

Maidstone Borough Council
Assessment of compliance against CIPFA's Financial Management Code

Ref	Description	Page Ref	Detail	Assessment & Actions Required	RAG
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.	17-18	<p>The authority has a clear and consistent understanding of what value for money means to it and its leadership team.</p> <p>There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services.</p> <p>The authority is able to demonstrate the action that it has taken to promote value for money and what it has achieved.</p>	<p>The Council is committed to delivering value for money in all aspects of service delivery. Financial implications are considered as part of every decision and value represents one of the Council's six corporate values.</p> <p>Value for money is also subject to annual independent review by the Council's external auditors, who have reported favourably on value for money in the Council's use of resources.</p> <p>Robust procurement processes and contract standing orders defined within the Council's Constitution ensure that purchasing decisions deliver value for money for the Council. This will be further enhanced over the coming year through the delivery and rollout of the Council's policy on Social Value.</p> <p>The Council's Business Improvement team supports the implementation of more efficient internal processes through service reviews and digital transformation. The Council has a Commissioning Strategy which will be updated over the next year.</p>	G

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				<p>Action: To develop and embed a policy on Social Value</p> <p>Action: To update the Commissioning Strategy</p>	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	18-19	<p>In summary this Statement requires that the Chief Finance Officer (CFO):</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material business decisions • Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. 	<p>The responsibilities of the Chief Finance Officer (Director of Finance and Business Improvement) are set out within the Council’s constitution.</p> <p>The Chief Finance Officer is a member of the Corporate Leadership Team (CLT) and reports directly to the Chief Executive. This facilitates appropriate influence over all material business decisions.</p> <p>All Committee, Council and CLT reports are subject to review by the Chief Finance Officer, supported by the finance team, ensuring that financial implications of decisions are clearly documented and properly considered.</p> <p>The finance team is comprised of 13.5 permanent full-time equivalent staff. 3 members of the team are professionally qualified accountants (CIPFA/ACCA), 3 are part qualified (ACCA), 3 hold the AAT qualification and 3 are actively studying for a professional accountancy qualification (CIPFA/ACCA). Team members are supported through technical and on the job training and are encouraged to take opportunities enhance their skills and</p>	G

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				<p>knowledge, ensuring that there is resilience within the team.</p> <p>The Chief Finance Officer is a professionally qualified accountant with 18 years of local government finance experience.</p>	
Section 2: Governance and financial management style					
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	22	<p>Actions and behaviours of the leadership team are guided by the Nolan principles.</p> <p>The authority has a clear framework for governance and internal control.</p> <p>The leadership team has established effective arrangements for assurance, internal audit and internal accountability.</p> <p>The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p>	<p>The Council has developed its own corporate values and competency framework, STRIVE which in some respects, aligns to the Nolan principles. These principles are also set out for staff and members within the Constitution and Local Code of Corporate Governance.</p> <p>The Officer Code of Conduct sets out the expected standards of behaviour for staff and where breaches are identified, these are dealt with through the appropriate channels.</p> <p>The Council's framework for governance is set out within the Local Code of Corporate Governance.</p> <p>The framework for internal control is not explicitly codified but is considered to be appropriate and proportionate to the nature of the organisation. This is reflected in the Head of Internal Audit's annual opinion.</p>	G

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				Internal audit services are delivered by Mid Kent Audit. The service conforms to Public Sector Internal Standards, and this has been verified through external assessment by CIPFA.	
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).		<p>The Council is aware of the provisions of the CIPFA Delivering Good Governance Framework.</p> <p>The authority has sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements.</p> <p>The authority has in place a suitable code of governance.</p>	<p>The Council sets out the actions it has taken or plans to take to ensure that high standards of governance are delivered within its Annual Governance Statement and action plan.</p> <p>The Council has adopted a Local Code of Corporate Governance and compliance against this code is reviewed annually by the Audit, Governance and Standards Committee. This review is documented within the Annual Governance Statement which is subject to independent review by external audit.</p> <p>A 'Good Governance' steering group has been established to ensure that good practice is being followed. This group is comprised of the Chief Executive, Monitoring Officer, s151 Officer, Head of Policy, Communications & Governance and Head of Audit.</p>	G
E	The financial management style of the authority supports financial sustainability.		<p>Strong financial management is assessed against a hierarchy of:</p> <ol style="list-style-type: none"> 1. delivering accountability 2. supporting performance 	The Council's Constitution details committee functions and member and officer delegations. The Constitution also includes the Financial and Contract Procedure Rules which set out	G

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			<p>3. enabling transformation</p> <p>Criteria at each level must be met to enable progression to the next level of the hierarchy. This is broadly linked to economy, efficiency and effectiveness.</p>	<p>responsibilities of Senior Officers, Budget Managers and employees.</p> <p>There is an effective performance management framework in place including performance measures, customer satisfaction surveys, and monitoring of key strategic projects.</p> <p>Performance reporting is closely linked to budget monitoring and a combined finance and performance monitoring report is delivered to service committees on a quarterly basis.</p>	
Section 3: Long to medium-term financial management					
F	The authority has carried out a credible and transparent financial resilience assessment.		<p>The authority has undertaken a financial resilience assessment.</p> <p>That assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment</p>	<p>The CIPFA Financial Resilience Index provides some context to the Council's financial position compared to that of other similar councils.</p> <p>Budget risks are reviewed regularly and reported to members at each meeting of the Audit, Governance and Standards committee.</p> <p>Key resilience indicators are set out within the medium term financial strategy and focus on minimum reserve levels, performance against the budget and compliance with the Prudential Code.</p>	G

