

Appendix B
Assessment of SWTC Compliance with FM Code Standards

Description	Theme	Detail description	Current Status (as at 1 April 2021)	Status and Planned improvements
The responsibilities of the chief finance officer and leadership team				
The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Leadership	Legislative requirement for LA to deliver VFM. Delivery depends on decisions by Elected members. Shared responsibilities across the Leadership Team to communicate and understand the risks involved.	<ul style="list-style-type: none"> >The Corporate Strategy and Annual Plans set out how we will use resources to deliver on priority objectives and outcomes. >Financial Procedure Rules and Contract Procedure Rules provide governance and process for purchasing, with competitive quotes/tenders undertaken. All tenders consider VFM through criteria including quality and price and other factors such as social value. >Financial and non-financial performance framework in place to monitor delivery of Plans, Budgets and Key Performance Indicators. >Appropriate valuation processes in place for asset acquisitions and disposals to inform decisions and help secure best value. >Reports to Leadership and Committees include financial implications to inform decisions. >Commercial Property Investment Strategy sets out framework and criteria for managing risk and informing decisions, with clear governance in place receiving substantial assurance opinion from internal audit. Risk management includes skilled/experienced staff, clear governance, effective due diligence, prudent reserves. The Strategy is reviewed annually with 6-monthly reports to Full Council. >External Auditor provides assurance through value for money opinion regarding the Council's arrangements to secure economy, efficiency, and effectiveness. 	<p>Status: Green</p> <p>Third party assurance from Auditors</p> <p>Evidence supports compliance</p> <p>Improvements: >Action in progress: Improved compliance of business planning, assessment & recording of outcomes via the PMO gateway framework.</p>
The leadership team is able to demonstrate that	Leadership	Legislative requirement for LA to deliver VFM. Delivery depends on decisions by	>The Corporate Strategy and Annual Plans set out how we will use resources to deliver on priority objectives and outcomes.	<p>Status: Green</p> <p>Third party assurance from</p>

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the services provided by the authority provide value for money.		Elected members. Shared responsibilities across the Leadership Team to communicate and understand the risks involved.	<p>>Financial Procedure Rules and Contract Procedure Rules provide governance and process for purchasing, with competitive quotes/tenders undertaken. All tenders consider VFM through criteria including quality and price and other factors such as social value.</p> <p>>Financial and non-financial performance framework in place to monitor delivery of Plans, Budgets and Key Performance Indicators.</p> <p>>Appropriate valuation processes in place for asset acquisitions and disposals to inform decisions and help secure best value.</p> <p>>Reports to Leadership and Committees include financial implications to inform decisions.</p> <p>>Commercial Property Investment Strategy sets out framework and criteria for managing risk and informing decisions, with clear governance in place receiving substantial assurance opinion from internal audit. Risk management includes skilled/experienced staff, clear governance, effective due diligence, prudent reserves. The Strategy is reviewed annually with 6-monthly reports to Full Council.</p> <p>>External Auditor provides assurance through value for money opinion regarding the Council's arrangements to secure economy, efficiency and effectiveness.</p>	<p>Auditors</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <p>>Action in progress: Improved compliance of business planning, assessment & recording of outcomes via the PMO gateway framework.</p>
Governance and financial management style				
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	Assurance	A proper scheme of delegation that ensures that frontline responsibility for internal and financial control starts with those who have management roles. Clarity over the role of Head of Paid Service and Monitoring Officer. Audit Committee provides	<p>>The Council's Constitution clearly sets out the responsibilities of elected members, committees and officers including the statutory officers of Head of Paid Services, S151 and Monitoring. as per the local gov act.</p> <p>>Financial Procedure Rules and Contract Procedure Rules provide the framework for control.</p> <p>>The Scheme of Delegation also exists and sets out responsibilities for functions, services and</p>	<p>Status - Green</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <p>> Actions in progress: SMT provides constructive collaborative challenge in a trust based culture -</p>

