

Audit Opinion			
Reasonable Assurance - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.			
No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance



Number of Actions	
High	0
Medium	4
Low	0
Opportunity	0

Background and Context

The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA Financial Management Code applies a principles-based approach.

The six underlying principles that inform the FM Code have been designed to focus on robust financial management as a way of achieving both short-term financial resilience and long-term financial sustainability.

The principles are as follows:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.

Service Objective	
Spending Money Wisely	
Areas Covered - Key Findings	Level of Assurance
<div>1. Compliance with CIPFA Financial Management Code. Overall, we can provide reasonable assurance that Plymouth City Council meets the standards set by the CIPFA Financial Management code, and that the Council is able to demonstrate that it satisfies the principles of good financial management for an authority of its size, responsibilities and circumstances. Of 17 standards assessed, the Council has met the standard securely in 10 areas, demonstrating strong practice in 3 further areas. Four standards were identified as requiring attention and these findings are set out in detail in Appendix A, alongside agreed management actions to address concerns.</div>	<div>Reasonable Assurance</div>

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- The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

It is Plymouth City Councils responsibility to determine compliance with the FM Code, whether it meets the standards and to make any changes that may be required to ensure compliance. PCC should be able to demonstrate that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.

Plymouth City Council have completed a self-assessment for the last few years and have engaged its Internal Auditors, Devon Assurance Partnership, to complete the 2024/25 assessment.

Executive Summary

Devon Assurance Partnerships independent assessment provides Reasonable Assurance that Plymouth City Council is able to demonstrate, that it satisfies the principles of good financial management for an authority of its size, responsibilities and circumstances. This opinion is based on an evaluation of the following 17 standards across the six principles:

Risk Rating Scoring	Exemplary	Strong practice	Secure	Needs Attention	Causing Concern
Leadership	Accountability	Transparency	Standards	Assurance	Sustainability
Financial Management Standard A Leadership team is able to demonstrate that the services provided by the authority provide value for money. (6)	Financial Management Standard D The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). (6)	Financial Management Standard L The authority has engaged with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. (4)	Financial Management standard H The authority complies with the CIPFA Prudential code for Capital Finance in Local Authorities. (6)	Financial Management Standard C The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. (6)	Financial Management Standard E The financial management style of the authority supports financial sustainability. (6)
Financial Management Standard B The authority complies with the CIPFA statement on the role of the Chief Finance Officer in Local Government. (6)	Financial Management Standard P The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the "Code of Practice on Local Authority Accounting in the United Kingdom". (8)	Financial Management Standard M the authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. (4)	Financial Management Standard J the authority complies with its statutory obligations in respect of the budget setting process. (8)	Financial Management Standard F The authority has carried out a credible and transparent financial resilience test. (4)	Financial Management Standard G The authority understands it's prospects for financial sustainability in the longer term and has reported this clearly to members. (6)
Financial Management Standard O The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget and strategy and financial sustainability. (6)	Financial Management Standard Q The presentation of the final outturn figures and variations from budget all the leadership team to make strategic financial decisions. (8)		Financial Management Standard K The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves. (6)	Financial Management Standard N The leadership team takes action using reports, enabling it to identify and correct emerging risks to budget strategy and financial sustainability. (6)	Financial Management Standard I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. (4)

Detailed Observations and Action Plan

1. Area Covered: Compliance with CIPFA Financial Management Code.

Level of Assurance

Reasonable Assurance

Opinion Statement:

Our independent assessment against the 17 Financial Management Standards found effective arrangements and practices, which work and deliver what is required across 13 standards. With Strong Practice demonstrated across three standards, these arrangements and practices work well and deliver effectively.

