

CIPFA Financial Management Code Self-Assessment 2021 - May 2021

	Question	Answer	RAG	Areas for improvement
Section 1 - The Responsibilities of the Chief Finance Officer and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money			
1	Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?	Yes –external audit assessment VFM assessment,		Following 19/20 external audit, work is taking place to provide external assurance in relation to VFM for the Highways PFI
2	Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?	Yes – external audit assessment VFM assessment, strong scrutiny arrangements, Council Plan, Financial Plan, Financial, Procurement and Contract rules set out in the Constitution, strong Company governance.		Strengthen Programme Management Office to monitor savings and other project delivery and provide corporate assurance. Closer working with the finance team.
3	Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?	Yes – external audit assessment VFM assessment, track record of budget savings delivery, regular transparent financial reporting.		Budget consultation process for proposals for 2022/23.
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government			
1	Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?	Yes – full member of the Corporate Leadership Team, reports directly to the chief executive		
2	Does the CFO lead and champion the promotion and delivery of good financial management across the authority?	Yes		
3	Is the CFO suitably qualified and experienced?	Yes – CCAB and ex CFO of a core city		
4	Is the finance team suitably resourced and fit for purpose?	No - not consistently resourced and too reliant on interims.		Resource the result of the Service Finance Target Operating model review due in 2021.
Section 2 - Governance and Financial Management Style				

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C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control			
1	Does the leadership team espouse the Nolan principles?	Yes – no evidence to dispute - Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership		Financial accountability strengthened by the universal signing of 2021/22 accountability letters by Directors and Assistant Directors.
2	Does the authority have in place a clear framework for governance and internal control?	Yes – Constitution, Cabinet and Scrutiny structure with terms of reference, meetings webcast, formal scheme of delegation, partnership governance arrangements		
3	Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?	Yes – internal audit function, Head of Internal Audit role in compliance with CIPFA Statement on the Role of the Head of Internal Audit (2019), risk management framework, Audit Committee		Audit Committee could be strengthened with suitably qualified external support.
4	Does the leadership team espouse high standards of governance and internal control?	Yes – formal member code of conduct, up-to-date register of member interests and officer declaration of interest process		
5	Does the leadership team nurture a culture of effective governance and robust internal control across the authority?	Yes – keep governance and internal control up to date in line with new codes of practice, Annual Governance Statement		
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)			
1	Has the authority sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements?	Yes		
2	Does the authority have in place a suitable local code of governance?	Yes – Our Constitution and supporting documents		
3	Does the authority have a robust assurance process to support its AGS?	Yes – supported by directorate governance statements and Assurance Reports to the Council's Leadership Team		
E	The Financial Management Style of the authority supports financial sustainability			
1	Does the authority have in place an effective framework of financial accountability?	Yes – recently strengthened by introduction of budget holder accountability letters		Embed budget holder accountability as a culture change. Improve establishment control.

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2	Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?	Yes – enhancing budget understanding and ownership across the organisation		
3	Does the authority's finance team have appropriate input into the development of strategic and operational plans?	Yes – Directorates supported by suitably qualified and experienced Finance Business Partners		Recruitment of permanent business partners to all vacant posts to improve sustainability
4	Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so?	Unsure – no evidence of consistency or of this being tested		Planned to support ERP implementation and Finance Improvement Programme with Budget Holder training and support.
5	Has the authority sought an external view on its financial style, for example through a process of peer review?	Yes , CIPFA financial management assessment in 2018 with reassessment planned by 2022		Attainment by 2022 of a CIPFA 3-star financial management rating.
6	Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?	Yes - New financial regulations introduced 2020, delegations set out in Constitution		Governance and financial management training to be developed and rolled out.
Section 3 - Long to Medium Term Financial Management				
F	The authority has carried out a credible and transparent Financial Resilience Assessment			
1	Has the authority undertaken a Financial Resilience Assessment?	Yes , each year in the financial plan. Updated Medium Term Financial Plan reflecting impact of the Pandemic on next four years. (Financial Plan 2021 -2025). Risk assessment updated in Appendix E of Financial Plan.		
2	Has the Assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?	Yes , a comprehensive financial risk assessment was included in the Financial Plan 2021- 2025 (Appendix E)		
3	Has the authority taken appropriate action to address any risks identified as part of the assessment	Yes – specifically increasing the level of its Financial Resilience Reserve and General Balances (Financial Plan 2021 -2025)		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members			