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		<p>independent assurance over governance, risk and internal control arrangements, with a focus on financial management, financial reporting and audit and assurance. Leadership Team with a culture of constructive challenge based on realism. Goals, assumptions and implementations plans are rigorously examined.</p>	<p>decisions.</p> <ul style="list-style-type: none"> >Audit and Governance Committee operates to provide independent assurance over governance, risk and internal control arrangements, with clearly set out terms of reference. It's focus includes financial reporting, internal and external audit, risk management & counter-fraud performance. It usually meets quarterly with additional meetings for annual reporting. Its responsibilities include approving and monitoring the Annual Governance Statement and Action Plan and approving the audited Statement of Accounts. It receives regular reports from internal audit (SWAP) and external audit, as well as regular updates on governance matters from the Monitoring Officer. > Audit plan, and quarterly update are agreed by and reviewed by SMT, including the S151 and monitoring officer. >The leadership team actively encourages a culture of performance and constructive challenge, and the Council has a clear Behaviours Framework that provides guiding principles for all staff. >Key Decision reports to the Executive and Council are open to examination by Scrutiny committees with a Call-In process. 	<p>evidence provided by minutes of SMT</p>
<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).</p>	<p>Accountability</p>	<p>This framework recommends that the review of the effectiveness of the system of internal control is reported in an annual governance statement.</p>	<ul style="list-style-type: none"> >Approved and adopted the Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance framework. >Annual Governance Statement (AGS) is produced annually and approved by the CEO and Leader as well as by the Audit and Governance Committee. This includes the Governance Framework which in turn identifies internal control systems. >The AGS includes an Action Plan, and delivery 	<p>Status - Green</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <ul style="list-style-type: none"> >Actions in progress: Internal controls monitored quarterly, and action taken if required.

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			<p>of this is monitored by SMT and reported to Audit and Governance Committee.</p> <ul style="list-style-type: none"> >The AGS covers updates and delivery of key governance elements and issues, including components of the system of internal control. >Internal control systems are designed to be proportionate and consider acceptability of risk. e.g. approval delegations and user role parameters in the main finance system ensure appropriate separation of duties. Assurance is provided through effective management control, and independent reviews through the internal audit plan. 	
The financial management style of the authority supports financial sustainability.	Sustainability	<p>Strong financial management is assessed against a hierarchy of:</p> <ul style="list-style-type: none"> (1) delivering accountability, (2) supporting performance and (3) enabling transformation. <p>Need to perform well at each level before moving to the next. This is broadly linked to economy, efficiency and effectiveness.</p>	<ul style="list-style-type: none"> >Clear accountability and responsibility for budget management in place and led by SMT. Budget holders responsible for budgets and financial transactions in their areas of control / ownership, supported by Finance Business Partners. >Council's Corporate Strategy includes focus on financial sustainability and also commercial awareness. >Financial performance embedded in the 'golden thread' - corporate plans > directorate plans > team plans > individual objectives. >Financial Performance a clear objective for Directors. Performance is reported monthly to SMT Performance Board (AD Finance a member of) and quarterly to Executive via Scrutiny. >Lesson from previous transformation with limited track record of benefit realisation tracking and reporting. 	<p>Status: Green</p> <ul style="list-style-type: none"> > Evidence supports compliance <p>Improvements:</p> <ul style="list-style-type: none"> >Action in progress: Training and guidance to enable enhanced budget holder performance. >Action in progress: Performance Board receives a dashboard with regard progress and monitoring of Savings Investments Efficiency Programme > Action in progress: Internal Audit reviewing SIEP process to ensure benefit realisation culture and programme established.
Long to medium-term financial management				
The authority has carried out a credible and	Assurance	Requirement to test sustainability against plausible scenarios of cost	<ul style="list-style-type: none"> >Financial Resilience a key focus. >AD Finance reviews CIPFA Resilience Index. >Capital Investment and Treasury Strategies 	Status: Green

