

**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**9 SEPTEMBER 2021**

**Report of the Director of Finance & ICT**

**Financial Strategy**  
(Corporate Services and Budget)

**1. Divisions Affected**

1.1 All

**2. Key Decision**

2.1 This is not a Key Decision

**3. Purpose**

3.1 To note and approve the Council's Financial Strategy.

**4. Information and Analysis**

4.1 The purpose of the Financial Strategy is to set out the Council's financial priorities, and provide a financial framework for the Council to ensure the Council's financial operations contribute to the Council's strategic and policy objectives as outlined in the Council Plan 2021-2025.

4.2 The key components of the Strategy are to:

- Set out the framework for the financial operation of the Council which supports the strategic and policy objectives in the Council Plan.
- Ensure resources are allocated to achieve Council Plan objectives.
- Ensure cost effective, affordable service delivery that delivers value for money.

- Support delivery of the Council's Enterprising Council Programme.
- Maximise resources available to the Council.
- Ensure Council Tax levels are kept within reasonable levels.
- Integrate Service Plans into the budget process.

4.3 The Council's Financial Regulations state that the Strategy should be reviewed annually to remain consistent with the Council Plan and to ensure that the Strategy drives the Five-Year Financial Plan, Capital Programme and Revenue Budget. The Strategy has been reviewed and updated to reflect:

- Links with other strategies and initiatives
- Additions to the Financial Management section
- Additional sections
  - Delivering the Financial Strategy
  - Revised Operating Model
  - Delivering Finance for the Future

4.4 A copy of the Financial Strategy is shown at Appendix Two.

## **5. Consultation**

5.1 There is no requirement to consult in relation to the preparation of the Financial Strategy.

## **6. Alternative Options Considered**

6.1 Do Nothing – in ensuring compliance with the Chartered Institute of Public Finance and Accountancy's Financial Management Code, local authorities should have 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. Therefore, in ensuring compliance with the Code it is necessary to develop a Financial Strategy.

## **7. Implications**

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

## **8. Background Papers**

8.1 Chartered Institute of Public Finance and Accountancy – Financial Management Code.

## 9. Appendices

9.1 Appendix 1- Implications.

9.2 Appendix 2 – Financial Strategy

## 10. Recommendation(s)

That Cabinet:

a) Approves the Financial Strategy.

## 11. Reasons for Recommendation(s)

11.1 Having a Financial Strategy ensures that the Council is following good financial management practices in compliance with the Financial Management Code.

## 12. Is it necessary to waive the call in period?

12.1 No.

**Report Author: Paul Stone**

**Contact details: [paul.stone2@derbyshire.gov.uk](mailto:paul.stone2@derbyshire.gov.uk)**

**This report has been approved by the following officers:**

<p><b>On behalf of:</b></p> <p>Director of Legal Services and Monitoring Officer Director of Finance and ICT Managing Executive Director Executive Director(s)</p>	
--	--

**Implications**

**Financial**

1.1 None.

**Legal**

2.1 None.

**Human Resources**

3.1 None.

**Information Technology**

4.1 None.

**Equalities Impact**

5.1 None.

**Corporate objectives and priorities for change**

6.1 The Financial Strategy sets out the overall framework on which the Council plans and manages its financial resources and ensures that it fits with, and supports, the direction of the Council's priorities, including delivery of the Council's Enterprising Council Programme.

**Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.

# Financial Strategy

**September 2021**

**Peter Handford BA(Hons) PGCert FCPFA  
Director of Finance & ICT**

CONTROLLED

**Approval and Authentication**

<b>Name</b>	<b>Job Title</b>	<b>Signature</b>	<b>Date</b>
Peter Handford	Director of Finance & ICT		
Cabinet			

## **Introduction**

The Financial Strategy (Strategy) sets out the overall framework on which the Council plans and manages its financial resources and ensures that it fits with, and supports, the direction of the Council's priorities, including delivery of the Council's Enterprising Council Programme.

## Links with other strategies and initiatives

The Strategy is closely aligned with the Council Plan and Service Plans. It sits alongside the Council's Five-Year Financial Plan, which sets out the Council's financials assumptions, spending plans and savings over the medium term.

The Strategy is, by design, a brief document and is presented as a series of linked elements supported by more detail in other published documents.





In preparing the Strategy, the requirements of the Financial Management Code (FMC) have been considered. The FMC provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively. It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable. It also identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.

The Council Plan sets out a vision which is to work with partners and communities to be an enterprising council delivering value for money and enabling local people and places to thrive. Our strategic approach governs how we work, as a council, with and for communities, and in collaboration with partners. Three key areas of activity are taking the approach forward – Enterprising Council, Thriving Communities and Vision Derbyshire.