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				A corporate risk register is maintained and reported to Policy and Resources committee on a quarterly basis, alongside budget and performance monitoring reports. All risks have identified mitigations and are monitored regularly by management.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.		<p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports 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>Risks to financial sustainability are regularly reviewed and reported to the Audit, Governance and Standards Committee.</p> <p>The Council has a strategic plan and a 5 year Medium Term Financial Strategy (MTFS) which is reviewed and updated annually.</p>	G
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.		<p>The authority is aware of its obligations under the Prudential Code.</p> <p>The authority has prepared a suitable capital strategy.</p> <p>The authority has a set of prudential indicators in line with the Prudential Code.</p>	<p>Maidstone Borough Council complies with the requirements of the Prudential code, and prepares its Capital, Investment and Treasury Management strategies with reference to this.</p> <p>The Audit, Governance and Standards Committee receives reports on performance against the Treasury Management Strategy and Prudential Indicators twice a year, and quarterly</p>	G

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			<p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>	<p>updates are also included within budget monitoring reports to Policy and Resources Committee.</p> <p>The Council's capital strategy has been approved by Full Council and contains a range of indicators set with reference to the Prudential Code for Capital Finance.</p> <p>Capital spending is monitored by service committees, and updates on Treasury Management are reported to Policy and Resources committee as part of quarterly budget monitoring.</p>	
I	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p>		<p>The authority has in place an agreed medium term financial plan. The medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p> <p>The medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand.</p>	<p>The Council has adopted a 5 year medium term financial strategy (MTFS) which is updated and rolled forward annually. Consultation with officers, members, residents and external partners takes places as part of the development of the strategy to ensure that it reflects up to date priorities and horizon scanning.</p> <p>The capital, treasury management and investment strategies form part MTFS and interact closely with the revenue projections. The documents are presented alongside one another for approval by Council.</p>	G

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				Development of the MTFS incorporates scenario planning, with adverse and favourable assumptions being modelled and presented to decision makers.	
Section 4: The annual budget					
J	The authority complies with its statutory obligations in respect of the budget setting process.		<p>The authority is aware of its statutory obligations in respect of the budget-setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p> <p>The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.</p>	<p>The budget for the current financial year (2021/22) was agreed by Full Council in February, in accordance with the Local Government Act 2000.</p> <p>Officers anticipate that it will be possible to set a balanced budget for the forthcoming year, 2022/23. It is possible that the current funding gap may increase depending on the speed of recovery from the Covid 19 pandemic, or as a result of reforms to central government policy including the Relative Review of Needs and Resources (previously referred to as the Fair Funding Review), Business Rates Retention Review and Reset and Local Government Finance Settlement implications. Earmarked reserves and the General Fund balance will be sufficient to mitigate any funding gap to enable savings to be identified for delivery in subsequent years of the MTFS.</p> <p>Officers are aware of the circumstances and the process for issuing a Section 114 notice, but do</p>	G

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				not envisage this being necessary over the medium term.	
K	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>The authority’s most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p> <p>The report sets 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 taking to address any shortfall.</p>	<p>The 2021/22 budget and 5 year MTFS were agreed by Full Council in February. The MTFS incorporates the CFO’s Statement of the Robustness of Estimates.</p> <p>The MTFS contains and reports on the most significant estimates, and expected levels of reserves over the medium term.</p> <p>The CFO’s overarching statement on the robustness of estimates and adequacy of reserves is highlighted to both Policy and Resources Committee and Full Council.</p> <p>A number of reserves are held to mitigate future financial risks.</p> <p>The MTFS includes projections of usable reserves at the end of the forthcoming financial year taking into account investment plans.</p>	G

