

1.Objectives and Principles

1.1.The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code sets a standard of financial management for local authorities.

1.2.The Code is based on a series of principles supported by specific standards and statements of practice to provide the strong foundation to:

- Financially manage the short, medium and long-term finances.
- Manage financial resilience to meet foreseen demands on services.
- Financially manage unexpected shocks in financial circumstances.

1.3.Each local authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the CIPFA FM Code is a collective responsibility of elected members, the Chief Finance Officer and professional colleagues in the leadership team.

1.4.The CIPFA FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

1.5.The principles focus on an approach which will assist in determining whether, in applying standards of financial management, an authority is financially sustainable:

- Organisational leadership - demonstrating a clear strategic direction based on a vision in which financial management is embedded into culture (A/B/O)
- Accountability - based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs (D/P/Q)
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making (L/M)
- Adherence to professional standards is promoted by the leadership team and is evidenced. (H/J/K)
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection. (C/F/H)
- The long-term sustainability of local services is at the heart of all financial management process and is evidenced by prudent use of public resources. (E/G/I)

2.Process

2.1.The council has a duty under the Local Government Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economy efficiency and effectiveness. The FM Code provides guidance for the good and sustainable management of the council.

2.2.The FM code compliance assessment is updated annually to consider any changes that had happened within the council and to assess the level of compliance and look to future improvements that can be made to ensure that the council continues to maintain a high level of compliance with the code. By complying with the principles and standards in the code the council strengthens financial resilience and to meet unexpected and complex demands.

2.3.The council sets and monitors an annual budget and rolling five-year medium term financial strategy (MTFS). Local authorities must set a balanced budget in accordance with the Local Government Finance Act 1992. This process involves all departments within the council whereby estimates are worked up, challenged, and refined. It includes the most recently available budget monitoring information and the latest view on budget assumptions for the forthcoming financial year. The overall budget setting process is considered by the Section 151 (S151) officer in the assessment of the robustness of the council's budget estimates.

2.4.The council also considers information from external sources to remain well informed, able to react to changes and to ensure that the systems and models used by the council remain effective.

2.5.Red/Amber/Green ratings are used to illustrate where the council's level of compliance and where improvements can be made:

