

Local Authority Financial Assurance Processes

General Fund Revenue Budget and Capital Programme

The Local Authority financial framework is underpinned by the legislative requirement to set a balanced budget. It is the responsibility of the Chief Finance Officer (the s151 Officer) of the Council to ensure that this is achieved. The Chief Finance Officer (CFO) in Local Government is therefore not only bound by professional standards but also by specific legislative responsibilities.

Section 151 of the Local Government Act 1972 requires Local Authorities to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for those arrangements. The s151 Officer also holds a fiduciary responsibility to local taxpayers.

The duties of the s151 Officer in England and Wales were significantly extended by section 114 of the 1988 Local Government Finance Act - England and Wales, which requires a report to all the Local Authority's Members to be made by that officer, in consultation with the Monitoring Officer and Head of Paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

The CFO must exercise a professional responsibility to intervene in spending plans so that they are in balance with resources available and that the Authority remains in sound financial health.

In order that this duty can be satisfied an assurance framework including formal reporting to Members is in place in all councils. The method and terminology may be different in councils but the basic actions are common to all.

The financial assurance framework and evidence to support the sustainability of a council is presented as follows as a basis in relation to budget setting, the preparation of final accounts and the external audit process together with budget monitoring:

1) Budget Setting

a) Revenue Budget Report Preparation

Each CFO must produce a report in advance of the forthcoming financial year (approval must take place before 11 March) which presents detailed information about the revenue budget and allows the setting of Council Tax. This report is prepared having regard to local and national spending pressures and priorities and is underpinned by an assessment of the resources that will be available to the Council. This will therefore determine any budget saving that must be approved in order that planned expenditure does not exceed resources available.

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Prior to the consideration of the 2016/17 final budget report at the meeting of Blackpool Council on 25th February 2016, the Executive also considered budget reports at the meetings on 8th February and 22nd February. All these reports are available on the Council website

In preparation for the production of each of these reports, estimates of resources available to the Council, budget pressures and proposals to bridge the budget gap, are subject to a detailed review by appropriately qualified officers. They are also presented to the political leadership to allow challenge and to engage political support.

b) Budget Consultation and Scrutiny

There is a detailed consultation process on the budget position and all budget proposals. Information is issued in the public domain setting out the financial challenge for the Council.

- There is a requirement to consult with the business community about the budget process.
- Members of the public are asked for views on how savings can be made and also asked to comment on budget proposals.
- There is also detailed staff consultation on proposals which have a staffing impact.

A key element of the budget consultation process but also an essential part of the budget challenge is scrutiny by elected Members. This is undertaken by the Tourism, Economy & Resources Scrutiny (TER) Committee.

All budget reports are subject to detailed review by the Committee. Members are able to ask questions about any aspect of the information in the report including the detailed savings proposals.

This public scrutiny and consultation process enables discussion, review and challenge as to the appropriateness and deliverability of the budget including savings proposals. Regard must be had to the consultation comments within the budget decision making process.

The TER Scrutiny Committee considered the 2016/17 budget reports at its meeting on 12th February 2016.

c) Capital Programme

Blackpool Council also sets out its capital spending proposals for the forthcoming financial year. This is in the form of a separate report which sets out the capital strategy and programme for the forthcoming year and 2 years beyond.

There is detailed scrutiny by the TER Scrutiny Committee of capital proposals and it is essential that capital spending plans are affordable and align with the resources available to finance the programme. Any revenue budget

consequences of the capital programme must be addressed and are clearly linked to the overall affordability of the Council's financial plan.

d) Treasury Management Strategy

There is a requirement to present a Treasury Management Strategy to Council annually for approval. This report provides assurance that there are proper established procedures in place for the management of cashflow, investments and risk associated with treasury activities. The report also provides an assurance mechanism for the monitoring of such activities.

e) Medium-Term Financial Strategy (MTFS)

Councils prepare a MTFS which sets out a forward look at future spending plans and ensures that these are balanced against expected funding streams from Government grants, Council Taxpayers and Business Ratepayers.