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1	Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?	Yes , comprehensive financial risk assessment set out in financial plan (see F 1 and 2 above)		
2	Does the authority have a strategic plan and long-term financial strategy that address adequately these risks?	No Covid has impacted heavily on previous financial sustainability plans. Awaiting outcome of Delivery Plan enhanced business cases and multiyear spending review due in 2021.		Long term sustainable financial strategy to be developed by 2022.
3	Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)?	Yes - a comprehensive financial risk assessment was included in the Financial Plan 2021- 2025 (Appendix E)		
4	Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making?	Yes throughout 2020 and into 2021 to Corporate Leadership Team, Cabinet and Resources Overview and Scrutiny Committee.		
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities			
1	Has the authority prepared a suitable capital strategy?	Yes – set out in Financial Plan 2021-2025- Chapter 7		
2	Has the authority set prudential indicators in line with the Prudential Code?	Yes – set out in Financial Plan 2021-2025 – Appendix T		
3	Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?	Yes – set out in Financial Plan 2021-2025 – Appendices M and N, quarterly reporting to Cabinet.		
I	The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans			
1	Does the authority have in place an agreed medium-term financial plan?	Yes – set out in Financial Plan 2021-2025		
2	Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?	Yes – Business plan process for services in 2021/22 ensures consistency with corporate plans including the Financial Plan 2021-2025.		
3	Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?	Yes – set out in Financial Plan 2021-2025		
4	Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?	Yes - a comprehensive financial risk assessment was included in the Financial Plan 2021- 2025		

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5	Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?	Yes needs Improvement		Will be improved through the work being undertaken on the Delivery Plan and the Corporate Landlord Model in Inclusive Growth
Section 4 - The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process			
1	Is the authority aware of its statutory obligations in respect of the budget-setting process?	Yes – annual City Council budget report and Financial Plan 2021-2025		
2	Has the authority set a balanced budget for the current year?	Yes – City Council 23 February 2021		
3	Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?	Yes – CFO fully understands		
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves			
1	Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
2	Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
3	Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
4	Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?	Yes – Chapter 8 in the Financial Plan 2021- 2025		
Section 5 - Stakeholder Engagement and Business Plans				

	Question	Answer	RAG	Areas for improvement
L	The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget			
1	How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget?	Yes – e.g. Birmingham Children’s Trust, Health partners, Schools Forum,		
2	How effective has this engagement been?	Effective – particular where resource issues are highlighted		
3	What action does the authority plan to take to improve its engagement with key stakeholders?	In past years the council engaged in a wide-ranging budget consultation. 2020 was an unusual year. A full budget consultation is expected to take place in late 2021.		
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions			
1	Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication ‘Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal’?	Yes - Existing business case framework with templates, options analysis templates. Quality of some business cases lacking and needs improvement. A lack of a strong Programme Management Office also hinders project appraisal consistency.		Strengthening of corporate processes and documentation underway and will conclude by the end of May.
2	Does the authority offer guidance to officers as to when an option appraisal should be undertaken?	Yes – capital programme ‘Green Book’ documentation provides templates and guidance on option appraisal.		Action will be taken to raise awareness during 2021/22
3	Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?	Yes – follow the ‘Green Book’ approach.		Improved by rolling out a suitable prioritisation methodology.
4	Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty?	Yes – Risk assessment and scoring and guidance on optimism bias.		Improvements and awareness to rolled out during 2021/22.
5	Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	Yes – business case documentation and clearly summarised in relevant decision-making reports		
Section 6 -Monitoring Financial Performance				

	Question	Answer	RAG	Areas for improvement
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability			
1	Does the authority provide the leadership team with an appropriate suite of reports that allows it to identify and to correct emerging risks to its budget strategy and financial sustainability?	Yes – monthly and quarterly detailed financial reports plus midyear MTFP refresh		
2	Do the reports cover both forward and backward looking information in respect of financial and operational performance?	Yes mainly finance focused but pick up performance indicators that are key drivers of finance. Separate Cabinet and CLT reporting of Council wide performance against targets		
3	Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?	Yes - examples include Birmingham Children's Trust, Highways PFI, Company Governance, Leisure Centre		
4	Are the reports provided to the leadership team in a timely manner and in a suitable format?	Yes – prompt reporting following month end		
5	Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?	Yes – confirmed in CIPFA assessment		
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability			
1	Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?	Yes - reflected in the annual Financial Plan		
2	Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?	Yes - Quarterly monitoring has picked up a focus on debt in 20/21 and treasury management but this not a systematic monitoring of relevant key balance elements.		Further strengthening in 2021/22 with a balance sheet assessment to highlight areas to be included in quarterly reporting
3	Is the authority taking action to mitigate any risks identified?	Yes – Financial Plan 2021 – 2025 – increased financial resilience reserve		
4	Does the authority report unplanned use of its reserves to the leadership team in a timely manner?	Yes - underpinned by a strong reserves policy approved by Cabinet.		
5	Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?	Yes - Quarterly monitoring has picked up a focus on debt in 20/21 and treasury management but this not a systematic monitoring of relevant key balance elements.		Further strengthen introducing a balance sheet highlights section of quarterly monitoring and

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				also focus on issues linked to the Financial Plan risk assessment.
Section 7 - External Financial Reporting				
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom			
1	Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements?	Yes		
2	Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?	Yes		
3	Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?	Yes , as reported each year by the external auditor		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions			
1	Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?	Yes full and detailed outturn report produced each year for CLT, Cabinet and Scrutiny committee.		
2	Is the information in these reports presented effectively?	Yes		
3	Are these reports focused on information that is of interest and relevance to the leadership team?	Yes , while covering the breadth of Birmingham's complex responsibilities		
4	Does the leadership team feel that the reports support it in making strategic financial decisions?	Yes		