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transparent financial resilience assessment.		<p>drivers, service demands, resources and key risks. Review of alternative options to match demand and resources. CIPFA published Financial Resilience Index 2021 may assist with this link in this. www.cipfa.org/services/financial-resilience-index-2021 Highlights against comparators that SWT in 19/20:</p> <p>Reserves sustainability - max 100%</p> <p>Level of reserves - middle 47.5%</p> <p>Change in reserves - lower - 12.97%</p> <p>Interest Payable/Net Exp – max - 86.48%</p> <p>Gross external debt - high - £1,110,465,000 (includes GF and HRA)</p>	<p>includes measures of affordability and complies with measures in Prudential Code and Investment statutory guidance.</p> <p>>HRA Business Plan includes measures of affordability and a 30 Year plan to measure implications of long term investment and service priorities.</p> <p>> HRA Business plan supported by Altair who also undertake scenario planning in the model.</p> <p>>MTFP includes a 5-Year forecast period (adjusted to 3 years in 2021 due to unitary structural change). MTFP reviewed to reflect up to date decisions and information. External review undertaken periodically for assurance.</p> <p>>S23 report included in budget setting reports by AD Finance regarding robustness of budget and adequacy of reserves. Earmarked Reserves reviewed annually.</p> <p>>Earmarked reserves and contingencies in place for material financial risks: Covid-19, business rates funding, investment property income.</p> <p>>General reserves support general financial pressures not included in annual budgets.</p> <p>>AD Finance provides advice to SMT, Executive and all members on financial sustainability through members briefings and financial reports.</p> <p>>Going concern assessment completed annually and presented to Audit and Governance Committee.</p> <p>>SMT and Exec supporting a short term approach to budget in 21/22 and 22/23 with a structural deficit clearly reported. AD Finance highlighting financial sustainability impact, but strategy reflects imminent change to a unitary structure.</p>	<p>Evidence supports compliance</p> <p>Improvements:</p> <p>>Action in progress: Assessment of Unitary impact on resources and delivery</p> <p>>Action in progress: Enhance review of reserves, with regularly monitoring</p> <p>>Action in progress: Further investment in training and guidance to enable enhanced budget holder performance.</p> <p>>Action in progress: Enhance MTFP sensitivity analysis to be included in annual process.</p>
The authority understands its prospects for	Sustainability	Based on the above, have a long-term financial strategy that links to vision,	>Financial Strategy and MTFP, and financial sustainability challenge, is reported to SMT and Members.	<p>Status: Green</p> <p>The MTFP is supported by</p>

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financial sustainability in the longer term and has reported this clearly to members.		strategy and outcomes. This should include a vision of what services will look like in the future to achieve financial sustainability. The length of the long-term is undefined and should be linked to the risks faced. Potentially should be 10 years+.	<ul style="list-style-type: none"> >Current strategy reflects imminent change to a unitary structure, which is expected to provide the vehicle for long term sustainability, and the governance for longer term planning and financial decision making. > Short term strategy protects capacity to deliver change and protects service quality during expected period of disruption. This is underpinned by Council's healthy reserves position and strategy to use to balance MTFP. 	<p>transfer from reserves. Review of availability and use of reserves over the next few years is critical</p> <p>Improvements: >Action in progress: Budget setting to include updated assessment of Covid-19 impact on future delivery due to recovery, demand and impact on citizens new mode of living.</p>
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Standards	The Council has a long-term Capital Strategy that ensures that assets are managed, and future plans are linked to capital resources available. Commercial investment activity should be considered over a suitable time horizon with risks fully considered. Ensure compliance with Prudential Code of borrowing.	<ul style="list-style-type: none"> >Council has a long-term Capital Strategy in place, and the Capital, Investment and Treasury Strategies are reported 'as one' annually to Full Council for approval. >Council complies with the Prudential Code and Treasury Management Code, Minimum Revenue Provision guidance with a measured and considered risk management approach to security, liquidity and yield in its investment activity. >Borrowing strategy provides a mix of longer term and shorter term debt facilities to reflect borrowing requirement and a balance between long term cost certainty and debt restructuring flexibility. >Council has agreed to disregard the Prudential Code in respect of "investment property purchases" funded through borrowing. >Commercial Property Investment Strategy sets out clear governance and framework for investment decision making, which is supported by effective due diligence and prudent reserves. >Business cases are prepared for service and capital investment plans, using relevant time horizons e.g. for HRA, regeneration schemes etc. 	<p>Status: Green</p> <p>Evidence supports compliance</p> <p>Improvements: >Action in progress: Asset Management strategy and plans being reviewed to provide up to date asset management requirements and related financial implications.</p>

