

## Appendix 1 - CIPFA – Financial Management Code

Self-Assessment February 2022

| FM Code Heading/<br>Reference:   | How Gravesham Complies   | Areas for improvement/RAG Rating  |
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| <b>LEADERSHIP</b>  |  | <b>Overall Assessment - GREEN</b>   |
| <p>A. The leadership team is able to demonstrate that the services provided by the authority provide value for money</p> | <ul style="list-style-type: none"> <li>• The Management Team of the Council includes senior representatives from a variety of disciplines, including the Chief Executive, S151 Officer, Deputy Monitoring Officer and Directors.</li> <li>• Business cases proposals are brought to Management Team for discussion and challenge.</li> <li>• Key financial decisions are discussed collectively at Management Team and with respective elective members through informal briefings and at Cabinet and Full Council. The advice of the CFO is taken into account in decision-making.</li> <li>• All reports to both Management Team and Committees are expected to be shared with Financial Services prior to wider consideration so that timely advice on financial considerations can be given. Such reports include a section for consideration of Finance &amp; Value for Money implications.</li> <li>• The Constitution, incorporating the Financial Procedure Rules and Contract Procedure Rules set out the framework for financial decision-making, arrangement for financial management and control, tendering processes and decision making for contracts. Contracts are monitored.</li> </ul> | <p><b>GREEN</b></p> <ul style="list-style-type: none"> <li>• External Auditors have yet to give their opinion on VFM aspects in respect of the 2019-20 and 2020-21 financial accounts.</li> </ul> |

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|                                | <ul style="list-style-type: none"> <li>• A robust monthly budget monitoring process is in place, which provides regular updates to Management Team in terms of compliance with the budget monitoring requirements. This is supported by quarterly budget monitoring reports to the Cabinet and Finance &amp; Audit Committee which are discussed and challenged in the public arena.</li> <li>• The council has effective internal audit and risk management functions, with reporting to Senior Management and Members.</li> <li>• The council has in place a Finance &amp; Audit Committee to provide robust challenge and scrutiny to the council's financial management and risk and governance processes, or ensure best use of public funds.</li> <li>• External Audit assessment of VFM as part of the financial statements which is formally reported to the Finance &amp; Audit Committee.</li> <li>• Arrangements in place to formally consider significant partnerships and shared service arrangements.</li> </ul> |                                  |

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| <p>B. The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i>.</p> | <ul style="list-style-type: none"> <li>• The council has a qualified and experienced S151 officer in place as specified in this CIPFA statement.</li> <li>• The CFO is part of the Management Team to enable advice to be given at a strategic level. Financial proposals are considered collectively and then discussed with Elected Members as appropriate. The advice of the CFO is taken into account in decision-making.</li> <li>• The CFO is available to all Members to give advice on financial matters relating to the Council.</li> <li>• The review of the council's Annual Governance Statement (AGS) includes a specific statement from the S151 Officer confirming the actions that they take in order to comply with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i></li> </ul> | <p><b>GREEN</b></p>              |

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| <p>O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability</p> | <ul style="list-style-type: none"> <li>• The council has a Treasury Management Strategy in place, performance against which is monitored on a regular basis through updates to the Finance &amp; Audit Committee, as stipulated by reporting requirements in this area.</li> <li>• Financial monitoring statements are provided to the council's senior management team on a monthly basis along with the council's Management Team and Members on a quarterly basis. The quarterly reports provide a narrative to identify any areas of concern.</li> <li>• MT considers financial information on key areas on a periodic basis.</li> <li>• The Corporate Risk register for the council includes a specific risk around the ongoing financial viability and investment risk to the council which includes specific activities that are undertaken to manage and monitor this risk.</li> </ul> | <p><b>GREEN</b></p>              |