The MTFS is presented to the Executive at appropriate points in time such as following Government Spending Reviews or Settlement announcements. Blackpool Council's previous MTFS was presented to its Executive on 19th January 2015 and covered the 3-year period 2015/16 - 2017/18. It was based on best available information in relation to local and national factors influencing resources available and budget pressures, including the Council's capital spending plans and associated treasury management decision-making.

This is a key planning tool enabling strategic decision-making so that service planning aligns to the resources available to support service delivery over the foreseeable future.

f) Statement of the Chief Finance Officer on Reserves, Robustness of the Estimates and Affordability & Prudence of Capital Investments

Presented to the Budget Council meeting, this is a key assurance document as in order to comply with s25 of the Local Government Act 2003, the CFO is required to report on the robustness of the estimates made for the purposes of the budget calculation and the adequacy of the proposed reserves. The report sets out:

- The recommended level of Working Balances for the forthcoming financial years, calculated on a risk-based approach.
- A risk assessment of the utilisation of the Council's earmarked reserves and the adequacy of the reserves.
- The means by which the CFO is assured of the robustness of the revenue estimates.
- An assurance about the affordability of the capital programme.

2) Final Accounts and the External Audit Process

The annual Accounts are prepared in accordance with a statutory framework and accounting guidance.

The Accounts include sufficient information for the financial standing of the Council to be assessed. They highlight any areas for concern.

These Accounts are subject to External Audit. This audit is presented in an Audit Findings report which, in addition to commenting on the Accounts, also includes a Value for Money (VfM) opinion. This VfM opinion looks at the quality of financial planning and the level of reserves and balances.

This provides an independent assurance to Council officers, Members and also Council Taxpayers as to the financial management and financial standing of the Council.

An extract of the 2015/16 Audit Findings report presented for approval to the Blackpool Council Audit Committee on 24th September 2015 is set out below and shows the nature of the review and assurance given:

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our ISA 260 Report 2013/14 relating to the financial statements. The Authority has good processes in place for the production of the accounts and good quality supporting working papers.

Savings plans

The Authority's medium term financial plan covers the period to 2017/18. It identifies the funding sources available to the Authority each financial year, the cost base brought forward from the previous year, and the inflationary pressures on this cost base. The assumptions driving this element of the plan were reviewed, and considered to be reasonable. The other significant element of the plan is the annual savings plans contained within the plan, that reduce the annual costs facing the Authority and bring the expenditure for the year into balance with the funding available. These savings requirements were £25.2 million in 2015/16, £19.7 million in 2016/17 and £12.6 million in 2017/18. The Authority has delivered 100% of its savings plans for 2014/15, and has firm plans in place to deliver 100% of the 2015/16 savings requirements as well. These are also on schedule to be delivered. On this basis, we believe that the Authority's plans demonstrate that appropriate arrangements are in place to deliver value for money.

Value for Money conclusion and risk areas

We identified a VfM risk about the Authority's savings plans in our Audit Plan, issued in January 2015. We have worked with officers throughout the year to discuss these VfM risks and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as a result of our audit work in these VfM risk

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areas. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VfM conclusion by 30 September 2015.

The Accounts also include an Annual Governance Statement which advises how the Council has complied with the requirements of the CIPFA/SOLACE Framework, *Delivering Good Governance in Local Government*. It highlights any areas of risk that the Audit Committee would be advised to monitor progress on their mitigation.

3) Budget Monitoring

a) Reporting to Officers and Members

Once the Budget has been set and the new financial year begins, the budget monitoring process gets underway. This runs from month 0 to year-end and involves budget holders, the Corporate Leadership Team and Cabinet Members.

In addition, capital monitoring information is provided to the Corporate Asset Management Group, which is comprised of the Corporate Leadership Team and officers with responsibility for elements of the capital programme.

Formal financial performance monitoring reports are also prepared for the Executive to consider and as such are in the public domain. At Blackpool the external reporting is undertaken at months 3 - 10 with the Provisional Outturn for the year linked to the preparation of the annual Accounts and also reported to the Audit Committee.

The monitoring reports cover both revenue and capital expenditure on an accruals basis with the focus being the forecast year-end outturn position. In addition, the monitoring reports are completed with a summary balance sheet and cashflow statement.