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The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	Sustainability	Translation of the long-term view into a more detailed medium-term financial plan. The time frame of which should support financially sustainable decision making. Clear link to service plans.	<ul style="list-style-type: none"> >MTFP Model includes a 10-year time horizon, although now 3 years due to unitary which is reported to members. Underlying budget gaps are clearly reported, with material risks and assumptions explained. >HRA Business Plan is based on a 30-year projection. This includes consideration of various financial parameters to support sustainability within decision making. >Service planning feeds into resource planning, with service plans including financial information based on affordable and approved budgets. >In setting the MTFP framework it is acknowledged that if spending needs exceed income movement from reserves is favoured over savings targets. >Corporate, Directorate, and operational plans are produced annually aligned to the budget setting process to ensure joined up approach to service delivery and "golden thread". 	<p>Status : Green</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <ul style="list-style-type: none"> >Action in Progress: Alignment of Corporate, Directorate and Operational plans to budget setting process to support sustainability. > Action in progress: SWT is not entering into spending decisions that would impact Unitary negatively.
The annual budget				
The authority complies with its statutory obligations in respect of the budget setting process.	Standards	These are generally covered by part 2 of Local Government Act 2003. This includes robustness of estimates and reserves (covered below) and the requirement for financial monitoring. It also includes section 114 of the Local Government Finance Act 1988, which requires the CFO to issue a report if the Council is about to incur unlawful expenditure. This would include setting an unbalance budget.	<ul style="list-style-type: none"> >The Council complies with its statutory obligations to set a balanced budget. >Annual budgets set for revenue budget and capital programmes for both the GF and HRA. >Robust process in place for budget monitoring, support by finance service. >Budget holders have 24/7 access to finance system, with monthly reporting on budget variances and forecasts to SMT Performance Board, and quarterly to Executive Committee. >The annual budget report includes a statement from the AD Finance regarding the robustness of budget and adequacy of reserves. >Reserves assessments are completed at least annually, together with an annual review of earmarked reserves. 	<p>Status: Green</p> <p>Evidence supports compliance</p>

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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.	Standards	Reserves to be considered as part of the budget process and should be 'adequate' and 'necessary'. Should enable the Council to manage unexpected events from within its own resources. The budget report details earmarked reserves held, the purpose of each reserve and estimated opening and closing balances.	<ul style="list-style-type: none"> >The annual budget report includes a statement from the AD Finance regarding the robustness of budget and adequacy of reserves. >Reserves assessments are completed at least annually, together with an annual review of earmarked reserves. 	<p>Status: Green</p> <p>Evidence supports compliance</p>
Stakeholder engagement and business plans				
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Transparency	Enabling residents to understand that resources are limited, and spending has to be prioritised. Leadership Team redirects resources to areas of higher priority. Understanding of statutory service delivery requirements. Use stakeholder consultation to set priorities. Helps to encourage community involvement, which could help to reduce costs.	<ul style="list-style-type: none"> >Consultation with stakeholders such as Tenants Strategic Group on HRA Business Plan and Budget. >Member of advantage south west procurement group & Member of SW Housing Director Group >Member of SW Affordable Housing group to support use of S106 and consult and contribute towards Aids and Adaptation partnership and installation of accessibility aids. >Consultation with Members via Members Briefings and budget reports to Scrutiny before Exec / Full Council. >Public consultation could be an area for improvement. >deployment of "citizen space", consultation portal on website and rollout of consultation toolkit available to officers to consider stakeholder engagement. >promotion of consultation space via all social media and political parties >public face to face engagement to start again post COVID-19 restrictions >Development of equality and diversity data 	<p>Status: Green</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <ul style="list-style-type: none"> >Action in progress: Promotion of consultation tool leading to engagement via the online portal. >Action in progress: equality impact assessment training.

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			base to highlighting local community groups to aid inclusion and engagement.	
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Transparency	Decisions are made from clear business cases that detail the up-front and ongoing costs and benefits. Where appropriate the time value of money should be considered. Alternative options should be considered. The complexity of the business case should be proportionate to the decision.	<p>>New PMO Framework and project management process developed in 2021. This includes fairly simple financial model of costs and benefits for business cases.</p> <p>>More complex and long-term financial modelling undertaken for material decisions. e.g. housing development viability assessments, long term financial modelling of capital and revenue investment in regeneration and housing schemes. Discounting is used where relevant to consider the time value of money. Options appraisals considered proportionate to the decision requirements.</p> <p>>Programme Board, Commercial Board and Performance Board review progress against original business plans, where there is material deviation a request to consider a new business case will be directed back to SMT for refresh and onward to Committees as required.</p>	<p>Status: Green</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <p>>Action in progress: PMO have introduced a business case template which is being rolled out with a central library being developed.</p> <p>>Action to progress: review membership of Programme Board to include financial representation/S151 Officer.</p>
Monitoring financial performance				
The leadership team acts using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Assurance	The Council should have timely information on its financial and operational performance. Performance indicators should be reviewed, alongside any overspends/ undelivered savings.	<p>>Performance reporting has been significantly improved since April 2020.</p> <p>>Financial and Non-Financial reporting to monthly SMT Performance Board, quarterly to Scrutiny Committee and Executive Committee</p> <p>> Financial reporting developed. Includes variance analysis, capital programme, reserves position, key risks and issues, income/debtors info on key income lines and also top 20 debtors in arrears.</p> <p>>Significant variances considered to inform future budget requirements.</p> <p>>Audit actions also tracked by Directorate boards and SMT.</p> <p>>Corporate Performance Indicators also reported to directorate boards, the SMT performance</p>	<p>Status: Green</p> <p>Evidence supports compliance</p> <p>Improvements:</p> <p>>Action in progress: information from feeder systems (e.g. Open Contractor) is accurate and timely</p> <p>>Action in progress: Development of Power BI to improve the use of data, analysis and provide dashboards for monitoring</p>

