

### 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.

Prior to the consideration of the 2021/22 final budget report at the meeting of Blackpool Council on 8<sup>th</sup> March 2021, the Executive also considered budget

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reports at the meetings on 8<sup>th</sup> February and 25<sup>th</sup> 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 with due regard given to the Public Sector Equality Duty. 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 Scrutiny Leadership Board.

All budget reports are subject to detailed review by the Board. 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 Scrutiny Leadership Board considered the 2021/22 budget reports and the feedback from the budget consultation exercise at its informal meeting on 14<sup>th</sup> January 2021.

### **c) Capital Strategy**

A Capital Strategy is a requirement that CIPFA introduced from 2019/20. This 3-year rolling strategy incorporating a Property Investment Strategy provides a framework of good practice and governance and sets the categorisations, scope, priorities and risk appetite for the Council in its capital investments.

### **d) Capital Programme**

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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 Scrutiny Leadership Board 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.

### **e) 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.

### **f) 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 12<sup>th</sup> September 2016 and covered the 6-year period 2016/17 – 2021/22. 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.

### **g) 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.

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- 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.

The external auditor's report on the 2019/20 Accounts to those charged with governance was presented for approval to the Blackpool Council Audit Committee on 25<sup>th</sup> March 2021.

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 2 - 10 with the Provisional Outturn for the year linked to the preparation of the annual Accounts and also reported to the Scrutiny Leadership Board.

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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 Scrutiny Leadership Board has a work programme that focuses on in-year financial management performance including the achievement of approved savings proposals. The Board 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 required the respective directors to have prepared papers that set out the key issues, the management action being undertaken and the outcomes of that action.

In addition to the Scrutiny Leadership Board having an oversight of the whole Council budget, each of the three scrutiny committees also holds to account the budget holder of the individual services which they are responsible for scrutinising. For example, the Children and Young People's Scrutiny Committee has reviewed the Children's Services MTFs with the Adult Social Care and Health Scrutiny Committee receiving specific information on the financial performance of Adult Services from the Director of Adult Services.

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

### **c) Audit Committee**

The Audit Committee has a work programme which includes receiving reports from Internal Audit on the control environment – these include financial controls

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assurance testing on key financial systems and additional risk-based audits assessed as potentially material when scoring and prioritising the annual audit plan. In addition, Sustainability of the Council is considered a key risk within its Strategic Risk Register and is reviewed at least annually by the Committee.

### **d) 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 Scrutiny Leadership Board.

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 Scrutiny Leadership Board.

### **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, Society of Municipal Treasurers, Lancashire CFOs and the Greater Manchester Association of Municipal Treasurers.

## **LOCAL AUTHORITY ASSURANCE CHECKLIST**

### **BUDGET SETTING PROCESS**

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

### FINAL ACCOUNTS

<b>ACTION</b>	<b>REQUIRED BY</b>	<b>DATE ACHIEVED</b>	<b>EVIDENCE</b>
Completion of Statement of	By Statutory deadline		

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Accounts – handover to External Audit			
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 Scrutiny Leadership Board		

### BUDGET MONITORING

MONTH	INTERNAL/EXTERNAL	DATE ACHIEVED	EVIDENCE
Month 0	Internal reporting		



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Month 1	Internal reporting		
Month 2	Internal reporting External 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 Scrutiny Leadership Board		