The Council Plan makes a number of headline commitments over the next 12 months, which include:

<p>leading the county's economic and community recovery from the COVID-19 pandemic creating a <b>£15 million fund</b> to support local businesses and residents in need</p>	<p>investing <b>£40 million</b> in well maintained roads and pathways and developing sustainable methods of travel</p>
<p>acting on climate change, <b>providing community grants for sustainable and green projects</b> and launching the Green Entrepreneurs scheme to help local people and businesses to reduce carbon emissions</p>	<p>continuing our ongoing <b>transformation of social care</b> to improve outcomes and make the most effective use of resources</p>

<p>mainstreaming the Thriving Communities approach, working alongside <b>a further 8 communities</b>, to reduce demand for high cost services</p>	<p><b>promoting our employees' wellbeing</b> and developing their potential</p>
---	---

Over the next four years the Council will focus its efforts and resources on the following priorities:

- Resilient, healthy and safe communities
- High performing, value for money and resident focused services
- Effective early help for individuals and communities
- A prosperous and green Derbyshire

To achieve our priorities will require investment whilst ensuring that Derbyshire residents receive value for money for their services. This is against a backdrop of funding uncertainty as local government awaits decisions from Government regarding the medium-term funding of local government beyond 2022. We will continue to lobby government to ensure a fairer funding settlement for the county, whilst ensuring we maintain low Council Tax increases.

The Council is working hard to ensure it delivers value for money for its residents by continuing to review the delivery of its services, whilst investing in our priorities such as improving our highways and delivering on our commitments in respect of climate change.

The Council Plan makes the following finance and procurement actions:

- Keep Council Tax within the lowest 25% of county council areas and lobby Government to secure a better funding settlement
- Keep on track to achieve all planned budget savings in the medium term
- Demonstrate value for money through excellent procurement and contract management

The finance function will move to a revised operating model in 2021 (see below) to support the Enterprising Council approach. The new operating model will take time to embed but the foundations of good financial management are embedded evidenced by a history of strong external audit reports and systems which support robust internal controls, together with resilient financial planning and reporting mechanisms.

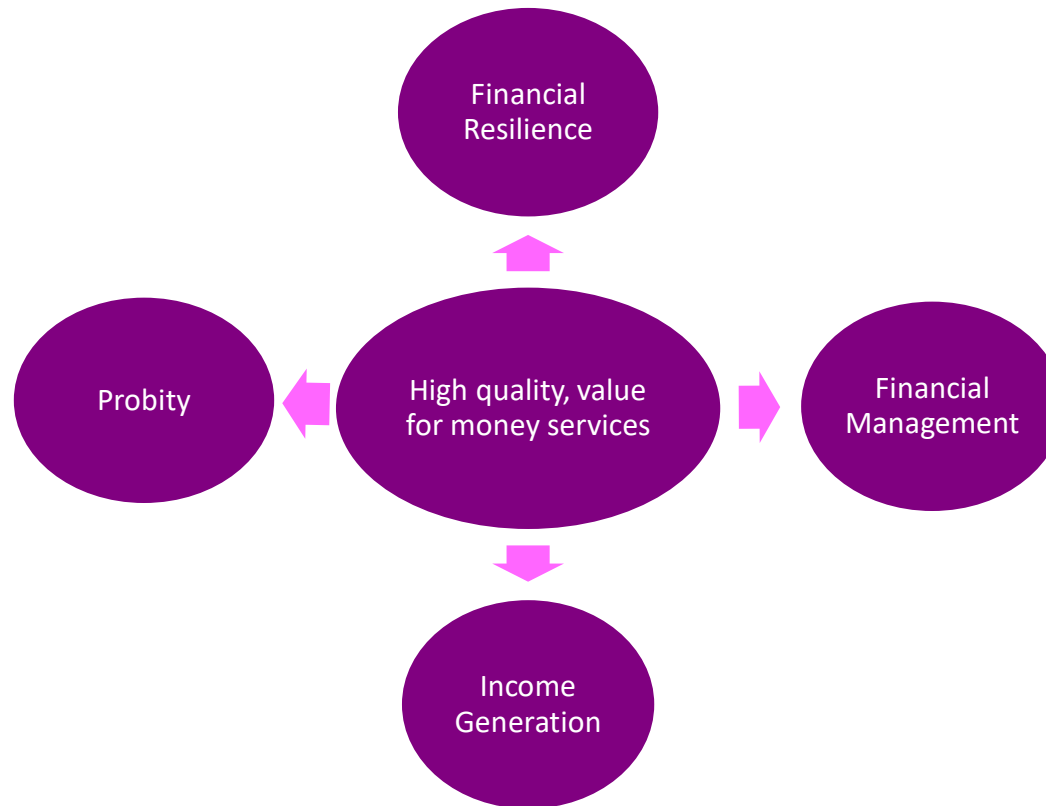
### **Revised Operating Model**

During 2021, the Council will move to a revised operating model for the delivery of its financial services. In doing so, the service will adopt standard operating practices and procedures across its functions following the good industry standards of Simplify, Standardise and Share.

Adopting the above three principles alongside the introduction of enhanced financial reporting through SAP HANA, which is scheduled for implementation in Winter 2021, will provide finance officers and budget holders with a range of tools to support decision making.

## Strategic Aims

This Strategy is made up of four strategic aims.



## Financial Resilience

The Council has managed the achievement of a balanced budget in a robust and planned manner over the period of the current downturn in general government support for local authority spending, as well as the financial challenges of the Covid-19 pandemic.

The level of savings required over the medium term remains significant. By 2025-26, the Council needs to have

reduced expenditure by a further £72m in real terms. This is in addition to budget reductions of nearly £300 the Council has already made to services since 2010. The Council continues to look at ways to save money and generate income, whilst trying to protect and deliver services suitable for the residents of Derbyshire. The Council's Enterprising Council approach supports a more strategic and coordinated approach to the delivery of our services, ensuring that there is a single and joined-up One Council approach to the Council vision, our ways of working and transformation that is understood by everyone.

