

**C. Key questions from guidance notes**

SECTION	FINANCIAL MANAGEMENT STANDARDS	KEY QUESTIONS	Officers Initial Assessment RAG rating
<p><b>Section 1: The responsibilities of the chief finance officer and leadership team</b></p>	<p>A - Leadership The leadership team is able to demonstrate that the services provided by the authority provide value for money.</p>	<p>Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services? Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?</p>	<p>AMBER</p>
	<p>B - Leadership The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i>.</p>	<p>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? Does the CFO lead and champion the promotion and delivery of good financial management across the authority? Is the CFO suitably qualified and experienced? Is the finance team suitably resourced and fit for purpose?</p>	<p>GREEN</p>
<p><b>Section 2: Governance and financial management style</b></p>	<p>C - Assurance The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<p>Does the leadership team espouse the Nolan principles? Does the authority have in place a clear framework for governance and internal control? Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? Does the leadership team espouse high standards of governance and internal control? Does the leadership team nurture a culture of effective governance and robust internal control across the authority?</p>	<p>AMBER</p>

	<p>D - Accountability The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016).</p>	<p>Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? Does the authority have in place a suitable local code of governance? Does the authority have a robust assurance process to support its AGS?</p>	<p>AMBER</p>
	<p>E - Sustainability The financial management style of the authority supports financial sustainability.</p>	<p>Does the authority have in place an effective framework of financial accountability? Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? Does the authority's finance team have appropriate input into the development of strategic and operational plans? Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so? Has the authority sought an external view on its financial style, for example through a process of peer review? Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?</p>	<p>AMBER</p>
<p><b>Section 3: Long to medium-term financial management</b></p>	<p>F - Assurance The authority has carried out a credible and transparent financial resilience assessment.</p>	<p>Has the authority undertaken a financial resilience assessment? Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios? Has the authority taken appropriate action to address any risks identified as part of the assessment?</p>	<p>AMBER</p>

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	<p>G - Sustainability The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	<p>Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (eg using a technique such as scenario planning)? 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?</p>	<p>AMBER</p>
	<p>H - Standards The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i>.</p>	<p>Has the authority prepared a suitable capital strategy? Has the authority set prudential indicators in line with the Prudential Code? Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set?</p>	<p>GREEN</p>

	<p>I - Sustainability The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p>	<p>Does the authority have in place an agreed medium-term financial plan? Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? 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?</p>	<p>AMBER</p>
<p><b>Section 4: The annual budget</b></p>	<p>J - Standards The authority complies with its statutory obligations in respect of the budget setting process.</p>	<p>Is the authority aware of its statutory obligations in respect of the budget-setting process? Has the authority set a balanced budget for the current year? Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?</p>	<p>GREEN</p>

	<p>K - Standards 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.</p>	<p>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? 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? Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? 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?</p>	<p>GREEN</p>
<p><b>Section 5: Stakeholder engagement and business plans</b></p>	<p>L – Transparency The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</p>	<p>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? How effective has this engagement been? What action does the authority plan to take to improve its engagement with key stakeholders?</p>	<p>AMBER</p>

	<p>M - Transparency The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>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? Does the authority offer guidance to officers as to when an option appraisal should be undertaken? Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty? 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)?</p>	<p>AMBER</p>
<p><b>Section 6: Monitoring financial performance</b></p>	<p>N - Assurance The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<p>Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? Do the reports cover both forward and backward-looking information in respect of financial and operational performance? Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such as a contract monitoring data? Are the reports provided to the leadership team in a timely manner and in a suitable format? Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?</p>	<p>GREEN</p>

	<p>O - Leadership The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p>	<p>Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? Is the authority taking action to mitigate any risks identified? Does the authority report unplanned use of its reserves to the leadership team in a timely manner? Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?</p>	<p>AMBER</p>
<p><b>Section 7: External financial reporting</b></p>	<p>P - Accountability The chief finance officer has 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>Is the authority's CFO aware of their responsibilities in terms of the preparation of the annual financial statements? Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms? 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?</p>	<p>GREEN</p>
	<p>Q - Accountability The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</p>	<p>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? Is the information in these reports presented effectively? Are these reports focused on information that is of interest and relevance to the leadership team? Does the leadership team feel that the reports support it in making strategic financial decisions?</p>	<p>AMBER</p>