

Audit and Governance Committee

08 April 2026



Reading
Borough Council
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Title	CIPFA Financial Management Code 2025/26
Purpose of the report	To note the report for information
Report status	Public report
Report author	Mark Sanders, Chief Accountant (Deputy S.151 Officer)
Lead Councillor	Councillor Emberson, Lead Councillor for Corporate Services & Resources
Corporate priority	Our Foundations
Recommendations	1. That Audit and Governance Committee note the findings of the Financial Management Code Self-Assessment for 2025/26.

1. Executive Summary

- 1.1. The Chartered Institute of Public Finance & Accountancy (CIPFA) launched the Financial Management Code (FM Code) in 2019. The Code sets out seventeen 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, 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 has been required to assess compliance with the FM Code since 1st April 2021.
- 1.3. The 2025/26 self-assessment has retained an overall Amber rating, whilst acknowledging that two individual standards have improved from Amber to Green and one standard has reduced from Green to Amber since last year.
- 1.4. The standards are monitored throughout the year and reflect feedback from independent inspectors and commentators as appropriate. The self assessment is a management tool to support improvement in financial standards and governance.
- 1.5. The key changes reflected in this year’s assessment are:
 - i) A significant reduction in the number of internal audit reports that received limited or no assurance in 2024/25 (18%) compared with 2023/24 (44%) which was a significant factor in the Chief Auditor’s Annual Assurance Report which gave a Reasonable assurance view for the year (2023/24 was Limited assurance);
 - ii) The 2026/27 Local Government Finance Settlement provides much more clarity on future funding for the period 2026/27 to 2028/29 which in turn improves the Council’s medium term financial planning;

- iii) The Council has received adverse external inspections on housing and adult social care services, and a joint inspection with other agencies for children’s social care which all have recommended improvement plans. Whilst the Council is making good progress on all these areas, this work is still underway and will continue into next financial year.

- 1.6. A proposed action plan, setting out the required actions to improve those standards rated Amber to Green is set out in Appendix 1.

Table 1. Financial Management Standards Progress Summary

RAG Rating	Progress Report	Number of Financial Management Standards (April 2025)	Number of Financial Management Standards (April 2026)	Change
GREEN	Compliance is being demonstrated.	11	12	+1
AMBER	Minor to Moderate improvements are required to demonstrate compliance.	6	5	-1
RED	Moderate to Significant improvements are required to demonstrate compliance.	0	0	0
TOTAL		17	17	0

- 1.7. A total of 12 standards (71%) are RAG rated as Green with the remaining 5 (29%) as Amber. The results of the self-assessment indicate an overall rating of Amber.

2. Policy Context

Background

- 2.1. 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 which sets out seventeen standards of financial management for local authorities.
- 2.2. The FM Code is designed to support good practice in financial management and to assist local authorities to demonstrate their financial sustainability.
- 2.3. 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.
- 2.4. 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.
- 2.5. 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.

- 2.6. 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.

Responsibility

- 2.7. Application of the FM Code is a professional responsibility of all finance staff and establishes how the Chief Financial Officer (CFO) demonstrates that they are meeting their statutory responsibility for sound financial administration.
- 2.8. 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.

Compliance

- 2.9. 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.
- 2.10. 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.

CIPFA Principles of Good Financial Management

- 2.11. 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.
- 2.12. 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.
- 2.13. 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.

CIPFA Financial Management Standards

2.14. The FM Code sets out the seventeen CIPFA Financial Management Standards with detailed explanatory notes.

3. FM Code Self-Assessment

3.1. 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.

3.2. The following table summarises the self-assessment RAG Rating for each standard. A more detailed analysis per standard is provided later in the report, including an explanation of the reason for any changes.

