the future year budget gaps and the lack of a peer review having been undertaken, the RAG rating is revised to Amber.

Section 3: Long to Medium-Term Financial Management

Standard F. The authority has carried out a credible and transparent financial resilience assessment.

Self-Assessment RAG Rating: GREEN (No Change)

- 8.21. A separate report, the "Chief Finance Officer's Report on the Robustness of the Council's 2022/23 Budget" was presented to Council on 23rd February 2022, alongside the "2022/23 Budget and Medium-Term Financial Strategy 2022/23-2024/25" report, which contains statements on:
- The robustness of the estimates made for the purposes of the calculations of the budget; and
 - The adequacy of the proposed level of financial reserves.
- 8.22. The report also took into consideration the published CIPFA Financial Resilience Indicators and scrutiny of those indicators which highlighted areas where the Council is potentially exposed to increased risk.
- 8.23. The Council has carried out a credible and transparent financial resilience assessment therefore a Green RAG Rating has been determined.

Standard G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

Self-Assessment RAG Rating: AMBER (No Change)

- 8.24. The Council has prepared and consulted on a subsequently approved 3-year Medium Term Financial Strategy. CIPFA advocate a minimum coverage of 3 years for the Medium-Term Financial Strategy and therefore, the Council's Strategy is compliant. However, it should be noted that the latter 2 years of the Medium Term Financial Strategy do not currently balance.
- 8.25. This standard has been assessed alongside Standards I and L and therefore it is the longer-term element of the standard in particular, relating to the Capital Strategy, that is not being demonstrated. The published Capital Strategy currently only covers a 3-year period which cannot be considered to be long term. The Capital Strategy for 2023/24 will be reviewed with a view to expanding into the longer term. Therefore, currently an Amber RAG Rating has been determined.

Standard H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.

Self-Assessment RAG Rating: GREEN (No Change)

- 8.26. The CIPFA Prudential Code for Capital Finance in Local Authorities sets out a framework for self-regulation for local authorities. The Code requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning.
- 8.27. The 2017 version of the code introduced the requirement for local authorities to produce a capital strategy. The purpose of the capital strategy is to firmly place decisions around borrowing in the context of the overall longer-term financial position of the authority and to provide improved links between the revenue and capital budgets.
- 8.28. The legislative requirements of the code require that the Council set an annual Minimum Revenue Provision (MRP) Policy to ensure prudent provision in relation to the repayment of debt.
- 8.29. The Council is also required to set annual Prudential Indicators to ensure that external debt is kept within sustainable prudent limits.
- 8.30. The Council has produced a Capital Strategy and sets an annual MRP Policy and a set of annual Prudential Indicators as part of the Treasury Management Strategy. Therefore, a Green RAG Rating is appropriate.

Standard I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

Self-Assessment RAG Rating: AMBER (No Change)

- 8.31. The Council's 3-year Medium Term Financial Strategy is at the minimum 3-year level advocated by CIPFA. Whilst it is demonstrable that the Medium-Term Financial Strategy has been developed in line with the Council's Corporate Plan priorities, it is not clearly evidenced that it is linked to the more detailed service plan level in all cases. An Amber RAG Rating is therefore currently assigned.

Section 4: The Annual Budget

Standard J. The authority complies with its statutory obligations in respect of the budget setting process.

Self-Assessment RAG Rating: GREEN (No Change)

- 8.32. The Council complies with its statutory obligations in respect of the budget setting process as set out in the Local Government Finance Act (1992). A legal and balanced budget and corresponding Council Tax levels have been set by Council by the statutory deadline of 11th March and assurance has been provided by the Chief Finance Officer regarding the robustness of estimates and adequacy of reserve levels. A Green RAG Rating is therefore appropriate.

Standard 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.

Self-Assessment RAG Rating: GREEN (No Change)

- 8.33. A separate report, the "Chief Finance Officer's Report on the Robustness of the Council's 2022/23 Budget" was presented to Council on 23rd February 2022, alongside the "2022/23 Budget and Medium Term Financial Strategy 2022/23-2024/25" report, which contains statements on:

- a. The robustness of the estimates made for the purposes of the calculations of the budget;
and
- b. The adequacy of the proposed level of financial reserves.

8.34. A Green RAG Rating is therefore appropriate.

Section 5: Stakeholder Engagement and Business Plans

Standard L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

Self-Assessment RAG Rating: AMBER (No Change)

- 8.35. A public consultation on the 2022/23 budget ran from 21st December 2021 to 14th January 2022 and was promoted through the Council's main communication channels (website, email, social media, local press and partner organisations) as well as sent to the full Council Tax email database of circa 40,000 contacts. A summary of the consultation was included within the "2022/23 Budget and Medium-Term Financial Strategy 2022/23-2024/25" report to Council on 23rd February 2022.
- 8.36. Additionally, the budget was informed by a resident's survey which identified highways as a key priority and further investment into this area was built into the Capital Programme as a result.
- 8.37. The Reading Transport Strategy 2036 was consulted on during 2020/21 to ensure that residents have their say to ensure that the Council delivers the transport infrastructure and investment that Reading needs going forward.
- 8.38. Whilst consultation with stakeholders is clearly demonstrated, some councils utilise more interactive consultation tools that encourage a higher level of engagement.
- 8.39. Additionally, the standard refers specifically to medium and longer-term financial planning. The budget consultation, as well as the Council's approved Medium Term Financial Strategy and Capital Strategy all cover a period of 3 years. CIPFA advocate a minimum coverage of 3 years for the Medium-Term Financial Strategy and whilst a minimum duration in respect of the Capital Strategy is not proposed, it is expected to be of a long-term nature.
- 8.40. The Council's published 3-year Capital Strategy is not considered to be long term and it is therefore proposed that consideration of the duration of the Capital Strategy is built into the annual MTFP refresh process for 2023/24 to facilitate compliance with this standard going forward. An Amber RAG Rating is therefore currently applied.

