

# Annual Assurance Report on Financial Management

Date: 26<sup>th</sup> November 2021

Report of: Chief Officer Financial Services

Report to: Corporate Governance and Audit Committee

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## What is this report about?

### Including how it contributes to the city's and council's ambitions

- This report provides assurance that the Council has established an effective financial control environment including robust arrangements for strategic financial planning combined with effective financial management and control.
- The Council also has a sound framework for reviewing and challenging financial performance, has realistic plans in place to make the necessary savings in the 2021/22 financial year, and is taking the appropriate steps to deliver them. The Authority has contingency plans in place to help to manage unforeseen variations against the budget.
- This report fulfils the requirement in the Chief Finance Officer's protocol, (Section 5k of the Council's constitution), that the Chief Finance Officer will report to the Corporate Governance and Audit Committee annually to confirm that the arrangements set out in the protocol have been complied with and set out proposals for amendments in the light of any issues that have arisen during the year.

## Recommendations

- a) Corporate Governance and Audit Committee are asked to note the Chief Officer (Financial Services) assurances that
  - a. the appropriate systems and procedures are in place to ensure that there is sound financial management and control across the Authority; and
  - b. the arrangements set out in the Chief Finance Officer protocol have been complied with.

## Why is the proposal being put forward?

- 1 The terms of reference of the Corporate Governance & Audit Committee require the Committee to consider the adequacy of the Council's policies and practices to ensure compliance with statutory guidance and the adequacy of the Council's corporate governance arrangements.
- 2 This report provides assurance to the committee that the Council has in place effective and robust arrangements for financial planning, financial control and other financial management activities.
- 3 The report includes confirmation of compliance with the requirements of the Chief Finance Officer's protocol.

## What impact will this proposal have?

### Wards affected:

Have ward members been consulted?       Yes       No

- 4 Given the financial challenges facing the Council both currently and in the medium-term, it is essential that we continue to ensure that we have in place appropriate arrangements around financial performance, strategic financial planning, financial governance and financial control. This report outlines;
  - The key systems, controls and procedures,
  - New developments and improvements which have been put in place,
  - New developments in the near future
  - New risks and any issues arising.
- 5 The Responsible Financial Officer has established an effective overall financial control environment framework for financial planning and exercises effective financial management and control which, in her opinion, discharge both her statutory responsibilities and are consistent with the Chief Financial Officer protocol which forms part of the Council's constitution.
- 6 The report provides assurance that the financial control and financial governance arrangements in place are fit for purpose, up to date and embedded across the organisation.

## What consultation and engagement has taken place?

- 7 This report is provided for information and has not therefore been subject to consultation.
- 8 Arrangements for consultation and engagement in respect of the system of internal control for financial management are set out in appendix 1 attached.

## What are the resource implications?

- 9 The financial challenges faced by the Council resulting from the COVID-19, and the requirement to address these so that a balanced budget can be delivered, has re-enforced the need for the Council's financial position to be robust, resilient and sustainable and that it has a sufficient level of reserves available to deal with any future unforeseen circumstances. This requirement underpins the Council's Medium Term Financial Strategy 2022/23 – 2026/27 which was agreed at Executive Board in September 2021. The Medium 2021/22 Revenue and Council Tax report projected that the Council's general reserve would be £43.7m m by 2026/27.
- 10 Recognising the financial challenges identified through the currently approved Medium Term Financial Strategy, Support Services functions are working more collaboratively to both

maximise the resources that are available to the Council whilst at the same time supporting services to ensure that they achieve value for money.

### **What are the legal implications?**

- 11 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Financial Officer have responsibility for those arrangements.
- 12 The Accounts and Audit Regulations 2015 came into force on the 1st April 2015 and set out the responsibility for internal control, the published accounts and audit.
- 13 Appendix 1 to this report sets out how the Council meets these statutory requirements.

### **What are the key risks and how are they being managed?**

- 14 It is clear that the current and future financial climate for local government represents a significant risk to the Council's priorities and ambitions, and that the impact of COVID-19 has added to the financial challenges faced by the Council. The Council continues to make every effort possible to protect the front line delivery of services, and whilst we have been able to successfully respond to the financial challenge so far, it is clear that the position is becoming more difficult to manage and it will be increasingly difficult over the coming years to maintain current levels of service provision without changes in the way the Council operates.
- 15 Recognising the significant financial challenges facing the Council especially when account is taken of the ongoing financial impact of COVID-19, it is critical that the Council has in place sound arrangements for financial management. The statement of internal control attached at appendix 1 demonstrates the arrangements in place to meet these risks.
- 16 In the past couple of years a number of high profile local authorities ran into significant financial difficulties. Some of these authorities issued Section 114 notices because in the view of the Section 151 officer the Council was at risk of not being able to balance its budget, whilst others, rather than issue a Section 114 notice, sought a capitalisation directive from the Government. As a result of this all local authorities are under increased scrutiny to demonstrate that they have appropriate governance arrangements in place to manage their financial affairs. This report forms part of that re-assurance to members with regards to the Council's financial management and control arrangements.

### **Does this proposal support the council's three Key Pillars?**

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 17 Supporting the Best Council Plan – the 2021/22 budget recognises the Council's ambition to be the best city by being a strong economy and a compassionate city as well as achieving its best City priorities. Financial Services have a key role to play in this around supporting the Council to realise its ambitions. As well as there being the continued focus upon value for money, the approved budget means that the Council can target its resources to drive inclusive economic growth, promote health and wellbeing, tackle deprivation and other deep-rooted challenges to improve the quality of life for our residents.
- 18 The Best Council Plan's ambitions, outcomes and priorities underpin the 2021/22 budget and have been used to ensure that the Council's financial resources are directed towards its policies and priorities and, conversely, that these policies and priorities themselves are affordable. Spending money wisely is one of the core Council's values, with the priority being for Directorates and services to keep within their budgets. Ensuring that the Council has appropriate financial management systems and procedures in place is clearly a key aspect and

as such this report does provide some assurances, albeit not comprehensive, assurance that money is being spent wisely.

## **Options, timescales and measuring success**

### **What other options were considered?**

19 The financial procedures and controls are part of the overall financial control environment and form a fundamental part of the assurances received by this Committee when approving the Annual Governance Statement as required by the Accounts & Audit Regulations 2015.

### **How will success be measured?**

20 The financial management and control framework is subject to a number of independent assessments, including the Council's Internal Audit function which has reviewed and given substantial assurance that there are robust controls in place to support the central co-ordination of the setting and monitoring of the Council's budget.

### **What is the timetable for implementation?**

21 Not applicable

### **Appendices**

22 Appendix 1 details

### **Background papers**

23 None