The Covid-19 pandemic has seen the Council play an active role in supporting communities. This has brought additional financial burdens which have been funded by Government, however, it has resulted in slippage to some of our savings programmes. Despite this, the Council has now identified measures which should help balance the budget over the medium term. There is a clear challenge to ensure the Council achieves those savings over the next few years. Understandably, the Council will focus its priorities on supporting our communities throughout the pandemic which is likely to result in further slippage to planned savings. Notwithstanding, there is a clear plan in place to support the non-achievement of in-year savings with the use of earmarked reserves.

Revenue Budget 2021-22	Budget Reductions
<ul style="list-style-type: none"> <li>➤ £540m Net Budget</li> <li>➤ £1.3bn Gross Budget</li> </ul>	<ul style="list-style-type: none"> <li>➤ £72m reductions required by 2026</li> <li>➤ £330m reductions since 2010</li> </ul>
Reserve balances as at 31/3/2021	Council Tax 2021-22
<ul style="list-style-type: none"> <li>➤ £77m General Reserve</li> <li>➤ £261m Earmarked Reserves</li> </ul>	<ul style="list-style-type: none"> <li>➤ 2.5% increase</li> <li>➤ Band D rate £1,383.07</li> </ul>

There is already a planned use of General and Earmarked Reserves from 2021-22 to 2025-26 in order to achieve a balanced budget. Whilst the General Reserve remains at a prudent risk assessed level to 2024-25, any overspends arising from demand management issues or slippage on the achievement of savings will require a further call on the General Reserve.

Significant consultation and planning timeframes are required to achieve many of these savings. In many cases the cost savings proposals will be subject to consultation and equality analysis processes. Throughout the process it will be essential to ensure that the Council continues to meet its statutory and contractual obligations. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

The UK has experienced two consecutive single year Spending Reviews in 2019 and 2020. Local authorities have long argued for a multi-year funding settlement to support which will help with medium-term financial and service planning. Further, there is uncertainty over future funding because of changes the Government is committed to making in the funding of councils via retained Business Rates and remaining Government grant funding regimes. At present the Council has no indication of how these technical changes, alongside the results of the next Comprehensive Spending Review, will affect the Council's funding position.

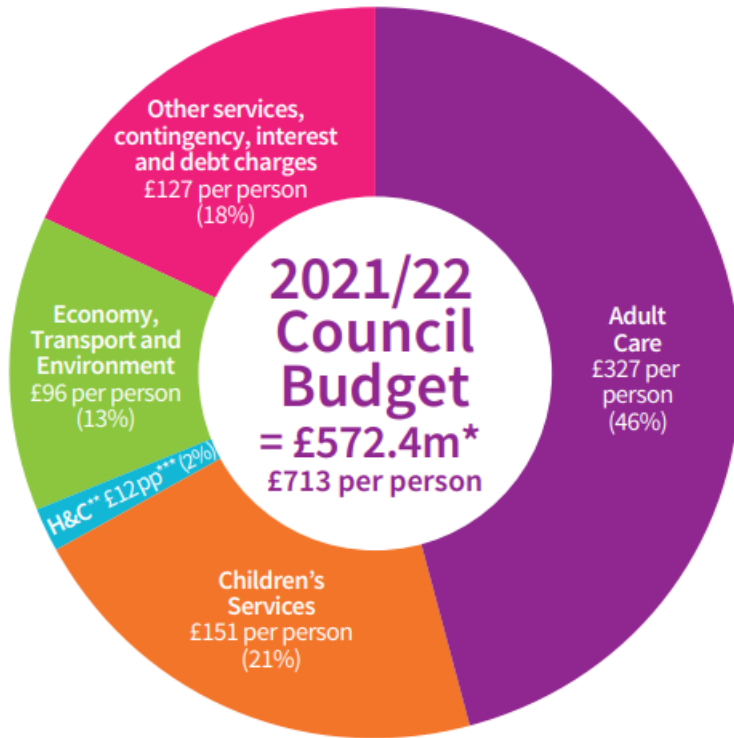
The Government has committed to completing the both the Fair Funding and Business Rates Retention Scheme Reviews. As this period of consultation between local government and central government continues over the coming



months, to establish a distribution methodology that is fit for purpose, local authorities are struggling to set medium term financial plans due to this element of uncertainty. Whilst the Government has made a commitment to continue with the Fair Funding Review, it is difficult to predict the likely impact of the proposed changes to the scheme and the financial impact until further detailed information is provided by the Government.

The introduction of 75% Business Rates Retention is currently assumed to be fiscally neutral to the Council. To ensure that the reforms are fiscally neutral, local government will need to take on extra responsibilities and functions at the point that full localisation occurs, as currently, more is raised from business rates than spent locally. The Government will also need to take account of future events such as transfers of responsibility for functions between local authorities, mergers between local authorities and any other unforeseen events.

The Covid-19 pandemic has seen a significant impact on the business rates taxbase which in turn will impact on the Council's business rates funding.