Four standards were identified as requiring attention, with change required to improve in this area, these standards should be the focus for improvement:

- FM Standard F The authority has carried out a credible and transparent financial resilience test.
- FM Standard I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.
- FM Standard L The authority has engaged with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
- FM Standard M the authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

No.	Observation and Implications	Impact / Priority	Management response and action plan including responsible officer
Financial Management Standard F The authority has carried out a credible and transparent financial resilience test.			
1.1	<p>Plymouth City Council has not yet undertaken a formal, council-led financial resilience assessment as recommended by the CIPFA Financial Management Code. While a financial resilience report was recently produced by LG Improve and shared with the Corporate Management Team, it was not commissioned by the council and does not yet meet the standard of a structured, scenario-based assessment. The Medium-Term Financial Plan includes limited sensitivity analysis, but it does not test a broad range of realistic financial scenarios or stress-test high-risk areas such as Adult Social Care or emergency accommodation.</p> <p>Although the council is aware of its financial risks—such as low reserve levels and reliance on one-off savings—there is limited evidence that these have been systematically addressed through a resilience framework. The S151 Officer has initiated work on a new revenue strategy and capital strategy, which may help address these risks in the future. However, to meet the</p>	Attention Required	<p>Work is ongoing to develop the modelling approach for the MTFP, which includes enhanced sensitivity analysis. The further actions are noted and will be considered as the financial, capital and treasury management strategies are developed during the course of the year.</p> <p>We continue to work with LG Futures to support analysis and benchmarking of financial resilience. The expansion of the into a wider assessment will be explored, with self-assessment through the development of the MTFP also being considered as an alternative and foundational step to see enhancements in this area.</p>

	<p>expectations of the Financial Management Code, the council should commission a formal resilience assessment, integrate scenario planning into its financial strategy, and ensure findings are reported and acted upon through a clear governance process.</p> <p>Suggested Improvement Actions</p> <ol style="list-style-type: none"> 1. Commission a Formal Financial Resilience Assessment, develop a structured, council-led assessment using CIPFA guidance, including scenario planning and stress testing. 2. Integrate Resilience Testing into the MTFP Process, expand sensitivity analysis to include high-risk service areas and external shocks (e.g. inflation spikes, funding cuts). 3. Report and Act on Findings, present the resilience assessment to the Audit Committee, and develop an action plan to address identified vulnerabilities. 4. Embed Resilience into Strategic Financial Planning, ensure the new revenue and capital strategies explicitly address long-term sustainability and risk mitigation. 		<p>Responsible Officer: Service Director for Finance (ITG) Target Date: 31st March 2026</p>
Financial Management Standard I The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.			
1.2	<p>Plymouth City Council has an agreed Medium-Term Financial Strategy (MTFS) for 2023/24 to 2027/28, which integrates revenue, capital, and treasury strategies and is updated annually. While this demonstrates substantial compliance with CIPFA's Financial Management Code, the MTFS is under strain due to significant funding gaps and lacks built-in contingencies, limiting its resilience. The plan identifies key cost pressures and includes detailed assumptions, but forecasting is uncertain and knowledge of the financial planning tools is limited to a few individuals, posing a risk.</p> <p>However, the MTFS is only partially integrated with service and capital plans, and scenario planning is not yet embedded—only basic sensitivity analysis is used. Most notably, the Council lacks a current, council-wide asset management plan, with the last version dating back to</p>	Attention Required	<p>Work is already underway in many of these areas as it is acknowledged development is necessary. Notably a dedicated Asset Management workstream has been established as one of the enabling requirements to underpin the organisational prevention programme, City Help & Support. Update on progress of work in this area, including the development of a strategy, is reported to the Corporate Management Team each month via Change Board.</p> <p>Enhancements to the annual budget/MTFP planning cycle has also been made to better link between both growth and savings initiatives with service based business plans, to ensure there is an aligned and integrated approach to service deliver.</p> <p>Expansion of sensitivity has also been noted, as per FM Standard F, and will be included in modelling and reporting to be issued in</p>