Red – Low level of compliance – in need of review and change

Amber – Medium level of compliance

Green – High level of compliance

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
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.	The council has a clear and consistent understanding of what value for money means with mechanisms and processes to promote value for money.	<p>Compliance is demonstrated by the application of other Standards and Statements in the FM Code. The Governance Framework set out in the Annual Governance Statement references ensuring value of money as a key responsibility of the council when conducting business with public money.</p> <p>A Value for Money (VFM) assessment is carried out by the council's external auditors.</p> <p>The Leadership structure is made up of Councillors, Executive Councillors, Council Leader, Chief Executive and Scrutiny Committees. The Senior Leadership Structure under the Chief executive is set out in the Councils constitution.</p> <p>The Executive has established a Voluntary and Community Sector Committee. Part of their responsibilities is to ensure value for money and fairness in the allocation of council resources to the sector and consider the management, use and disposal of council owned buildings occupied by voluntary and community sector organisations. This is set out in the council's constitution.</p>	<p>A VFM Risk Assessment was carried out by KPMG for 2023/24. Financial sustainability is rated provisionally green for the Council. This is awaiting confirmation once further audit work is actioned on Housing Services etc.</p> <p>Governance and Economy, Efficiency and Effectiveness ratings are indicatively amber due to Housing Services matters. Further work is being carried out by KPMG on the VFM audit for 2023/24 and the resulting outcomes will be confirmed in an auditors annual report due to be reported to Audit and Risk Committee in January 2025.</p>	AMBER
B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government.	1: The CFO in a public service organisation 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.	The Corporate Director of Resources (CDR, S151) is a key member of the Corporate Management Team (CMT).		GREEN
	2: The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and in alignment with the organisation's MTFS.	All key and material financial decisions that require the approval of senior officers or Members must have first been considered by the CDR.		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
1: The responsibilities of the chief finance officer and leadership team				
B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government.	3: The CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. The CFO should regularly review the skill sets of elected members and all officers with budget/financial management responsibility and ensure appropriate support is provided.	Good financial management is promoted throughout the authority via regular communication. All managers with budgetary responsibility receive financial training from finance teams and there are regular Member training sessions/briefings. A business partnering approach is used to help ensure the development of successful, long-term strategic relationships and can in turn help to ensure good financial management. Business partners engage with both internal and external audit to ensure their recommendations are implemented. The decision-making structure and a comprehensive listing of responsibilities of officers and committees in relation to financial management is contained within the council's constitution. Where officers have specific financial responsibilities, these are set out in the Financial Regulations.	Keep under constant review and seek continuous improvement to processes and practice. Improve finance guidance on the intranet and deliver regular training sessions on areas of need e.g. financial regulations, VAT, capital versus revenue, general budget holder training. The council is going through a tender for a financial system contract, but this will not be completed until Autumn 2025. The council will ensure that any new financial system meets the needs of the organisation and is an improvement on the processes and procedures currently in place	AMBER
	4: The CFO must lead and direct a finance function that is resourced to be fit for purpose. The CFO should regularly review the skillsets of all finance staff with senior budget/financial management responsibility and ensure ongoing appropriate support is provided. The ratio of qualified staff as a proportion of total finance staff ensures that the finance function has the necessary financial competence.	<p>The Finance function was fully reviewed and deemed fit for purpose in 2022. The revised structure was largely based around core competencies against which job descriptions and recruitment decisions are made.</p> <p>There are many qualified staff who are invested in and helped to gain the appropriate qualifications through the FUSE scheme, graduate and apprenticeship programs that encourage growth, continuous learning and development with an aim to help support future service needs.</p> <p>There is a high proportion of permanent staff to agency with 95% percent of positions being held by permanent staff members in the Financial Management division.</p>	<p>Maintain and develop records around training and staff qualifications. A qualifications register is to be periodically updated and reviewed.</p> <p>Review staff progress in qualifications, with senior manager reviews where staff require additional support to overcome issues. Enhance financial accounting knowledge and understanding across the wider finance team. Finance business partners need a good understanding of the CIPFA accounting Code to ensure that entries on the ledger for their areas are correct.</p>	AMBER
	5: The CFO must be professionally qualified and suitably experienced. The CFO must be able to demonstrate adherence to professional CPD requirements on an annual basis.	The CDR is CCAB qualified with extensive experience in local government finance. CPD is demonstrated as part of CCAB membership obligations.		GREEN
	6: The CFO should promote the highest standards of ethical behaviour in the conduct of financial management. Professionally qualified staff should evidence an ongoing commitment to the principles of objectivity, integrity professional behaviour, professional competence, due care and confidentiality.	<p>Professionally qualified staff are required to adhere to the ethical standards of their professional bodies.</p> <p>Finance staff are also bound by ethical requirements in their job description and those within the council's code of conduct.</p> <p>The council is an accredited employer with CCAB bodies, such as CIPFA and ACCA. The accreditation reflects the council's commitment to continuing personal development</p>		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
1: The responsibilities of the chief finance officer and leadership team				
B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government.	7. To enable financially informed decision making: The CFO should be able to provide the leadership team with sound advice on the key principles of local government finance; and The CFO should be able to demonstrate a sound system which ensures the authority has access to high standards of technical financial advice.	The CDR is an integral part of the leadership team and provides sound advice as part of this role. The authority employs a capable and experienced workforce and also has access to technical advice through external experts for funding, taxation, audit and pensions, as well as many forums to discuss London and national issues.		GREEN
	8: The CFO should report explicitly on the affordability and risk associated with the Capital Strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.	The affordability and risk of the capital strategy is an integral part of the budget and MTFS. Capital budget monitoring is included in the quarterly monitoring reports. The CDR and Director of Finance attend Capital and Assets Strategic Board meetings.	Improvements need to be made to highlight the role of risk in the capital programme. As part of the Capital Programme Review action plan, risk will be discussed more at Capital and Assets Strategic Board and the Capital Strategy will report further on the potential impact of risks. A business case process needs to be established and the culture of the organisation needs to be changed to encourage ceasing projects that are no longer delivering the benefits stated in the original plans.	AMBER
	9: The CFO must establish the reporting and monitoring processes and integrate the treasury management indicators into the overall financial planning process.	There is an established process for reporting and monitoring on treasury management. Prudential Indicators are approved annually as part of the Treasury Management Strategy Statement alongside the budget papers each year. There is a mid-year and outturn Treasury Management report to the Executive. Treasury forecasts on interest payable and investment income are reported to the Executive via the quarterly monitoring reports.	The 2021 Prudential Code and Treasury Management Code introduced a requirement that monitoring of prudential indicators should be reported quarterly as part of the authority's general revenue and capital monitoring. The council should adapt its quarterly reporting to ensure compliance with this.	AMBER
	10: The Chief Finance Officer of Local Government Pension Scheme (LGPS) administering authorities satisfies the requirements of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013 edition).	Fully complies. This organisation recognises the importance of ensuring that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and Members charged with financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. Training is held quarterly for members, and they are advised of external training opportunities. A log of training provided is recorded.		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
2: Governance and financial management style				
C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	The council has a clear framework and high standards for governance and internal control. The leadership has effective arrangements for assurance, internal audit, and internal accountability. Nurturing a culture of effective governance and robust internal controls across the authority.	<p>CMT have hosted sessions on good financial management.</p> <p>An organisation wide internal controls board and Good Governance Group were established, and internal controls are tested annually as part of the work of Internal Audit.</p> <p>The Audit and Risk Committee is the body responsible for providing an independent focus on the adequacy of governance arrangements, other than Member conduct issues which are the responsibility of the Standards Committee. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors.</p> <p>The council has adopted a code of governance which is consistent with the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).</p> <p>The Annual governance statement sets out Islington Council's governance framework. Set out in the council's constitution is a clear outline of the controls and framework of good governance within the council. The Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and chief officer functions. It sets out how decisions are made and the procedures which are followed to ensure efficiency.</p>	<p>In mid-2022, the council commissioned a comprehensive review of the council's governance arrangements. This review made several recommendations, which resulted in a programme of work starting in January 2023.</p> <p>The recommendations following that review are still being implemented including a review of the council's constitution.</p> <p>The Annual Governance Statement (AGS) is published annually alongside the Statement of Accounts and is subject to external audit. A mid-year review on progress against previously identified governance issues is reported to the Audit and Risk Committee.</p>	GREEN
D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	1: The authority maintains an effective audit committee.	The Audit and Risk Committee meets at regular stages throughout the financial year. It has two knowledgeable and experienced independent members.		GREEN
	2: The audit committee receives and monitors the implementation of internal and external audit recommendations. When threats to the financial sustainability of the authority are identified by auditors the audit committee should ensure that the recommendations are communicated to the leadership team and that the committee are informed of the effectiveness of the leadership team's response.	<p>The Audit and Risk Committee receives details of all recommendations made by External Audit. Implementation of external audit recommendations is monitored through the Annual Governance Statement.</p> <p>Internal Audit bring two reports to the Audit and Risk Committee updating on the delivery of the audit plan each year – one in January and one in September. These reports each include an appendix updating on progress of implementation of audit recommendations. Responsibility for implementation sits with the service area that was audited (e.g. Parking, Housing, Finance etc). There are mechanisms in place to escalate the lack of implementation of recommendations.</p>	<p>A practice of referring all financial sustainability related recommendations to management and the consideration of their response will be put in place.</p> <p>Continue to stay abreast of any new developments and, if an opportunity to enhance/improve arises, the internal audit team will seek to include in their processes.</p>	AMBER