The Local Government Finance Settlement 2021-22 has confirmed the continuation of social care funding seen in the two previous financial years as well as an additional £300m social care funding for local authorities. Furthermore, local authorities have been afforded the flexibility of the Adult Social Care Precept of 3%, some of which may be deferred until 2022-23. It is also assumed that the use of the improved Better Care Fund allocations will support the base budget, through collaboration with clinical commissioning groups and that existing allocations of the improved Better Care Fund continue to be paid beyond 2021-22. If the funding ceases beyond this period, local authorities will experience a 'cliff edge' funding effect that will significantly impact on the delivery of adult social care services.

The Settlement also provided details of additional Covid-19 funding for 2021-22 which will help to fund the additional costs associated with the pandemic.

The Council Plan sets out the Council's priorities which include working efficiently and effectively. The Council will be pursuing new delivery and commissioning models to achieve its priorities. It will review the way it works, ensuring its operation is fit for purpose.

To ensure an element of transparency in its decision making, a value for money board has been established which will examine and review Council contracts.

Wherever possible, the Council aims to protect service delivery and has clear ambitions to be an efficient and high performing Council by moving towards an Enterprising Council approach. However, with the Council having already



made significant budget savings, it will not be possible to make all the savings over the next four years without affecting frontline services.

In a challenging financial environment, the Council will need to prioritise its limited resources to protect the service areas the Council considers to be the most important, supporting the most appropriate approach to service delivery. In doing so, it must look at ways of raising additional income and reduce its reliance on Government funding. The Council will make savings by reviewing all areas of expenditure and considering new ways of working which require additional investment.

**We will achieve this by:**

- Reviewing and updating the Council's Five-Year Financial Plan at least annually to assist the budget planning process and identify funding gaps at the earliest opportunity to help develop appropriate savings plans.
- Setting a balanced budget that addresses service priorities but is achievable within acceptable Council Tax limits and the context of the Five-Year Financial Plan.
- Utilising the Council's budget priority framework when considering proposals for service development and new investment.
- Ensuring Council Tax is within acceptable levels. This will include setting an increase for the Adult Social Care Precept to raise additional income for Adult Social Care where it is appropriate to do so.
- Developing and implementing a robust savings programme, which is regularly monitored and reported to Members and incorporates consultation and equality impact assessment processes where these are required.
- Benchmarking service costs and performance on a regular basis.
- Actively considering the best delivery model for the Council's services in order to deliver quality services at a reasonable cost.
- Reviewing the minimum level of General Reserve to ensure that the balance is sufficient to act as a contingency against any unforeseen events or unexpected liabilities.
- Monitoring local government funding, lobbying Government to ensure Derbyshire's interests are represented.
- Using one-off support from reserves balances to support budget management.

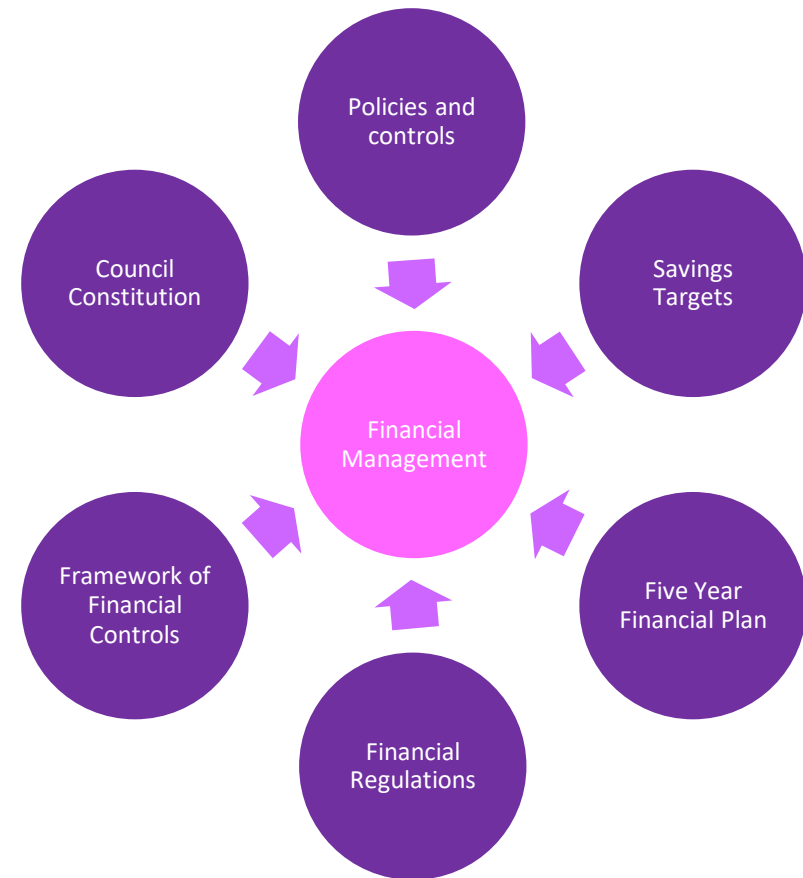
## Financial Management

The Council will maintain sound financial management policies and controls to ensure its resources are used economically, efficiently and effectively. The Council has achieved a positive value for money opinion from the external auditors demonstrating that the Council has embedded a culture of economy, efficiency and effectiveness.