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| <b>ACCOUNTABILITY</b>  |  | <b>Overall Assessment - GREEN</b>  |
| <p>D The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).</p>   | <ul style="list-style-type: none"> <li>• Internal control framework assessed annually as part of the Internal Audit annual opinion which is reported to the Finance &amp; Audit Committee. This also forms part of the council's overall assessment of Governance and is published alongside the Annual Governance Statement. An action plan is produced to respond to any weaknesses in or opportunities to further enhance control arrangements.</li> <li>• A robust framework is in place through the Annual Governance Statement which assesses the council's approach to governance against the CIPFA standards on an annual basis.</li> <li>• Statutory Monitoring Officer in place supported by the committee framework.</li> <li>• Committees are supported by the democratic services team who provide administrative and secretariat support.</li> </ul> | <p><b>GREEN</b></p>  |
| <p>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.</p> | <ul style="list-style-type: none"> <li>• The Director (Corporate Services) and Finance Team have a good working relationship with External Audit and have an open dialogue to ensure that material matters that could affect the presentation of the statements of account are shared at the earliest opportunity.</li> <li>• The Council has a project timetable in place to ensure that key tasks are identified to ensure the delivery of the draft statements of account on a timely basis.</li> <li>• The Council produces a succinct and informative Narrative Report intended to effectively communicate the authority's activities and achievements, its financial position and performance, to its stakeholders.</li> </ul>   | <p><b>GREEN</b></p> <ul style="list-style-type: none"> <li>• External Audit Sign off of the financial statements for 2019-20 and 2020-21 is outstanding</li> </ul> |

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|   | <ul style="list-style-type: none"> <li>• The Statement of Accounts for the council includes an introduction from the Chief Finance Officer stating compliance with the CIPFA Code of Practice on Local Authority Accounting.</li> <li>• Externally audited annual financial statements are made available publicly on the council's website.</li> <li>• The council keeps its budget position under constant review and has demonstrated that it is willing to review and amend its budget as necessary to ensure financial viability.</li> </ul>  |                     |
| <p>Q The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</p> | <ul style="list-style-type: none"> <li>• Quarterly outturn reports are presented to the council's Management Team, Cabinet and the Finance and Audit Committee enabling strategic financial decisions to be made throughout the year.</li> <li>• Financial viability assessments and financial modelling are used to inform strategic financial decisions.</li> <li>• The budget setting papers that are presented to Cabinet and Full Council provide a clear update against the Medium-Term Financial Strategy setting out the financial position of the council, and provides details of variations as necessary to enable robust strategic financial decision making.</li> </ul> | <p><b>GREEN</b></p> |

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| <b>TRANSPARENCY</b>  |   | <b>Overall Assessment - GREEN</b> |
| <p>L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget</p> | <ul style="list-style-type: none"> <li>• Stakeholder engagement informed the development of the current Corporate Plan to ensure clear priority is given to those services that the Council are statutorily required to do or are of most value to those with a key interest in the borough.</li> <li>• Stakeholder engagement is also considered in key projects or initiatives pursued by the Council.</li> <li>• The Medium Term Financial Strategy (MTFS) of the Council is discussed and shaped by the Management Team, Leader of the Executive and other key Members. The MTFS is also presented at Cabinet, the Overview and Scrutiny Committee and at member group meetings for discussion.</li> <li>• Engagement with Members through the budget setting and monitoring process takes place; all papers are provided in the public arena and proposed budgets are discussed with all Members in more detail at specific political group meetings to enable robust challenge.</li> <li>• Local businesses are consulted with and have the opportunity to comment on budget proposals ahead of budget setting by Full Council.</li> <li>• Directors, Assistant Directors and Service managers are consulted during the budget process with findings presented to Management Team.</li> </ul> | <p><b>GREEN</b></p>               |

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|  | <ul style="list-style-type: none"> <li>• The draft financial statements are open to challenge by Members as well as the general public.</li> <li>• The Medium Term Financial Plan is regularly presented to Members and Management Team for review and discussion.</li> <li>• Business cases and project initiation documents are considered by Management Team, and Members where required, for projects, especially those requiring a financial contribution.</li> </ul>   |                     |
| <p>M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p> | <ul style="list-style-type: none"> <li>• The Council has in place template business case and project initiation documents. These are completed and considered by Management Team, and Members where required, for projects, especially those requiring a financial contribution.</li> <li>• All reports to both Management Team and Committees include a section for consideration of Finance &amp; Value for Money implications.</li> <li>• Documented minutes are available on GBC's web page showing outcomes of decisions made by its various committees.</li> <li>• Value for money is considered in all business case documents in order to be able to demonstrate how specific decisions will demonstrate value for money.</li> </ul> | <p><b>GREEN</b></p> |