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
2: Governance and financial management style				
D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	3: The authority has a PSIAS (Public Sector Internal Audit Standards) conformant internal audit function	Fully complies. An update on implementation of the External Quality Assessment recommendations is on the council's democracy pages. The service overall has a continuous improvement agenda and networks with groups such as London Audit Group (LAG) and the Cross Council Assurance Service (CCAS) to stay abreast of new developments and best practice.		GREEN
E: The financial management style of the authority supports financial sustainability.	1: The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the political leaders, elected members to directors, finance officers and front-line service managers.	The financial regulations have recently been revised to provide clarity on financial responsibilities. This includes a scheme of authorisation. The council report templates ensure that the financial implications of all decisions taken by officers and members are a key component of the decision-making process. All financial implications need approved by an officer in finance of Chief Officer grade.	Officers need to be trained on the revised regulations and scheme of authorisation to ensure compliance. Any identified cases of non compliance will be reported to the council's Audit and Risk Committee as part of the Annual Governance Statement.	AMBER
	2: Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	Finance act as effective business partners, working closely with budget managers and Corporate Directors. Finance business partners work closely with service managers to link finance and service performance, develop cash limited budgets and effectively monitor financial performance throughout the year.		GREEN
	3: Enabling transformation: the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes	Finance act as effective business partners, working closely with budget managers and Corporate Directors. Finance business partners work with service managers and advise on the financial implications and risks of service plans. Finance business partners also advise on proposed savings and transformation projects.		GREEN
	4: Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	Budgets and financial cash limits are clearly delegated to cost centre managers. Business partners and budget holders ensure implications of decisions are understood and that departments /managers are responsible for those decisions. Budget manager job descriptions set out their responsibilities for financial management.	Regular training sessions should be held with budget holders to ensure they are aware of their responsibilities.	GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
2: Governance and financial management style				
<p>E: The financial management style of the authority supports financial sustainability.</p>	<p>5. The financial management of the authority has been critically evaluated</p>	<p>Internal Audit performs assurance engagements around key financial controls and systems according to a cyclical rotation, adjusted as appropriate to take account of new or increased risks arising. 11 audits have been conducted within the finance department since 2022, seven of which pertain to key financial systems.</p> <p>Some high priority findings were raised in internal audit reports on the pensions and accounts receivable systems, regarding the operating effectiveness of the key controls assessed. An internal audit of the banking reconciliation system raised issues relating to control design and control operating effectiveness. Each internal audit assurance engagement generates an assurance rating. There are four possible ratings, ranging from no assurance to substantial assurance. Internal audit findings are individually designated as high, medium or low priority, on the basis of the associated risk(s) identified. Internal Audit makes recommendations for management action to mitigate the risks identified at audit and seeks agreement from management to take action, including identifying an action owner and a target date for action completion.</p> <p>The implementation status of agreed audit actions is followed up and documented in line with the Internal Audit follow up processes. Internal Audit will independently verify the implementation status of an agreed audit action if:</p> <ul style="list-style-type: none"> *The agreed action forms part of an assurance engagement that returned an assurance rating of 'no assurance' or 'limited assurance'; or *The agreed action relates to a high priority finding raised within an assurance engagement for which the assurance rating was 'moderate assurance' or 'substantial assurance'. <p>If, on the basis of the evidence provided, Internal Audit determine that the action has not been implemented or has been partially implemented, the related finding is assigned a revised target completion date. The action owner may be changed, if/as necessary and the action may occasionally require revisions to take account of changes to the circumstances giving rise to the risk.</p> <p>The Internal Audit service continued to benefit from ongoing networking and benchmarking across the Cross Council Assurance Service (a consortium of London boroughs drawing on the same framework agreement for co-sourced assurance services).</p>		<p>GREEN</p>