The Council's constitution makes clear how the Council operates and makes decisions. It describes how decision makers can be held to account. The Constitution explains the composition of the Council as well as the roles and functions of all councillors.

There is a framework of financial controls and procedures for managing financial risks, accounting processes and financial management. These are embedded in various policy documents including Financial Regulations, Standing Orders, internal control processes.

The Council's Financial Regulations provides a practical source of advice to assist the Council to deliver its services. It supports the operation of sound financial management policies and that they are strictly adhered to. The Regulations provide clarity about the role of individuals including Cabinet Members and officers.



The Council has a Five Year Financial Plan sets out the overall shape of the Council's budget by establishing what resources are available for allocation to reflect Council and community priorities. The Council Plan sets out service and organisational priorities.

The Five Year Financial Plan (the Plan) is a medium term financial plan which sets out the overall shape of the Council's budget, by establishing what resources are available for allocation to reflect Council and community priorities. The Council Plan sets out service and organisational priorities. This is reflected in the development of the Plan. The Plan explicitly sets out:

- Baseline position
- Expected commitments over the medium term
- Income streams with estimated increase in reductions in mainstream funding
- Services pressures over the medium term
- Capital financing requirements

The Council's savings targets over the medium term are significant and need to be managed. Budget managers need to demonstrate strong financial management whilst maintaining the delivery of high-quality services.

**We will achieve this by:**

- Ensuring compliance with the principles of the Financial Management Code.
- Providing a framework for managing the Council's financial affairs through the Constitution and Financial Regulations.
- Utilising the Council's budget priority framework when considering proposals for service development and new investment. The framework is based on a robust system of scrutiny that is constructed to favour proposals that are aligned to the Council's priorities, together with national targets.
- Identifying budget savings which will build capacity and redirect resources to priority areas. The Budget Strategy Group (BSG) will be responsible for the monitoring of savings and will report to the Corporate Management Team.
- Aligning and examining spending against priorities on an ongoing basis. This may from time to time include fundamental reviews of specific areas of the Council's base budget.

- Monitoring and controlling both revenue and capital budgets, taking correcting action where appropriate. There will be strong budgetary control and scrutiny with clear lines of responsibility for preparation, approval and control. Reports will be provided to Members on a regular basis in accordance with the Council's Budget Monitoring Policy which includes integrated finance and performance information.
- Setting a minimum level of General Reserve. The Director of Finance & ICT will report on the level of reserves as part of the annual Revenue Budget Report.
- Reviewing Earmarked Reserves' balances at least annually and reporting the outcomes to Members in accordance with the Council's Reserves Policy.
- Managing the Council's investment and borrowing on a daily basis. The Council is also responsible for the Derbyshire Pension Fund Investments. The objective is to place security of investment above return, but to maximise investment income.
- Complying with the principles of the Treasury Management Code of Practice.
- Keeping long-term borrowing within reasonable limits in accordance with the principles in the Prudential Code.
- Procuring goods, services and works in accordance with Value for Money (VfM) principles.
- Ensuring capital investment decisions reflect the Council Taxpayer meeting the majority of all new debt financing costs.
- Maintaining and holding assets to meet the Council's objectives as identified within the Council Plan and Service Plans, subject to affordability within the context of the Council's Five-Year Financial Plan.
- Adopting the most appropriate funding package for overall capital expenditure.
- Ensuring loans for 'Spend-to-Save' schemes are financed from the schemes' savings. The loan repayments will be made as quickly as savings allow. It is not intended that 'Spend-to-Save' schemes will be repaid over as long a period as other debt.
- Recommending Capital priorities to Cabinet using the Council's appraisal methodology which involves the following criteria:
  - Council goals, objectives and performance indicators being met
  - Funding requirements, considering any conditional grants/allocations and other external sources
  - Statutory obligations including legal and health and safety
  - Revenue implications

- Surplus assets available for sale
- The Local Transport Plan influences investment in the highway infrastructure
  
- Establishing the level of capital investment available which is currently projected over a three-year rolling programme.
- Providing training and information in the financial skills and competencies to officers, budget holders and Members who are accountable for finance within their roles.
- Establishing clear budget responsibility and accountability, recognising budget management as an essential part of good management.
- Ensure that the implementation of the SAP HANA system scheduled for Winter 2021 provides officers with enhanced reporting for better decision making.
- Ensuring that officers involved in the financial process are aware of key legislation and Council policies when supporting budget holders and project leads i.e. data protection

## Income Generation

The Council will optimise the generation and effective use of external funding to achieve the Council's priorities.