Standard M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

Self-Assessment RAG Rating: AMBER (No change)

- 8.41. The Council has a defined matrix for the evaluation of capital investment decisions, which although was completed for new business cases, was not utilised consistently in the evaluation of bids for capital investment in the 2022/23 budget planning process.
- 8.42. There are examples of strong revenue business cases but there are also examples where the quality and level of detail needs to be improved.

- 8.43. A review of all existing models will be carried out during 2022/23 and a preferred best practice methodology agreed, documented and communicated to all relevant stakeholders to ensure a consistent and common approach for both revenue and capital investment decisions.
- 8.44. The rating therefore remains as Amber.

Section 6: Monitoring Financial Performance

Standard N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

Self-Assessment RAG Rating: GREEN (No Change)

- 8.45. The Council's Corporate Management Team receives monthly financial reports that provide appropriate information regarding projected outturn positions in respect of approved budgets for both revenue and capital. In addition, quarterly performance reports are received by Members at Policy Committee and Lead Members are briefed on a monthly basis. These reports also contain progress reports in relation to the delivery of savings targets.
- 8.46. Additionally, all reports to the leadership team contain a section that sets out the associated financial implications appropriate to the content and proposals of the report. A Green RAG Rating has therefore been applied.

Standard O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

Self-Assessment RAG Rating: AMBER (No Change)

- 8.47. Financial reports, which include a section on debt performance, are reported to the Corporate Management Team and Lead Members monthly and quarterly to Policy Committee. However, it is considered that this reporting could be improved by providing further analysis of aged debt by analysing over additional periods and by providing a list of the largest outstanding debts.
- 8.48. Bi-annual reports on the Council's borrowing and investment positions are produced for the leadership team. Treasury management training is provided on a periodic basis to ensure that those responsible for decision making within the Council to facilitate understanding and scrutiny of the contents of these, often very technical, reports.
- 8.49. It is therefore considered that an Amber RAG Rating is appropriate at this stage.
- 8.50. Improvements to the reporting on outstanding debt are currently being made and have been included as part of the monthly financial performance reporting for 2021/22.

Section 7: External Financial Reporting

Standard 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 Code of Practice on Local Authority Accounting in the United Kingdom.

Self-Assessment RAG Rating: AMBER (Previous Rating Green)

- 8.51. The Chief Financial Officer's responsibilities are set out in the "Statement of Responsibilities" within the annual Statement of Accounts. This statement clearly sets out that the Chief Financial

Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

- 8.52. When the last assessment was done in 2020 the most recent audited accounts were for 2016/17.
- 8.53. The Independent Auditor's Report to the Members of Reading Borough Council for the year ended 31 March 2019 (included within the Statement of Accounts 2018/19) gave a qualified audit opinion that the financial statements "have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19".
- 8.54. It should be noted that the 2019/20 and 2020/21 audit opinions on the respective Statement of Accounts are currently outstanding. However, the direction of travel indicates that an unqualified opinion will be delivered for 2021/22, the year for which this self-assessment applies.
- 8.55. It is therefore considered that an Amber RAG rating is appropriate.

Standard Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Self-Assessment RAG Rating: AMBER (No Change)

- 8.56. The presentation of the final outturn figures and variations from budget are clear and transparent. However, whilst the 2019/20 and 2020/21 Statement of Accounts audit processes are still to be finalised, there is a risk that reserve balances may be subject to change. It is therefore considered that an Amber RAG Rating is appropriate.

9. NEXT STEPS

- 9.1. This self-assessment has shown that the Council is able to demonstrate reasonable compliance with most areas of the Financial Management Code. The biggest single reason standing in the way of an improved score is the fact that the Statement of Accounts for multiple years remains outstanding without an unqualified audit opinion. The audit of the 2018/19 Statement of Accounts concluded during 2021/22 with a reduced number of qualifications. The 2019/20 audit is underway and will conclude early in 2022/23.
- 9.2. The Council now has in place a permanent Director of Finance, Deputy s151 Officer, Chief Accountant and Strategic Finance Business Partners and is in a much stronger position to deliver improvements in financial management in the coming year.
- 9.3. This self-assessment exercise will need to be carried out annually in future in order to demonstrate compliance with the FM Code. The next review period will be an assessment of 2022/23.
- 9.4. It is recommended that an action plan is developed in order to address those areas where improvements are required.

10. CONTRIBUTION TO STRATEGIC AIMS

- 10.1. The delivery of strong financial management is fundamental to the delivery of the Council's strategic aims.

11. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

11.1. No environmental or climate implications have been identified as arising directly from this report.

12. COMMUNITY ENGAGEMENT AND INFORMATION

12.1. Community engagement is assessed through the residents' survey.

13. EQUALITY IMPACT ASSESSMENT

13.1. No equalities impact implications have been identified as arising from this report.

14. LEGAL IMPLICATIONS

14.1. The FM Code itself does not currently have legislative backing, although CIPFA have set out their intention to pursue this. CIPFA's judgement is that compliance with the FM Code will assist local authorities to demonstrate that they are meeting existing important legislative requirements.

14.2. There are no legal implications arising directly from this report.

15. FINANCIAL IMPLICATIONS

15.1. There are no direct financial implications arising from this report.

16. BACKGROUND PAPERS

16.1. None.