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
3: Long to medium-term financial management				
F: The authority has carried out a credible and transparent financial resilience assessment	1: Financial resilience is tested against best- and worst-case scenarios which cover a wide range of financial demographic and social challenges.	Financial resilience is tested against key risk scenarios when planning the MTFS. Best and worst-case assumptions are evaluated and justified before any update to the MTFS position is presented. The budget setting process includes scenario planning and sensitivity analysis in working up budget forecasts and proposals. The budget report includes a Balance Sheet Analysis to assess the current financial position and identify longer-term trends. The budget report details forecasts for useable reserves and recommends a minimum balance to ensure financial resilience and sustainability.		GREEN
	2: The authority uses independent objective quantitative measures to assess the risks to its financial sustainability.	Key quantitative measures are used to assess financial stability and risks. For example, analysing the level of general fund balances and reserves. The annual CIPFA resilience index shows Islington of being relatively low risk in terms of financial stability. Reserve markers suggest lower risk profiles. However, the children social care ratio and adult social care ratio suggest higher risks. An analysis of the council's balance sheet is also undertaken annually to assess the financial health and sustainability. This includes calculating quantitative financial indicators and benchmarking with other councils. The findings are reported to Executive alongside the Budget Report		GREEN
	3: Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners.	Key partners are evaluated before entry into formal arrangements.	Potential to review and strengthen especially since the impact of the pandemic on partners.	AMBER
G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	1: The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium to Long-Term Financial Strategy. The plan should evidence rigorous assessment of asset portfolio in relation to service delivery.	A Strategic Asset Management Plan has been created which sets out the ambitions of the council in relation to its assets. A Compliance and Modernisation budget has been built into the rolling MTFS and long-term capital programme to maintain the council's assets. The council operates a corporate landlord model and is constantly evaluating the best use of its assets. Condition surveys are being carried out by external consultants, which provides a total cost and prioritisation to inform the capital programme and strategy.	Further work is needed once the conditions surveys are completed to set out a plan of improvements to buildings and to create an action plan to implement the ambitions of the Strategic Asset Management Plan.	AMBER
	2: The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	Information regarding whole-life cost of assets is maintained within the financial system and accounts.	Further work is needed to improve information on leases as part of the implementation of IFRS16.	AMBER