	<p>2014. This is a critical weakness given the scale of the capital programme. To align with CIPFA's Financial Management Standard I, the Council should prioritise developing a new asset management plan, strengthen integration across financial and service planning, and implement robust scenario testing to enhance financial resilience.</p> <p>Suggested Improvement Action</p> <ol style="list-style-type: none"> 1. Develop a Formal Financial Resilience Assessment, in line with FM Standard F and the guidance (p. 55–57), the Council should undertake a structured, transparent financial resilience test. This should include scenario planning and stress testing of key cost drivers (e.g. social care, homelessness) to assess the MTFS's robustness under varying conditions. 2. Strengthen Integration Across Plans, to meet FM Standard I, the MTFS should be more explicitly and consistently linked to service plans and the capital strategy. This includes aligning assumptions, priorities, and performance metrics across directorates and ensuring that financial planning supports service delivery outcomes. 3. Implement a Council-Wide Asset Management Plan, as required by FM Standard I and discussed in the guidance (p. 71–72), the Council must urgently update and publish a comprehensive asset management plan. This plan should support strategic decision-making, ensure assets contribute effectively to service delivery, and align with the capital strategy. 4. Enhance Sensitivity and Scenario Analysis, move beyond basic 1% sensitivity tests by incorporating multi-variable scenario planning (as per p. 70 of the guidance). This will improve the Council's ability to anticipate and respond to financial shocks and support more informed decision-making. 		<p>this reporting cycle.</p> <p>Responsible Officer: Service Director for Finance (ITG) Target Date: 31st March 2026</p>
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Financial Management Standard L The authority has engaged with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

<p>1.3</p>	<p>Engagement occurs but is limited in reach and impact. Survey response rates are low. In addition recent external reviews found that public consultation was inadequate and poorly timed. Feedback was not meaningfully incorporated into the final design.</p> <p>The authority has undertaken stakeholder engagement activities, including engagement with elected members, the Chamber of Commerce, and previously with the Youth Parliament. However, this engagement has been inconsistent and limited in scope. There is no structured or ongoing engagement with key delivery partners, and engagement with budget managers and internal stakeholders could be significantly improved. Survey response rates are low, indicating limited reach and impact, and there is no evidence of a systematic approach to incorporating stakeholder feedback into financial planning processes.</p> <p>While engagement with members is described as good, the overall effectiveness is limited due to the lack of breadth, continuity, and structured feedback mechanisms. The absence of recent engagement with youth and community groups, and the lack of formal engagement with delivery partners, undermines the inclusivity and representativeness of the process. This limits the authority's ability to align financial strategies with community needs and expectations, as encouraged by the FM Code (Standard L).</p> <p>Suggested Improvement Actions:</p> <ol style="list-style-type: none"> 1. Develop a formal stakeholder engagement strategy aligned with FM Code guidance, identifying key internal and external stakeholders and setting out clear objectives, methods, and timelines for engagement. 2. Re-establish and maintain regular engagement forums such as youth panels, business 	<p>Attention Required</p>	<p>With the exception of internal engagement, whilst these actions are noted and will be delivered this will form part of a longer-term redesign of the approach to financial planning.</p> <p>Planning work will be undertaken during the 2025-26 financial year to properly consider the approach and timing for effective stakeholder engagement, to build a more robust approach for the 2026-27 cycle onwards. Without taking the time to properly plan this engagement, and allow time for that work to be delivered, it risks not being ineffective or actually detrimental to the process.</p> <p>However do note that the actions are accepted and development in this area will add considerable strength to the outputs of financial planning work, particularly helping to align financial strategy to stakeholder outcomes.</p> <p>Note: target date outlined below is in relation to deliver of an engagement plan and structure and not necessarily deliver of the engagement activity.</p>
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	<p>roundtables, and community focus groups to ensure diverse voices are heard.</p> <ol style="list-style-type: none"> 3. Improve internal engagement by embedding financial planning discussions into service and budget manager meetings and ensuring two-way communication. 4. Enhance transparency and feedback loops by publishing summaries of engagement outcomes and how they have influenced financial decisions. 5. Use digital tools and targeted outreach to increase survey participation and reach underrepresented groups. <p>These actions will help the authority meet the expectations of the FM Code by embedding stakeholder engagement into the financial planning cycle and ensuring that financial decisions are informed by a broad and inclusive evidence base.</p>		
<p>Financial Management Standard M the authority uses and appropriate documented option appraisal methodology to demonstrate the value for money of it's decisions.</p>			
1.4	<p>Plymouth City Council does not currently have a documented option appraisal methodology that aligns with the IFAC/PAIB guidance. While a business case template is in use and includes an option appraisal section, it is acknowledged by the Head of Finance that this section lacks depth and is not comprehensive. Moreover, management is not familiar with the IFAC/PAIB publication "Project and Investment Appraisal for Sustainable Value Creation," indicating a gap in alignment with best practice standards.</p> <p>Although the Capital Manual and the Capital Programme Officers Group (CPOG) provide some procedural structure, there is no formal, organisation-wide guidance on when and how to conduct option appraisals. The current approach includes some qualitative and quantitative assessment, but lacks the consistent application of robust techniques such as cost-benefit analysis or sensitivity testing. Risk and uncertainty are considered at a high level through risk registers and</p>	Attention Required	<p>The development of option appraisal in line with best practice will be included as part of the review and enhancement of the Capital Manual being undertaken this year. As part of this review, the further actions around development of templates, and any necessary training, will also be actioned to ensure that any changes are understood and embedded within the organisation.</p> <p>It should also be noted that the planned establishment of a CPMO function will support this work, particularly in developing the reporting on business cases and ensuring consistency of risk analysis and options is maintained through review and support to Project Officers.</p>