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| <b>STANDARDS</b>   |   | <b>Overall Assessment - GREEN</b> |
| H The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities | <ul style="list-style-type: none"> <li>The council has a Capital Strategy in place, which is reviewed annually to ensure it remains fit for purpose and in line with other key strategic documents of the council and is published on the council's website. The Strategy covers capital expenditure, treasury management investments, as well as commercial activity and property investment decisions.</li> <li>The council has an Investment Strategy in place which is reviewed annually as part of the Treasury Management Strategy, publicly available on the council's website. Updates on Treasury Management activity are provided to the Finance &amp; Audit Committee in line with the requirements of the Prudential Code.</li> </ul> <p>The council has in place a Medium-term Financial Plan to ensure the long-term financial strategies are translated into plans to aid budget setting. This is reviewed as part of the budget setting process, with operational business plans developed in January-March for the coming financial year to ensure they are aligned.</p> | <b>GREEN</b>                      |
| J The authority complies with its statutory obligations in respect of the budget setting process | <ul style="list-style-type: none"> <li>The Financial Services Team has a budget work programme in place which takes account of dates set out in statute and draws on interactions with key stakeholders, including budget holders and senior</li> </ul>   | <b>GREEN</b>                      |

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|   | <p>management. This programme includes reporting of significant budget items to Management Team for discussion and consideration, as well as budget discussions with the Leader of the Executive. This ensures ownership of the budget by the whole leadership team.</p> <ul style="list-style-type: none"> <li>• The council conducts an annual review of working balances and reserves to assess its financial sustainability as required by Section 25 of the Local Government Act 2003. This is presented as part of the budget setting reports to Cabinet and Full Council.</li> </ul>                      |                     |
| <p>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</p> | <ul style="list-style-type: none"> <li>• This statement is included as part of the budget process which includes details of earmarked reserves</li> <li>• Key stakeholders of reserves are consulted as part of the budget process which helps ensure adequacy and relevance.</li> <li>• Levels of working balances and general reserves have been agreed with members.</li> <li>• The budget setting report contains the statement required under Section 25 of the Local Government Act 2003 on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</li> </ul> | <p><b>GREEN</b></p> |

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| <b>ASSURANCE</b>  |   | <b>Overall Assessment - GREEN</b> |
| <p>C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p> | <ul style="list-style-type: none"> <li>• The Council has an adopted Code of Corporate Governance which sets out how it will carry out its functions, and the procedures and processes in place to deliver its corporate objectives. This is reviewed periodically to confirm it remains fit for purpose.</li> <li>• A robust framework is in place through the Annual Governance Statement to assess the Council's approach to governance against on an annual basis and identify any areas for improvement.</li> <li>• Internal controls are implemented and monitored by management and reviewed by internal audits. Managers are required to complete annual assurance returns to confirm that control arrangements are operating effectively within their areas of responsibility.</li> <li>• Monitoring Officer is in place to ensure and advise on compliance with legal and governance arrangements for the authority. The Monitoring Officer also attends all management Team meetings to provide a legal overview.</li> <li>• All formal reports to Management Team and Members include a standard appendix which requires consideration to be given to the implications of the report and any associated decisions required.</li> </ul> <p>Budget monitoring reports provided to Directors for all areas of their controls.</p> | <p><b>GREEN</b></p>               |