Table 3. Financial Management Standard Self-Assessment

Standard Reference	Financial Management Standard	RAG Rating (April 2025)	RAG Rating (April 2026)
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.	GREEN	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	GREEN
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	GREEN	GREEN
E	The financial management style of the authority supports financial sustainability.	GREEN	GREEN
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	GREEN
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.	GREEN	GREEN
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	GREEN
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	AMBER	AMBER

Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team

- 3.3. 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 (previous rating GREEN)

- 3.4. Council received the External Auditor's Annual Report for 2024/25 on 24th February 2026 as part of the Statement of Accounts 2024/25 audit process. This report identified one significant weakness in respect of the governance arrangements the Council had in place during the year in relation to children's services following a Joint Targeted Area Inspection (JTAI).
- 3.5. The JTAI was an inspection of the Brighter Futures partnership, carried out by inspectors from Ofsted, the Care Quality Commission (CQC), His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) and His Majesty's Inspectorate of Probation (HMIP). An improvement notice was issued on 31 July 2025, and a DfE Improvement Advisor was appointed to oversee progress against the highlighted areas for improvement.

- 3.6. The External Auditor reported:-

"While we appreciate that some of the issues identified were known by the Council and were being worked upon by the Council, some of them were not, which raises questions regarding the underlying monitoring arrangements and escalation of risk.

We note that the Council have responded well to the findings of the report, and a detailed action plan is in place to respond to the findings and this is being effectively monitored with effective governance arrangements supporting the action plan.

We also note that Brighter Futures has recently transferred back into the Council from October 2025 and the detailed action plans are being effectively monitored".

- 3.7. During November 2025, the Council received the first monitoring visit since the Joint Targeted Area Inspection (JTAI) in March 2025. This visit was carried out in line with the inspection of local authority children's services (ILACS) framework. The monitoring visit noted there has been a strengthened focus and effective action by senior leaders and others to start to address the areas of concern and weakness identified in March 2025.
- 3.8. The recent transfer of Brighter Futures for Children back into the Council from October 2025 reinforces the Council's governance process to identify any issues as soon as possible so that any mitigating action can be put in place.
- 3.9. There have also been two other adverse inspections:-

Social Housing

The regulator issued a judgement on 30 April 2025 resulting in a C3 grading. Reading Borough Council (00MC) - Regulatory Judgement: 30 April 2025 - GOV.UK . The report highlighted serious failings in delivery of the outcomes of the consumer standards. The issues raised had previously been identified by the internal controls maintained by the Council and demonstrable improvements have been made with the latest monitoring reported to the Housing, Neighbourhoods and Leisure Committee on 12 November 2025.

Adult Social Care

A CQC inspection report in October 2025 CQC rates Reading Borough Council's adult social care provision as requires improvement - Care Quality Commission gave a 'requires improvement' judgement grading. The Council has a robust action plan in place to manage improvements although it should also be noted that the Council is not in agreement with all the factors that supported the inspector's judgement and retains its own view of the improvements necessary.

- 3.10. Whilst the Council is making good progress in all these areas, they are improvement programmes that are still in progress.

3.11. Notwithstanding this, in conclusion the External Auditor reported that:-

“We do not consider there is a significant weakness in improving economy, efficiency and effectiveness as we have seen action plans the council have in place and evidence for monitoring the implementation of action plans. However, we have determined that there was a significant weakness in governance as we do not see evidence of the Council identifying and attempting to mitigating risks in advance of the JTAI report. We are however happy that the action plans are in place to respond.”

3.12. As set out in more detail within Standard C, the Chief Auditor’s Annual Assurance Report 2024/25, gives the Chief Auditor’s opinion on the overall adequacy and effectiveness of the organisation’s governance arrangements, risk management and internal control environment. The 2024/25 report, presented to Audit & Governance Committee on 16th July 2025, reported a reasonable assurance level, which is an improvement from the previous year 2023/24 which gave a limited assurance level. This report and the associated opinion would however have been shared with the external auditors and therefore would have formed part of their conclusion that that there were no significant weaknesses in arrangements to improving economy, efficiency and effectiveness for 2024/25.

3.13. The previous financial year 2024/25 resulted in an adverse net variance from budget of £9.3m. The cost pressures have continued into 2025/26 where the latest Q3 Finance Reporting shows an adverse variance of £4.6m from budget. The Council is managing demand and cost pressures down as much as it can, however the underlying financial position remains challenging.