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L	<p>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>The authority knows who its key stakeholders are.</p> <p>The authority has sought to engage with key stakeholders in developing its long-term financial strategy, its medium term financial plan and its annual budget.</p> <p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improve its engagement with key stakeholders.</p>	<p>The Council has a Communications & Engagement strategy which identifies the key stakeholders for each of the Council's strategic objectives and the strategy for partnership working. This strategy is continually updated. Communications plans for individual campaigns also incorporate stakeholder engagement planning.</p> <p>In addition the Equalities Action plan details the Council's plan for engaging with stakeholder groups.</p> <p>Residents surveys are conducted annually and consultation on the annual budget also takes place with Maidstone Economic Business Partnership and the Kent Association of Local Councils. Members will be consulted as part of the 2022/23 budget setting process.</p> <p>An assessment of the effectiveness of consultations is currently underway and an external review of this has been commissioned by internal audit.</p> <p>Action: Member workshops to be convened to inform the development of the 2022/23 budget</p>	G
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M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.		<p>The authority has 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'.</p> <p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p> <p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports 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>The Capital Strategy sets out the criteria for assessing schemes to be included on the capital programme.</p> <p>Investment appraisals are undertaken for development and construction schemes and for acquisitions of Commercial Property.</p> <p>The Council uses the Proval tool for assessing residential development schemes and the results of this are considered by the Director of Regeneration and Place, the Director of Finance and Business Improvement and Head of Finance. Recommendations made to decision makers for such schemes are based on the outputs of investment appraisal alongside qualitative factors including the achievement of strategic objectives.</p> <p>Risk management considerations are a feature of all decision reports, and members are presented with alternative options to consider as part of the recommendation.</p> <p>Action: Ensure that the requirements of the IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal' are embedded within the Council's practices.</p>	A
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Section 6: Monitoring financial performance					
N	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>		<p>The authority provides 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.</p> <p>The reports cover both forward and backward-looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the authority's significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> <p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action.</p>	<p>The budget monitoring position is reported to the Corporate Leadership Team on a quarterly basis. Alongside this report, backward looking performance monitoring data is presented, and forward-looking risk monitoring is also included. Risk and performance monitoring information is also considered by Wider Leadership Team, and the quarterly budget outturn figures are discussed with Heads of Service.</p> <p>The reports are prepared and presented in a timely manner following the end of each quarter, allowing time for the relevant data to be collected. Timely reporting enables potential issues and opportunities to be identified early, and corrective action to be taken where necessary.</p> <p>The Leadership Team meets regularly, allowing for urgent matters to be raised outside of the quarterly reporting process if necessary.</p> <p>Quarterly Mid Kent Services (MKS) board meetings are held where key performance information is reported and the Director of MKS is part of the Council's Corporate Leadership Team.</p>	A

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				<p>We also participate in the Maidstone Strategic Infrastructure Working Group with Kent County Council. The aims of the group include achieving consensus in the identification, development and delivery of key infrastructure in the Borough.</p> <p>Action: Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.</p>	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.		<p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p> <p>The authority reports unplanned use of its reserves to the leadership team in a timely manner.</p>	<p>Quarterly financial updates to Policy and Resources Committee incorporate reporting on elements of the balance sheet including reserves, capital expenditure, treasury management and council tax and NNDR collection rates. Key Performance Indicators also assess paid performance statistics, investment risk and recovery of sundry debts.</p> <p>The Strategic Capital Investment Board meets regularly to oversee the implementation of the capital strategy and discuss future risks and opportunities.</p> <p>The Pension Fund is reviewed on a triennial basis and annual contributions are adjusted to ensure that deficits are repaid over the next 16 years.</p>	G

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			<p>The monitoring of balance sheet risks is integrated into the authority's management accounts reporting processes.</p>	<p>The Council does not have a history of needing to make unplanned use of reserves. However, if this situation were to materialise this would be reported to Policy and Resources Committee, via the Corporate Leadership Team. In recent years, the Council has been able to mitigate against unplanned use of reserves through the creation of contingency within Earmarked Reserves.</p> <p>Action: Refresh the 2021/22 Capital Strategy</p>	
Section 7: External financial reporting					
P	<p>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>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</p>	<p>The Management Team receive quarterly budget and performance monitoring. The CFO is aware of the requirements of the financial statements, which are fully compliant with the Code of Practice on Local Authority Accounting.</p> <p>The Constitution sets out the CFO's responsibilities regarding the statement of accounts. The CFO also undertakes an annual development appraisal with the Chief Executive and performance objectives are monitored at monthly one-to-one meetings.</p> <p>The Council has a long history of unqualified external audit opinions on its financial</p>	G

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			<p>The authority's financial statements have 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>statements, usually with minimal requirement for audit adjustments which go beyond presentational improvements. To date, the Council has a track record of meeting the statutory deadlines set out in the Accounts and Audit Regulations.</p>	
Q	<p>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</p>		<p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget.</p> <p>The information in these reports is presented effectively.</p> <p>These reports are focused on information that is of interest and relevance to the leadership team.</p> <p>The leadership team feels that the reports support it in making strategic financial decisions.</p>	<p>Budget outturn information is reported to the Corporate Leadership Team and to each service committee, including an overarching report to Policy and Resources Committee.</p> <p>As well as providing budget, outturn and performance data, these reports detail significant variances against revenue and capital budgets, the reason for the variances and any action being taken to address overspends. The overarching report also includes an information on treasury management and collection fund performance, details of any budget virements actioned subsequent to the annual budget being agreed by full Council and information on the performance of the Council's subsidiary company, Maidstone Property Holdings Ltd.</p> <p>The monthly and quarterly budget monitoring processes enable early identification of issues, and allow corrective action to be taken promptly in order to safeguard the Council's overall financial position. The information from these reports is also used to inform the budget</p>	A

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				<p>setting process for the forthcoming financial year.</p> <p>Action: Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making, and identify scope for improving these as appropriate.</p>	
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