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			board monthly and Scrutiny / Executive quarterly. >Commercial Property Investment Board receives quarterly reports (from 2021/22) with 6-monthly reports to Council. >Audit and Governance Committee receives 6-monthly Treasury Management reports setting out compliance and performance against Prudential Indicators and other performance criteria.	and decision making - to include additional BI staff report as an example
The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	Leadership	Contingencies and commitments are monitored to identify crystallisation. Key drivers of provisions e.g. legal claims should be monitored. Specific reference is made to commercial asset portfolios, contingencies and provisions. Cash flow is managed in accordance with guidance	>Leadership team receives information regarding budget performance and reserves - general and earmarked - on a monthly basis. >Earmarked reserves are covered periodically through budget monitoring process, with a formal annual review undertaken. >Capital borrowing and other funding plans considered by SMT through financial strategy and budget development. >Specific risk reserves and contingencies added to monthly reporting through the SMT Performance Board from Q1 2021/22. >Cash flow, investment and borrowing managed by AD Finance and his team on a day to day basis. >Provisions required are assessed through the annual accounts process, with material provisions (mainly business rates appeals) reviewed as part of monitoring business rates collection fund position.	Status: Green Evidence supports compliance Improvements: >Action in progress: S106 and CIL resource tracking and reporting is an area identified for improvement. >Action in progress: capital reserves tracking and reporting is an area for improvement, including monitoring of capital receipts target needed to finance the capital programme. >Action in progress: Performance Board and SMT monitor sensitive information such as ET's and claims resolution >Action in progress: Debt management dashboard in progress to be reviewed at performance Board
External financial reporting				
The chief finance officer has	Accountability	The CFO has statutory responsibility for	>Accounts are produced on an annual basis in line with the Accounts and Audit Regs and in line	Status: Green.

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<p>personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>		<p>(1) producing the accounts and ensuring they are published on a timely basis (2) maintaining financial records (3) certification of the accounts and confirmation of a 'true and fair view'.</p>	<p>with the Code of Practice and detailed supporting Guidance. >Draft accounts produced within regulatory timescales. These timescales have been extended during COVID for accounts 2019/20,2020/21 and 2021/22. >Some issues delivering the audit and processing audit requests and queries on a timely basis. Delivery of audit affected significantly for the 2019/20 accounts due to COVID, adapting to remote working, and improvements in working papers required, as well as impact on auditor resources. >Assurance is provided by external audit. AD Finance certified accounts as providing a true and fair view. Unqualified audit opinion received for 2019/20 accounts. >Audited accounts presented to Audit and Governance Committee for approval.</p>	<p>Compliance is evidenced and supported by 3rd party sign off by the external Auditors after scrutiny by Audit and Governance Committee.</p>
<p>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions</p>	<p>Accountability</p>	<p>The narrative report that accompanies the accounts provides a link to achievement of outcomes and performance. The Leadership Team understand variances from budget and how they have been managed. The future implications of variances should also be considered i.e. will it affect the financial strategy/financial resilience</p>	<p>>After the Outturn v budget is reviewed by budget holders alongside their FBPs the Directors review their areas which are then reported to SMT. The leadership team understand variances from budget and how they have been managed. SMT scrutinise the overall position and make decisions with the S151 regarding items like carry forwards, after considering the final outturn figures. The report which includes Director comments are presented in detail to Scrutiny and Executive Committees. It also reports on capital projects and how they have been financed. >Narrative Report in the Statement of Accounts provides a summary of the outturn performance and a link to the achievement of outcomes against corporate priorities. >The report includes a forward-looking section to highlight material future implications.</p>	<p>Status: Green</p> <p>Evidence supports compliance</p> <p>Improvements: >Actions in progress: Improved budget monitoring through improved FBP structure and improved Directorate reporting in 21/22 to support more accurate forecast outturn.</p>