3.14. A robust budget has been set for 2026/27 mindful of the need to continue to mitigate any demand led budget pressures that arise.

3.15. The latest Residents Survey (2025) reported that 45% of people agreed that Reading Borough Council provides value for money (compared to 36% nationally) .

3.16. On balance it is considered that the self-assessment rating for 2025/26 should be Amber RAG rated until the above performance and financial pressures are improved.

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)

3.17. 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).

3.18. 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: GREEN (Previous Rating AMBER)

3.19. The Chief Auditor's Annual Assurance Report, 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.

3.20. The 2024/25 report, presented to Audit & Governance Committee on 16th July 2025, reported a reasonable assurance level (the 2023/24 reported a limited assurance level. Key highlights from the report include:

- A decrease in the number of internal audit reports that received limited or no assurance in 2024/25 (18%), compared with 2023/24 (44%), 2022/23 (26%) and 2021/22 (38%);
- The Chief Auditor's Opinion for 2024/25 is also supported by third-party assurances. The 2020/21 and 2019/20 accounts received unqualified audit opinions, showing improvement. Audits for 2021/22 to 2023/24 met deadlines but received disclaimed opinions. Despite this, no major weaknesses were found in 2023/24, though 2022/23 highlighted issues in Children's Services. The Council is now up to date with its accounts limited assurance opinion is not a reflection of the key financial systems of the Council which support and underpin the production of the annual accounts, as these systems reached a point of reasonable assurance during the 2022/23 financial year.

3.21. The report also notes that an audit is a snapshot at one moment in time and therefore weaknesses may have been rectified and improvements made since the audit review, for example through management actions as a result of individual internal audit report findings. Audits with a limited or no assurance rating will be subject to audit follow-up during the subsequent 12-18 months or sooner.

3.22. The following table lists the internal audit assurance on the Council's key financial controls. As can be seen, all controls have at least a Reasonable level of assurance.

Table 4. Key Financial Controls

	Date of last Audit	Assurance Opinion	2026/2027
Accounts Payable/P2P	Mar-25	Reasonable	
Accounts Receivable*	May-22	Reasonable	
General Ledger	Jan-25	Reasonable	✓

Payroll	Nov-23	Reasonable	
Budgetary Control/Management	Apr-23	Substantial	
Fixed Assets	Mar-26	Substantial	
Debt Management	Mar-25	Reasonable	
Treasury Management	Jun-22	Substantial	✓
Housing Rents	Mar-25	Reasonable	
Bank & Cash Reconciliations	April-24	Reasonable	
Housing Benefits (Draft)	Feb-26	Substantial	
Business Rates	Sep-24	Reasonable	
Council Tax	Jul-23	Substantial	

*Audit currently being undertake at field work stage

- 3.23. As the prior year's Amber RAG Rating had been determined based on the Chief Auditor's Annual Assurance Report having given a limited assurance opinion, a Green rating has been determined for 2024/25 based on the overall reasonable assurance level for 2024/25.

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

Self-Assessment RAG Rating: GREEN (No Change)

- 3.24. The Council's published Statement of Accounts for 2024/25 contain 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.
- 3.25. As set out against Standard A, the Council received the External Auditor's Annual Report for 2024/25 on 24th February 2026 as part of the Statement of Accounts 2024/25 audit process. This report concluded that no significant weaknesses in arrangements to improving economy, efficiency and effectiveness for 2024/25.
- 3.26. The self-assessment for this standard reflects the Council's governance arrangements to manage risk and deliver services. Actions to strengthen governance has been taken by the Council with regard to bringing back in house the management of Brighter Futures for Children and have been at least maintained in all other areas. Noting also the external audit assessment it has been concluded that is standard can be retained as a Green rating.