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
3: Long to medium-term financial management				
H: The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	The council has prepared a suitable capital strategy and has a set of prudential indicators in line with the Prudential code. And mechanisms for monitoring its performance against said indicators.	Compliance is reported annually within the budget report. The council is compliant. This is also reported on with the Treasury Management Strategy Statement. The council has a set of prudential indicators that performance is monitored against as part of the Treasury management strategy. Capital strategy, Investment, Minimum Revenue Provision and Treasury Management Strategy are developed annually in conjunction with the MTFS process		GREEN
I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	1: The Medium-Term Financial Plan should make reference to other organisational plans (e.g. workforce planning) and performance measures to demonstrate an alignment between service and financial planning.	The MTFS is approved and updated annually within the budget report for a 5-year period. Whilst other plans (e.g., workforce planning) are central to the MTFS, this link is not explicit in published documents.	Explicit and written linking of the MTFS to all key organisational plans is recommended going forward.	AMBER
	2: The authority has benchmarked the performance of its services against appropriate comparators.	The Authority uses CIPFA and other benchmarking services to analyse financial and service performance. There are other datasets used such as Adults use data collected by the Association of Directors for adult social care (ADASS). Other resources external to the organisation are used to help provide further insights such as LGImprove who provide balance sheet benchmarking information.		GREEN
	3: To inform the Leadership Team's decisions the authority has a single document tracking progress in the delivery of planned savings over the period of the Medium-Term Financial Plan.	A savings tracker is maintained and monitored regularly as part of in-year budget monitoring with ongoing implications picked up in the rolling MTFS.		GREEN
	4: The authority publishes its plans for the use of reserves over the over the period of the Medium-Term Financial Plan The level of reserves at 31st March in any one year should not fall below the level previously agreed. The authority should demonstrate adherence to the most recent guidance on reserves from CIPFA's Local Authority Accounting Panel	The Authority has an approved Reserves document that details plans for reserves over the period of the rolling MTFS - compliant with CIPFA guidance.		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
4: The Annual Budget				
J: The authority complies with its statutory obligations in respect of the budget setting process.	The council is aware of its statutory obligations in respect of the budget-setting process. The Council has set a balanced budget for the current year. The budget report includes an assessment of its consistency with the current medium term financial plan and long-term financial strategy. The annual report proposing the budget includes an analysis of the success/failures in achieving the spending plans of the previous year and of departures from the planned use of reserves and balances.	<p>All statutory obligations are fulfilled within the annual budget report.</p> <p>This is monitored and reported on an ongoing basis with reporting picked up in the budget report as appropriate where it relates to the rolling MTFS. The budget report addresses the long-term impact of in year variances.</p> <p>There is a clear linkage between the in-year budget monitoring process and the medium-term financial planning process, with the strategic implications of in-year monitoring taken forward in the future year budget process. This process is clearly set out in the council's budget report.</p>	Further work is needed to report an analysis of the success/failures in achieving spending plans, although significant steps have been taken in the 2024/25 financial year to better link the quarterly budget monitoring process with the future MTFS plans of the authority with the introduction of Quarterly MTFS Update Reports to the Executive and Corporate Resources and Economy Scrutiny Committee.	AMBER
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.	The council'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. The report accurately considers the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case. The council has sufficient reserves to ensure financial sustainability for the foreseeable future.	<p>This is included within the annual budget report.</p> <p>The MTFS reflects key budget pressures, planned contingency balances to address budgetary pressures, estimates and assumptions. Where estimates are made, they are stated clearly, and details are provided on when they are likely to be confirmed.</p> <p>The 2025/26 budget report includes a Reserves and Balance Sheet Strategy and a full balance sheet analysis. The budget report recommends a Minimum Level of Earmarked GF Reserves and considers the strategy to build back earmarked reserves over the medium term.</p>		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
5. Stakeholder engagement and business plans				
L: The authority has engaged with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	The council has been effective in its engagement with stakeholders and has plans to improve engagement with key stakeholders.	<p>The annual budget report and rolling MTFS is subject to full consultation including with key stakeholders (e.g. officers, political leadership and the business community).</p> <p>Let's talk Islington engage with community and create an annual Community Engagement report which outlines the ways in which the council has engaged with the local community through workshops, surveys etc. and outlines the types of responses given.</p>		GREEN
M: The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions	1: Option appraisal complies with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal.	Reports are written with financial implications when decisions are needed to be made about investments, which consider whether it will deliver value for money.	This will be reviewed on an ongoing basis to ensure that the process can be improved going forward, especially in related to capital investment appraisals.	AMBER
	2: The accounting treatment of material decisions is considered and demonstrated as part of the formal option appraisal process.	<p>The accounting treatment and impact is determined and documented within formal financial implications.</p> <p>Reports contain appropriate information and evidence to support decision making and out like options under consideration.</p> <p>Projects are progressed when they have been appropriately reviewed and it is ensured that they are in line with the councils' priorities.</p>		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
6: Monitoring financial performance				
N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	1: Timely financial and performance information is available to managers via the appropriate systems. The systems are engineered to provide relevant data at a sufficiently accurate level. The organisation ensures that information is appropriately tailored and streamlined to avoid the risk of 'data overload'.	<p>Managers are able to access information on demand. Reports have been developed with budget holders to provide them with the correct level of information.</p> <p>Maintaining a risk register forms part of the risk management strategy and framework. The risk register incorporates financial and operational risks.</p>		GREEN
	2: All Financial monitoring reports include: The name of the budget holder responsible for the information presented; accruals based financial information; include the approved budget against which monitoring is taking place; a forecast for the remainder of the budget period and; service performance information	<p>Complies with the exception of the inclusion of budget holder names. These are maintained on the financial system but are not routinely included in monitoring reports.</p> <p>The council's quarterly financial monitoring report includes performance information where relevant. The Corporate Performance Manager is embedded within the Finance Business Partner management structure to help further align reporting.</p>		GREEN
	3: Financial monitoring reports for high risk budgets are: •Scrutinised by the leadership team of the organisation on a quarterly basis. Financial monitoring reports for steady state/low risk budgets are: •Received by budget holders on a monthly basis Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team.	<p>A quarterly budget monitoring report is produced from the submissions of individual directorate management teams. This is reported to the Corporate Management team, the Executive and the Corporate Resources and Economy Scrutiny Committee.</p> <p>In addition, there is a high-level monthly update to the Corporate Management Teams on any significant known movements and a monthly deep dive on a high risk area of the budget.</p>		GREEN
	4: The authority has arrangements which allow annual service budgets to be recalibrated in response to unforeseen developments.	<p>In-year budget realignments can be approved in line with the council's financial regulations.</p>		GREEN