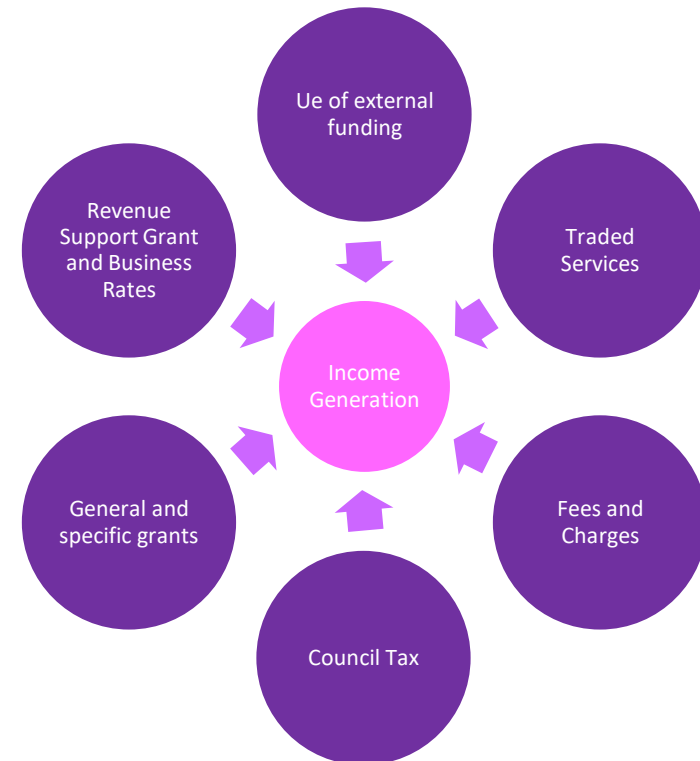
A large element of the Council's funding, both revenue and capital, is derived from external funding, primarily specific grants, Revenue Support Grant and business rates. Availability of grants can be subject to a detailed and complex bidding process. Care needs to be taken that the availability of such funding does not distort the Council's priorities, divert resources from higher priorities, or set up unreasonable future commitments for the Council Taxpayer to meet. Exit strategies need to be developed in all material cases where there is uncertainty over future external funding.

Income from service users – fees and charges – is an important part of the Council's financial strategy. Factors considered in setting the levels include – the Council's specific priorities, market forces where applicable, affordability, inflation and the balance with income demanded from Council Taxpayers.

Maximising income, although clearly an important consideration, is not the only factor in deciding on the level of fees and charges. The Council has a Charging Policy which sets out best practice in the setting of charges, which stipulates that charges should be subject to an annual review.

### We will achieve this by:

- Exploring and implementing opportunities for greater trading and income generation to help the Council be more self-sufficient and less reliant on Government funding.



- Examining different investment opportunities to maximise investment returns.
- Collecting all income due promptly and taking effective and appropriate recovery action where appropriate.
- Ensuring officers across the Council are provided with the appropriate tools and support to make informed decisions in respect of commercial and trading activity
- Ensuring that the Council has a robust financial template to support the evaluation of trading costs and income generation for individual activities
- Periodically reviewing traded services to ensure original business objectives are still being achieved and income generation maintained, without detriment to the Council's other service provision

## Probity

The Council has a duty to safeguard public money by ensuring there are appropriate levels of financial control, internal audit and governance. The Council's approach to financial management is to provide Members and Officers with a high level of flexibility to optimise service delivery within a controlled framework. The control framework is outlined in the Annual Governance Statement which is reviewed and approved annually by Council and published in the annual Statement of Accounts.

The Council's Internal and External Audit have an approved plan of work that supports the finance function and service delivery. Reviews cover key risk areas across the Council to identify potential weaknesses or issues with compliance that may affect the delivery of the enterprising council model. The Council's Audit Committee enables independent challenge to both the Audit coverage and senior management where appropriate actions have not been taken to address agreed recommendations.



### We will achieve this by:

- Providing an open and transparent budget process that ensures budgets reflect the Council's strategies and focuses resources on the priority areas as set out in the Council Plan.
- Scrutinising and challenging all significant planned investment to ensure projects are consistent with the Council's Capital Strategy.



- Producing an annual statement on the adequacy of the Council's control framework.
- Ensuring the costs, benefits and risks of any partnership working are fully assessed, that governance and reporting arrangements are appropriate and that there are financial arrangements to safeguard the Council's interests.
- Reviewing Council contracts to ensure that they are delivering value for money and demonstrating this to the Value for Money (VfM) Board.
- Scrutinising proposed project and service delivery models to ensure that they have robust business cases and deliver acceptable returns on investment.
- Identifying, assessing and reviewing financial and business risks as part of the corporate and departmental risk registers.
- Undertaking an annual review of the effectiveness of the system of internal control.
- Prioritising areas for improvement in service provision through appropriate management of risk
- Implementing recommendations from Internal and External reviews
- Achieving a 'Qualified' opinion in Internal Audit reviews relating to the administration of the Council's financial management