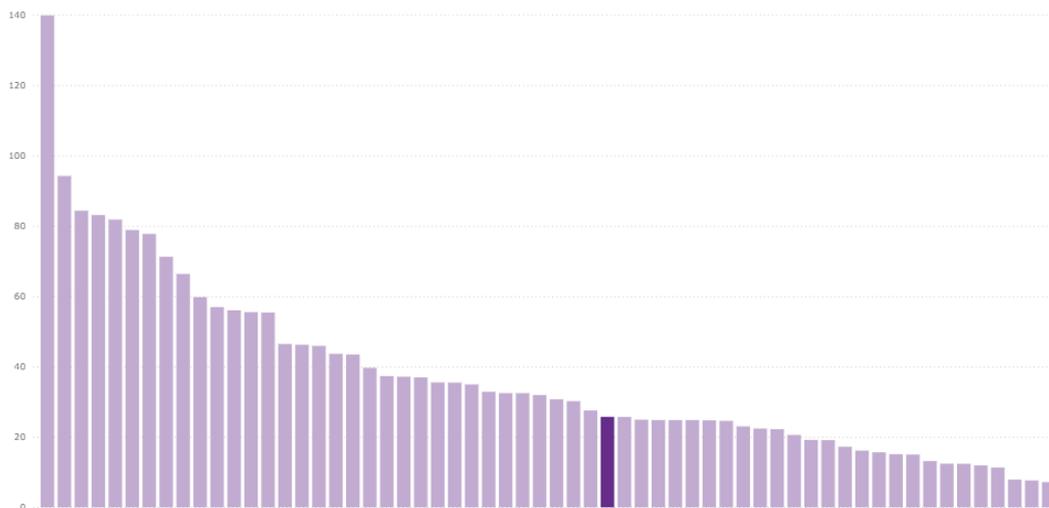
Standard E. The financial management style of the authority supports financial sustainability.

Self-Assessment RAG Rating: GREEN (No Change)

- 3.27. CIPFA have recently published its latest Financial Resilience Index (2024/25) which uses a basket of indicators to measure each individual authority's financial resilience in comparison with local authority comparator groups. The index for Reading Borough Council as compared to other unitary authorities is as follows:



- 3.28. The main risk identified in this index is 'Growth Above Baseline'. This is the degree to which the council's baseline funding level + retained Business Rates income exceeds baseline funding level. The risk to the council would be the likely reduction in funding arising following a Business Rates reset. (It should be noted that this report is prior to the implementation of the local government funding review in February 2026 which is referenced later in this report).
- 3.29. Reading's growth above baseline was recorded as the 34th most exposed unitary council. While this does demonstrate a continued economic success of the borough, the risk that the financial benefit of that growth would be lost or reduced under the business rates base is reset in 2026/27, in relation to other Unitary Authorities, was reduced from 2022/23.
- 3.30. On 31st March 2025, the level of reserves held by Reading Borough Council equated to 25.71% of net revenue expenditure. The following chart shows the level of reserves of all unitary authorities, with Reading being the darker coloured line in the middle of the chart.



- 3.31. Based on the latest data available (2024/25), in terms of the indices relating to levels of financial reserves, the Council is placed in the middle of all Unitary Authorities. As outlined in Appendix 1 of the Chief Finance Officer's Report on the Robustness of the 2026/27 Budget, the Council's reserves are forecast to reduce over the 2026/27-2028/29 Medium Term Financial Strategy period. The amount held in reserves will continue to be of concern whilst the Council continues to face demand and cost led pressures on the annual budget.
- 3.32. A detailed savings tracker is reported to the Corporate Management Team (CMT) monthly and all savings proposals that are presented as part of the Medium Term Financial Strategy (MTFS) process are risk assessed for deliverability and an appropriate level of contingency provided within the budget to mitigate that risk.
- 3.33. The 2026/27 Budget was approved by Council in February 2026 and includes a total forecast drawdown of £7.302m from earmarked reserves. However, a budget gap of £1.996m (0.9% of the total budget) for 2027/28, falling to £0.207m for 2028/29 is forecast which will need to be closed.