These reports (internal and external) are a key tool in ensuring the overall financial position in-year can be managed, highlighting under/overspending. Any overspending must be addressed by appropriate management action and details of this action must be clearly set out. Progress towards achievement is reported in subsequent reports.

The delivery of budget savings is also reported. This is included within the revenue budget monitoring reports, although a separate report may be prepared. This gives assurance that the budget savings are deliverable and are being implemented. Alternatively, this might highlight the need to address an emerging in-year budget pressure and that further action is required to make good the saving so that it is deliverable as soon as possible.

Monitoring reports will also be prepared and included within the general budget monitoring report on the Collection Fund, setting out Council Tax and Business Rates collection performance and thus highlighting any

surplus/deficit on resource estimates impacting on future years' budget-setting.

b) The Scrutiny Process

The TER Scrutiny Committee has a work programme that focuses on in-year financial management performance including the achievement of approved savings proposals. The Committee can request service managers present detailed information if overspending has been highlighted in a financial monitoring report, revenue or capital. Particular areas for review in recent years have included Adult Social Care, Children's Social Care and Car Parking where the respective directors have prepared papers that set out the key issues, the management action being undertaken and the outcomes of that action.

This emphasises the responsibility and accountability of the service for delivering within the resources available.

c) Treasury Management Reporting

There is a requirement to prepare a Treasury Management half-yearly review report which shows the performance of the Treasury Management function compared to the Strategy. This will highlight any breaches of good practice or of Prudential Indicators and changes in the financial resilience of the Council in terms of cashflow, investments or borrowing requirements.

This report is presented for approval to Executive and for detailed scrutiny by the TER Scrutiny Committee.

In addition, there is further assurance as there is a requirement to present a Treasury Management outturn report which is also presented to Executive and TER Scrutiny Committee.

4) Local Authority Assurance Checklist

In order to demonstrate compliance with the basic elements of the assurance framework, a simple checklist has been prepared overleaf, which provides an evidence base as to the processes in place.

In addition, in order to ensure up-to-date awareness of key local government finance developments, issues, opportunities, risks, good practice, etc. in maintaining their continuing professional development, CFOs use a multitude of professional networks such as CIPFA, SIGOMA, Unitary Treasurers Group, Lancashire CFOs and the Greater Manchester Association of Municipal Treasurers.

LOCAL AUTHORITY ASSURANCE CHECKLIST

BUDGET SETTING PROCESS

ACTION	REQUIRED BY	DATE ACHIEVED	EVIDENCE
Scrutiny of Revenue Budget and other related reports	February prior to the start of the financial year		
Budget report	Approved before 11 th March		
S25 Assurance Statement	Approved with Budget report		
MTFS	As appropriate		
Capital Programme	Approved alongside Budget report		
Treasury Management Strategy	Approved alongside Budget report		

FINAL ACCOUNTS

ACTION	REQUIRED BY	DATE ACHIEVED	EVIDENCE
Completion of Statement of Accounts – handover to External Audit	By Statutory deadline		
Audit of Statement of Accounts completed and approval of Accounts	By Statutory deadline		
Consideration of the Audit Findings report and VfM opinion	Review by Audit Committee and preparation of remedial action plan (if required)		
Treasury Management Outturn report	To Executive and TER Scrutiny Committee		

BUDGET MONITORING

MONTH	INTERNAL/EXTERNAL	DATE ACHIEVED	EVIDENCE
Month 0	Internal reporting		
Month 1	Internal reporting		
Month 2	Internal reporting		
Month 3	Internal reporting External reporting		
Month 4	Internal reporting External reporting		
Month 5	Internal reporting External reporting		
Month 6	Internal reporting External reporting		
Month 7	Internal reporting External reporting		
Month 8	Internal reporting External reporting		
Month 9	Internal reporting External reporting		
Month 10	Internal reporting External reporting		
Month 11	Internal reporting		
Month 12	Internal reporting		
Month 13 (Provisional Outturn)	Internal reporting External reporting		
Treasury Management Half-year reports	To Executive and TER Scrutiny Committee		