**We will know we have been successful in delivering the Strategy by:**

Outcome	Link to other Strategies/Policies/Priorities
<p>Being a key facilitator in the achievement of Council Plan goals which includes:</p> <ul style="list-style-type: none"> <li>○ Kept Council Tax within the lowest 25% of county council areas and lobbied government to secure a better funding settlement</li> <li>○ Kept on track to achieve all planned budget savings in the medium term</li> <li>○ Demonstrated value for money through excellent procurement and contract management</li> </ul>	<ul style="list-style-type: none"> <li>➤ Council Plan</li> <li>➤ Fair Funding for Derbyshire</li> <li>➤ Procurement Strategy</li> <li>➤ Financial Regulations</li> <li>➤ Capital Strategy and Asset Management Plans</li> <li>➤ Financial Management Code</li> </ul>
<p>Providing reports to Committees, Cabinet and Council on setting out the financial implications of providing new or existing services.</p>	<ul style="list-style-type: none"> <li>➤ Financial Regulations</li> <li>➤ Budget Monitoring Policy</li> <li>➤ People Strategy</li> <li>➤ Procurement Strategy</li> <li>➤ ICT Strategy</li> <li>➤ Financial Management Code</li> </ul>
<p>Reviewing and updating the Five-Year Financial Plan at least annually.</p>	<ul style="list-style-type: none"> <li>➤ Financial Regulations</li> <li>➤ Council Constitution – Budget Framework</li> <li>➤ Financial Management Code</li> </ul>
<p>Ensuring our borrowing levels are affordable under the statutory prudential framework which are supported by a range of Treasury Management Indicators which are set out in the Treasury Management Strategy.</p>	<ul style="list-style-type: none"> <li>➤ Capital Strategy</li> <li>➤ Capital Programme</li> <li>➤ Asset Management Plans</li> <li>➤ Treasury Management Strategy</li> <li>➤ Financial Management Code</li> </ul>
<p>Providing regular budget monitoring reports to Cabinet and Committees on the Council's latest financial position as defined in the Budget Monitoring Policy.</p>	<ul style="list-style-type: none"> <li>➤ Financial Regulations</li> <li>➤ Budget Monitoring Policy</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Financial Management Code</li> </ul>
Receiving an opinion from the external auditor that provides a true and fair view of the Council's financial standing.	<ul style="list-style-type: none"> <li>➤ Council Plan –</li> <li>➤ Financial Management Code</li> </ul>
Receiving a positive external audit opinion on value for money from external audit in the annual Statement of Accounts review.	<ul style="list-style-type: none"> <li>➤ Council Plan –</li> <li>➤ Financial Management Code</li> </ul>
Receiving an Internal Audit Annual Report that confirms the Council's risk, governance and control framework are satisfactory, with a positive Audit Opinion	<ul style="list-style-type: none"> <li>➤ Annual Audit Internal Plan</li> <li>➤ Annual Governance Statement</li> <li>➤ Risk Management Strategy</li> <li>➤ Council Plan</li> </ul>
Achieving departmental savings targets.	<ul style="list-style-type: none"> <li>➤ Council Plan</li> <li>➤ Budget Management Policy</li> <li>➤ Five Year Financial Plan</li> </ul>
Regular monitoring of the savings targets by the Budget Strategy Group/CMT	<ul style="list-style-type: none"> <li>➤ Five Year Financial Plan</li> <li>➤ Budget Monitoring Policy</li> </ul>
Reviewing the Council's Earmarked Reserves at least annually.	<ul style="list-style-type: none"> <li>➤ Reserves Policy</li> <li>➤ Financial Regulations</li> </ul>
Developing and implementing schemes that deliver additional income to the Council	<ul style="list-style-type: none"> <li>➤ Charging Policy</li> <li>➤ Financial Regulations</li> <li>➤ Procurement Strategy</li> </ul>
Utilising benefits realisation processes to ensure that projects have delivered the anticipated paybacks.	<ul style="list-style-type: none"> <li>➤ Financial Management Code</li> <li>➤ Capital Strategy</li> <li>➤ Asset Management Plans</li> <li>➤ ICT Strategy</li> <li>➤ Procurement Strategy</li> </ul>
Ensuring all finance staff are provided with ongoing training including an annual My Plan/PDR review	<ul style="list-style-type: none"> <li>➤ People Strategy</li> <li>➤ Financial Management Code</li> </ul>

Ensuring agreed KPI's re transparent and consistent with defined targets, with action taken to address under achievement.	➤ Council Plan

## **Delivering the Financial Strategy**

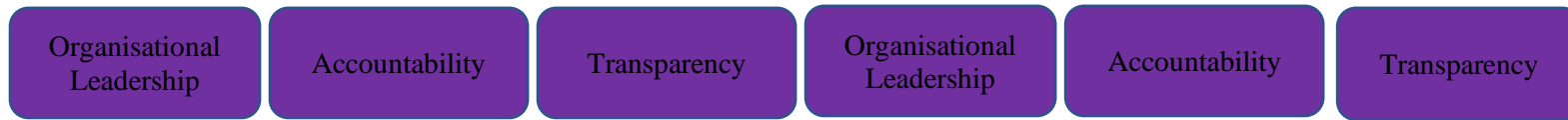
### **Financial Management Code**

The Financial Management Code provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the Code, authorities will be able to demonstrate their financial sustainability.

Complying with the standards set out in the Financial Management Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the Code will help strengthen the framework that surrounds financial decision making.

The Code establishes an approach based on six principles of good financial management. The Council has undertaken a gap analysis in ensuring that it meets the requirements of the Financial Management Code. It is evident that the Council already has a strong level of compliance with many aspects of the Code

## Six Principles of Good Financial Management



### Areas of Good Practice Identified within the Council

- Risk arrangements
- The Chief Financial Officer's role within the Council
- Budget and treasury management and strategy
- Budget setting
- Delivery of statutory accounts
- Auditor Value for Money opinion
- Capital strategy
- Stakeholder engagement
- Using reports to identify correct emerging risk to the Council's financial sustainability

The significant areas where further work is required to document how the Council is compliant with the Code relate to governance and financial management style; that:

- The Council applies the CIPFA/SOLACE Delivering Good Governance Framework in Local Government
- The Council's leadership team demonstrates in its actions and behaviours responsibility for governance and internal control

Audit Services will be able to document compliance in these areas, based on the substantial work they have already performed on the Local Code of Corporate Governance.