3.34. The 2026/27 local government finance settlement also provided confirmation that the Government will fund 90% of the accumulated High Needs Block SEND deficit as at 31st March 2026. This new ring-fenced grant is subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. Based on current forecasts this one off grant is estimated to reduce Reading Borough Council's cumulative deficit by £44m, with the Council needing to fund the remaining 10% of the deficit in 2028/29. The grant will be applied to the cumulative High Needs Block deficit currently held in the unusable reserves section of the council's balance sheet, in accordance with the provisions of the statutory override that is in place until 31st March 2028. Confirmation of this new funding will considerably improve the Council's financial sustainability.

3.35. The Code guidance recommends that the assessment of an authority's financial management style is best undertaken by means of peer review. A Corporate Peer Challenge exercise, organised by the Local Government Association (LGA), took place in 2022. The findings of the Peer Challenge included the following:

- It is clear that the Council's financial position and financial management arrangements have recovered and strengthened significantly since 2016/17;
- New arrangements have created a more strategic and transformational approach to the annual budget process. Strategic financial planning is now more mature and supported by an appropriate level of analysis, with robust budget setting and monitoring procedures;
- The Council has a good recent record of delivering transformation and savings, with a multi-year approach and associated costs and investment met through the dedicated Delivery Fund and the flexible use of capital receipts;
- Contingency provision is prudently built into each year of the MTFs to mitigate against possible slippage or non-achievement of higher risk savings plans;
- The recent creation of the Transformation and Efficiency Board provides the mechanism through which to develop a singular and corporate overview of change and transformation across the organisation and the delivery of planned related savings;
- The Capital Strategy is agreed annually at Full Council and both this and the capital programme link clearly to the corporate plan's three themes and thus the political priorities;
- The Treasury Management Strategy is comprehensive and reflects the borrowing decisions associated with the capital strategy and programme.

3.36. Council received the External Auditor's Annual Report for 2024/25 on 24th February 2026 as part of the Statement of Accounts 2024/25 audit process. This report concluded that:

"Our risk assessment procedures identified a risk of significant weakness in the area of financial sustainability. We noted the 24/25 outturn was an adverse variance of £9.3 million to budget. As larger budget deficits can be indicative of weaknesses in arrangement around financial sustainability, we focused more on this area. As our response to the risk identified above we performed additional procedures at year end. We have completed additional procedures and have concluded that no significant weakness identified".

3.37. In light of the findings set out above, the rating for this standard has been retained as Green. It is however important to note that the current financial climate remains

challenging, reserves are forecast to reduce over the current MTF period and there is a modest <1% budget deficit for 2027/28 that will need to be addressed.

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)

- 3.38. A separate report, the “Chief Finance Officer’s Report on the Robustness of the Council’s 2026/27 Budget” was presented to Council on 24th February 2026, alongside the “2026/27 Budget and Medium-Term Financial Strategy 2026/27-2028/29” 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.
- 3.39. 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.
- 3.40. 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: GREEN (Previous rating AMBER)

- 3.41. 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 years 2 and 3 of the Medium-Term Financial Strategy do not currently balance, albeit by a modest <1% funding gap.
- 3.42. The Council’s Capital Strategy 2026/27, approved by Council in February 2026, covers a 5-year period, thus giving a longer-term view. Consideration needs to be given as to extending this further for example to 10 years to give the long- term view that the Capital Strategy guidance is really looking for.
- 3.43. The 2026/27 Local Government Finance Settlement provides much more clarity on future funding. For the first time in many years, the Council has received a three-year funding allocations (subject to annual minor amendments for technical changes) and have also had confirmation that 90% of the SEND deficit as at 31 March 2026 will be funded by Government upon approval of a local SEND reform plan.
- 3.44. This has been clearly outlined in the “2026/27 Budget and Medium-Term Financial Strategy 2026/27-2028/29” report to Council on 24th February 2026. It remains important for the Council to rebuild a level of General Fund reserves to support any future financial risk and uncertainty.
- 3.45. Notwithstanding the considerations for improvement reflected in standards I and L (below) on balance the implementation of the Fair Funding Review and the greater clarity provided to the Council to support its funding assumptions in the Medium Term Financial Strategy, it is considered that a Green RAG rating can now be applied to this standard.