	<p>CPOG scrutiny, but there is no structured or quantified risk analysis embedded in the appraisal process. Similarly, while business cases are reviewed, the clarity and consistency of reporting on options and associated risks vary, limiting transparency and informed decision-making.</p> <p>Suggested Improvement Action</p> <ol style="list-style-type: none"> 1. Develop a Formal Option Appraisal Framework <ul style="list-style-type: none"> • Create and adopt a documented methodology aligned with the IFAC/PAIB publication “Project and Investment Appraisal for Sustainable Value Creation”. This should include clear stages, decision criteria, and minimum standards for all capital and major revenue investments. 2. Update the Business Case Template <ul style="list-style-type: none"> • Expand the current template to include structured qualitative and quantitative appraisal techniques such as: <ul style="list-style-type: none"> ○ Cost-benefit analysis ○ Net present value (NPV) ○ Sensitivity and scenario analysis ○ Multi-criteria decision analysis (MCDA) • Include a mandatory section on risk and uncertainty, with guidance on how to assess and present these. 3. Build Capacity and Skills <ul style="list-style-type: none"> • Deliver targeted training for officers and members on option appraisal techniques, risk analysis, and investment decision-making. Consider using external experts or CIPFA-accredited courses. 4. Benchmark and Review <ul style="list-style-type: none"> • Periodically benchmark the Council’s option appraisal practices against other local authorities and best practice. Use lessons learned from past projects to refine the methodology. 		<p>Responsible Officer: Service Director for Finance (ITG) Target Date: 31st March 2026</p>
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Scope and Objectives

The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Effective compliance with the FM Code is critical to safeguarding an authority's financial health, ensuring good governance, and maintaining public trust. Authorities must adopt robust systems and practices to mitigate these risks and demonstrate their commitment to financial sustainability.

The scope and objective of this audit was to provide assurance on the Councils compliance with the financial management standards.

Failure to meet the FM Code places the authority at significant risk of financial instability, operational inefficiency, and reputational harm.

Acknowledgements

We thank those who provided support and assistance during this audit.

Delivery Team

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Inherent Limitations

The opinions and observations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Devon Assurance Partnership

Devon Assurance Partnership has been formed under a joint committee arrangement, details of our partners can be found on our [website](#). We aim to be recognised as a high-quality assurance service provider. We collaborate with our Partners by providing a professional service that will assist them in meeting their challenges, managing their risks and achieving their goals.

In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marketing

Official

Definitions

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Official: Sensitive

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Definitions of Audit Assurance Opinion Levels		Definition of Observation Priority	
Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Causing Concern	Arrangements are not secure. Change is required, but may not be achieved in the near future.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Attention Required	We recognise that change is required to improve in this area.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Secure	We have effective arrangements and practices, which work and deliver what is required.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Strong Practice	We have good arrangements and practices, which work well and deliver effectively.
		Exemplary	We have excellent arrangements and practices, which deliver excellent outcomes.