Areas which have been identified as less strong, with a need for improvement and action include:

- Adequate staff resources and processes to project manage transformation programmes.
- Planning and managing capital resources well.
- Reviewing and re-engineering financial processes to ensure they are efficient, effective and delivery of agreed outcomes is optimised.
- Sensitivity analysis in financial planning.
- Scenario planning inf financial forecasts.
- Adequate use and reporting of options appraisals.

The FM Code will be at the heart of everything we do in delivering the Financial Strategy and ensuring that the Council adheres to good financial management practice.

## **Revised Finance Operating Model**

In 2021, the Council will implement a revised operating model for the finance function.

The key drivers for change include:

- Embedding the One Council approach to the delivery of services.
- Streamlining service delivery and embedding modern practices.
- Potential benefits of alternate operating structures.
- Consistent working practices.
- Improved communications and workflow.

The revised model will bring:

- Improved collaboration, processes, and workflow
- Enhanced communication
- Development of career pathways
- Regular training and knowledge sharing for finance staff



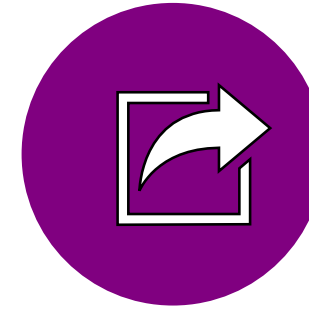
## Our Three Underlying Principles



**SIMPLIFY**



**STANDARDISE**



**SHARE**

These will be the three underlying principles which are fundamental in helping to shape our revised operating model for the finance function. We will utilise modern technology to support the transformation of the service, providing not only finance colleagues, but also other key stakeholders, with a set of tools to enhance decision making.

We will examine our processes and look to implement workflows where it is appropriate to do so.







The function will adopt practices that ensure consistent working practices across the function.

Colleagues will be afforded the opportunity to share knowledge and experience in supporting the development of people in finance roles.

In delivering the revised model the following objectives have been set which sit alongside the underlying principles outlined above.

	<b>Simplify</b>	<b>Standardise</b>	<b>Share</b>
<b>Processes</b>	Utilising modern technology such as SAP HANA and Office 365 to streamline existing processes.	A consistent approach in the way we operate our service.	Ensuring that our processes are understood by all key stakeholders.
<b>Workflow</b>	Remove unnecessary steps in existing processes.	Automation to support the Council's Chart of Authority and Schemes of Delegation.	Seamless flows between stakeholders in the authorization process.
<b>Communication</b>	Ensure the range of technology available is embraced by all finance officers.	Documentation including all financial reports should be in a consistent format.	Finance should be at the heart of all decisions made by the Council.
<b>Learning</b>	Provide a suite of training that is suitable for modern ways of working.	Ensure there is a consistent programme of relevant training during the annual financial cycle.	Provide a platform where finance officers can share ideas and knowledge.
<b>Career Pathways</b>	A structure that provides grades to support career development	Job descriptions, person specifications and task briefs that are fit for purpose.	The finance function is recognized as providing career opportunities for all.
<b>Finance Business Partnering</b>	Tools are developed to provide decision makers with accurate and timely financial information.	The guiding principles of budget monitoring activity as set out in the Council's Financial Regulations are undertaken.	All stakeholders understand their role in ensuring that capital and revenue budgets are accurately monitored.

**Our objectives in delivering a revised operating model**

	<p>The 'go to' finance partner for services to provide expert advice and informed decision making.</p>		<p>Collaboration to promote knowledge-sharing, connecting teams across the finance function.</p>
	<p>Provide a service that is built on providing analysis and insight from good quality data delivered through analytics and visualisation tools.</p>		<p>Equip finance officers with a diverse range of core skills and knowledge to deliver a high-performing function.</p>
	<p>Our budget holders and key stakeholders understand their responsibilities in terms of monitoring budgets and good financial management practice as defined in the Council's Financial Regulations.</p>		<p>Enhance our systems and processes to unlock efficiency in our workflows and workstreams.</p>

## Delivering Finance for the Future

In 2021/22 we will:

Implement our revised structure and operating model.

Implement a Finance Office 365 Teams site that provides tools for greater knowledge sharing and training.

Start the journey to ensure that a regular suite of relevant and practical training is provided to finance officers.

Examine and review processes which will deliver an enhanced experience for the end-user.

Ensure that all officers are afforded the opportunity to complete a My Plan/PDR with their manager.

Review the way we deliver our insurance claims ensuring there is a consistent approach and will have provided appropriate training to our insurance officers.

Review our transactional procurement activity.

In 2022/23 we will:

Implement a team to ensure our procurement transactional activity is efficient.

Ensure all budget holders have received training in the use of SAP and are afforded the opportunity to attend regular finance briefings.

Continue to offer finance officers a suite of appropriate training in supporting their roles.

Implement SAP HANA ensuring financial reporting data is greatly enhanced

Have progressed the finance business partnering approach to ensure that finance officers and budget holders understand the revised approach to budget monitoring activity.