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

Self-Assessment RAG Rating: GREEN (No Change)

- 3.46. 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.
- 3.47. 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.
- 3.48. 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.
- 3.49. The Council is also required to set annual Prudential Indicators to ensure that external debt is kept within sustainable prudent limits.
- 3.50. 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)

- 3.51. 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 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)

- 3.52. 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)

3.53. A separate report, the “Chief Finance Officer’s Report on the Robustness of the Council’s 2026/27 Budget” was presented to Council on 24th February 2026, alongside the “2026/27 Budget and Medium Term Financial Strategy 2026/27-2028/29” 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.

3.54. 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: GREEN (No Change)

3.55. The public was consulted as part of the ‘Budget Engagement’, which ran from 19th December 2024 until 17th January 2026. The budget engagement exercise received 285 responses, which is an increase from the 178 responses received last year. A summary of the responses was included within the “2026/27 Budget and Medium-Term Financial Strategy 2026/27-2028/29” report to Council on 24th February 2026.

3.56. A summary of the feedback received is as follows:-

- Residents were split over whether to increase Council Tax by the proposed amount. 50.5% of respondents were opposed, while 49.5% were in favour. This compares with 39.3% opposed and 60.1% in favour last year.
- Residents were most comfortable with reducing spending on central services (customer services, human resources, finance, legal, digital and technology) and executive management team and communications. Around two-thirds of residents placed these areas in their top 3 areas for reducing spending.
- Residents were much more divided in their opinions about where they would be least comfortable reducing spend.
- 84.2% of respondents supported a 4.8% increase in social housing rents.
- The free text comments elicited a wide range of suggestions.

3.57. Feedback was also received on capital and revenue areas where the Council could reduce spending, and any other comments with regard to the Medium Term Strategy Update.

3.58. The Council consulted with local business rates payers on 9th February 2026 as part of its statutory requirements.

3.59. Whilst consultation with stakeholders is clearly demonstrated, some councils utilise more interactive consultation tools that encourage a higher level of engagement.

3.60. 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. The Council's published Capital Strategy for 2026/27 covers a 5-year period thus giving a longer-term view. Consideration needs to be given as to extending this further for example to 10 years to give the long-term view that the Capital Strategy guidance is really looking for.

- 3.61. On balance, it is considered that a Green RAG Rating remains justifiable, however there remains room for improvement in terms of exploring the future use of more interactive consultation tools that encourage a higher level of engagement and the further extension of the Capital Strategy.

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)

- 3.62. The Council's Capital Programme Board has a matrix for the evaluation of capital investment decisions for new business cases for use in the 2026/27 budget setting process. This process is now embedded into the decision making process although the quality of business cases submitted remains variable.
- 3.63. There remain examples of strong revenue business cases but there are also examples where the quality and level of detail needs to be improved.
- 3.64. The revenue business case templates will be fully reviewed ahead of the 2027/28 Budget Setting process.
- 3.65. Overall, as improvements are still required in respect of the capital investment process, the rating has remained 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)

- 3.66. 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. These reports also contain progress reports in relation to the delivery of savings targets.
- 3.67. As a consequence of robust financial reporting, the Council's forecast spending highlighted sufficient variances from budget that prompted Corporate Management Team to initiate an Expenditure Control Process to help contain financial pressures. This was successfully implemented during 2024/25 and will remain in place as an active measure to control costs

- 3.68. 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)