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| <p>F. The authority has carried out a credible and transparent financial resilience assessment</p>   | <ul style="list-style-type: none"> <li>• The council conducts an annual review of working balances and reserves to assess its financial sustainability as required by Section 25 of the Local Government Act 2003. As part of this review, the council will assess its historic and planned use of reserves and working balances and use data sources such as the CIPFA Financial Resilience Index to benchmark itself against others, albeit this is only an indicator of sustainability.</li> <li>• The council has a robust five year Medium Term Financial Strategy in place that covers financial years 2022-23 to 2026-27. This is published on the website, and includes both the General Fund and HRA.</li> <li>• External Audit conduct an annual audit of the council's accounts and overall financial standing which, to date; have not raised any concerns regarding resilience.</li> </ul> | <p><b>GREEN</b></p> |
| <p>N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p> | <ul style="list-style-type: none"> <li>• The Council has mechanisms in place to capture changes in government policy direction/new legislation, including monthly legislative updates, attendance at professional groups and bodies etc.</li> <li>• MT considers financial and other management information on key areas on a periodic basis to identify changes in risks.</li> <li>• Weekly Management Team meetings will identify and consider emerging risks and put in place action to understand, manage and/or mitigate such risks as appropriate.</li> <li>• Regular budget monitoring reports are provided to the leadership team of the council (officer and Member) to enable identification of any emerging budget risks.</li> </ul>   | <p><b>GREEN</b></p> |

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|  | <ul style="list-style-type: none"><li>• Risk registers are developed for individual service areas and are reviewed and updated periodically where necessary.</li><li>• Corporate risks are monitored and reviewed each year with a mid-year review completed and reported to the Finance &amp; Audit Committee.</li><li>• Budget strategy is monitored by Finance Team and Management Team.</li><li>• Quarterly Risk Management Working Group meets to discuss new and emerging risks to the council</li></ul> |  |
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| <b>SUSTAINABILITY</b>   |  | <b>Overall Assessment - GREEN</b> |
| <p>E. The financial management style of the authority supports financial sustainability</p> | <ul style="list-style-type: none"> <li>• The council has a number of mechanisms in place to enable thorough management of financial and budgetary information:               <ul style="list-style-type: none"> <li>- Decisions with financial elements being presented to MT before being progressed further.</li> <li>- Monthly budget monitoring</li> <li>- Financial statements made available to key staff</li> <li>- Budget setting process</li> <li>- Finance Performance Indicators are monitored</li> </ul> </li> </ul> <p>These arrangements place accountability with budget holders, Service Managers, Assistant Directors and Directors to manage the financial resources associated with their areas of responsibility within the framework of the Financial Procedure Rules and the Constitution.</p> <ul style="list-style-type: none"> <li>• The Finance function is viewed as an approachable and key support service of the Council and are engaged in key corporate projects and work streams, as well as providing advice and guidance to individual departments.</li> </ul> <p>The authority thinks innovatively and this is embedded in the Corporate Plan. It has a history of addressing financial issues head on, particularly with the Bridging the Gap' Strategy that has been in place for a number of years to address the challenging financial times facing the council.</p> | <p><b>GREEN</b></p>               |

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| <p>G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members</p> | <ul style="list-style-type: none"> <li>• The council has in place a number of key documents and strategies which have been presented to Council, Cabinet and/or Finance &amp; Audit Committee: <ul style="list-style-type: none"> <li>- MTFP in place</li> <li>- Capital Strategy in place</li> <li>- Investment Strategy in place</li> </ul> </li> <li>• Financial sustainability is considered annually as part of the budget setting process in which all Members are involved, with quarterly, in year updates provided to Cabinet and the Finance &amp; Audit Committee through budget monitoring reports and other specific reports are required.</li> </ul> <p>The council has a robust Medium Term Financial Strategy in place, which is published on the website, covering both the General Fund and HRA. Due to the uncertainty in future funding for Local Government, the council has put in place one-year, interim plans over the last two years.</p> | <p><b>GREEN</b></p> |
| <p>I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p>                      | <ul style="list-style-type: none"> <li>• The Council has in place a multi-year financial plan covering, at a high level, performance against the approved budget for the current year plus projections covering a further nine years. This is a 'live' document that is updated on an ongoing basis to reflect decisions taken by the council or issues identified through budget monitoring to ensure this continues to support service delivery.</li> <li>• The MTFP is formally considered by MT and Members on a quarterly basis and at budget setting.</li> </ul>  | <p><b>GREEN</b></p> |

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|  | <ul style="list-style-type: none"><li>• The MTFP is used to model and understand the impacts of government policy and significant decisions to be taken by the Council.</li></ul> |  |
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