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
6: Monitoring financial performance				
N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	5: At the financial monitoring period end the leadership team receives a set of financial statements with forecast outturn for the year ahead	A key component of the quarterly budget monitoring report is the forecast outturn for the financial year.		GREEN
	6: There are appropriate arrangements in place for reporting and managing the financial performance of each of the organisation's delivery partnerships and collaborative arrangements.	Yes, to the appropriate officer and Member meetings/bodies.		GREEN
	7: There are appropriate arrangements in place for the project management and cost control of capital projects.	The capital programme is reported on a quarterly basis to the Capital and Assets Strategic Board, the Corporate Management Team and the Executive. The level of detail in this reporting has recently been enhanced. Internal meetings are held with the Corporate Directors and their management teams so they have oversight of capital project delivery.		GREEN
O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	1: Unplanned and planned use of reserves are reported [quarterly] to the management team of the organisation and to council.	Forecast use of reserves is reported to the Corporate Management Team and the Executive as part of quarterly financial reporting.		GREEN
	2: Management accounts include either a full balance sheet or an appropriate level of balance sheet information to meet business needs and evidence of monitoring of material items	Management reporting in respect of balance sheet information is mainly limited to reserves projections.	There is scope to enhance reporting on debtors to better meet business needs.	AMBER

3. Compliance Assessment

FM Code	Guidance	Current Treatment	Further actions	R/A/G
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.</p>	<p>The council leadership are aware of the CFOs responsibilities in terms do the preparation of annual financial statements including their role descriptions and personal objectives. The financial statements must be prepared and in accordance with the Code of practice.</p>	<p>The Statement of Accounts is reviewed and approved by the Section 151 Officer. It follows a common format prescribed by CIPFA's Code of Practice on Local Authority Accounting. The draft statement of accounts for the year 2023/24 was published and made available for public inspection by the statutory deadline.</p>		GREEN
<p>Q: Presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</p>	<p>The reports support strategic focus on information that presented effectively and is of interest and relevant to the leadership team in order to support in strategic financial decision making.</p>	<p>The outturn report details all notable variations from budget with greatest focus on the areas of strategic focus.</p>		GREEN