- 3.69. 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.
- 3.70. Quarterly reports on the Council's borrowing and investment positions, including the Treasury Management Prudential Indicators are currently prepared and presented to Audit & Governance Committee on a quarterly basis. These reports are not however presented directly to Council or Policy Committee.
- 3.71. Treasury management training is provided on a periodic basis and is available to all Members to ensure that those responsible for decision making within the Council can understand and scrutinise the contents of these, often very technical, reports.
- 3.72. Since 2023/24, a number of improvements to the financial information reported through to the Corporate Management Team and Policy Committee were made including the inclusion of visual aids such as graphs. These reports include:
- Monthly revenue and capital budget monitoring forecasts;
 - Outstanding debt levels of sundry debt (this will be further developed in 2024/25);
 - Collection Fund (Council Tax and Business Rates) collection performance.
- 3.73. The following elements have also been reported to Council and/or Policy Committee in the past 12 months:
- The CIPFA Financial Resilience Index (this is currently used as part of the budget setting reports);
 - Reserve assessments (currently reported as part of budget setting reports and at Outturn, though there is the potential to also incorporate into the quarterly budget monitoring reporting process);
 - Commercial Investment Performance and Risk (reported through the budget setting reports);
 - Specific reports non commercial investment matters
- 3.74. The enhanced and focussed reporting of financial information will enable the leadership team to better monitor and understand the Council's balance sheet and financial sustainability. Given the scale of the borrowing and investment portfolios and the fact that these are not reported on a wider scale, it is considered that an Amber RAG Rating is still appropriate at this stage. The Quarterly Performance & Monitoring Report will be reviewed for 2026/27 with a view to incorporating a section on borrowing and investment portfolios to enhance the visibility of these elements of the Council's Balance Sheet.

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: GREEN (No Change)

- 3.75. 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.
- 3.76. The responsibilities of the CFO are set out in the constitution, financial regulations and are also included in employment contract/job description as well as in statute. The latest audit reports acknowledge the accounts have been prepared in accordance with the Code of Practice and this has been independently verified by the Council's External Auditor through their Annual Auditor's Report.
- 3.77. The latest Statement of Accounts has been audited and an External Audit opinion given within the Government's statutory deadlines. There are no significant issues arising with regard to the Chief Finance Officer's responsibilities under this standard and therefore it is considered that a Green RAG rating is still 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)

- 3.78. The presentation of the final outturn figures and variations from budget are clear and transparent.
- 3.79. The 2019/20 and 2020/21 Statement of Accounts received unqualified audit opinions which therefore provided external assurance with regards to the level of the Council's reserves. However, as the 2021/22 to 2024/25 Statement of Accounts have all been disclaimed (albeit with an increasing level of assurance over the latter two years from the audit fieldwork undertaken by KPMG), this external assurance on the reserve balances is several years out of date. Whilst Standard P has been rated as Green, that standard relates to compliance with reporting requirements and does not necessarily mean that audit adjustments that could impact on the Council's reserves would not have been required had the audits for 2021/22-2023/24 occurred in full. There is therefore a risk that reserve balances may still be subject to change as external audit seek to gain assurance over the opening balances brought forward from 2024/25.
- 3.80. The Council is working with its External Auditor to follow the national backstop recovery process and there are no issue arising from this work to date as it has been reflected in the Annual Auditor's Report.
- 3.81. In consideration that this work remains ongoing, it is therefore considered that an Amber RAG Rating is appropriate.

Next Steps

- 3.82. This self-assessment has shown that the Council is able to demonstrate reasonable compliance with most areas of the Financial Management Code, however there are still a small number of standards that require further improvements in order to change from an Amber to a Green rating.

3.83. This self-assessment exercise will need to continue 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 2026/76, to be reported to Audit & Governance Committee in April 2027.

3.84. The high level action plan, attached as Appendix 1, identifies the necessary improvements required that would facilitate those standards that are currently rated as Amber to be able to be rated Green.

4. Contribution to Strategic Aims

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

5. Environmental and Climate Implications

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

6. Community Engagement

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

7. Equality Implications

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

8. Other Relevant Considerations

8.1. There are none.

9. Legal Implications

9.1. 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.

10. Financial Implications

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

11. Timetable for Implementation

11.1. Not applicable.

12. Background Papers

12.1. There are none.

Appendices

1. Financial Management Code Action Plan