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CIPFA Financial Management Code

Purpose

- 1.1 To inform the Committee of the contents of the Financial Management Code
- 1.2 To demonstrate compliance with the code

Recommendation(s)

- 2.1 To note the contents of the report

Reason(s)

- 3.1 To ensure the Council is reviewing and updating compliance with the FM code as appropriate

Supporting information

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The first full year of compliance is 2021-22. This recognises that organisations will require time to reflect on the contents of the FM Code and allows them time to demonstrate how they are working towards compliance.
- 4.2 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.
- 4.3 The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.
- 4.4 Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

- 4.5 The FM Code builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom.
- 4.6 By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

4.7 **Financial Management Code**

The FM Code establishes an approach based on six principles of good financial management:

1. Organisational Leadership Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 2. Accountability Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
 3. Transparency At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
 4. Professional Standards Promoted by the leadership team, with adherence evidenced.
 5. Assurance Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
 6. 6. Long-Term Sustainability At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.
- 4.8 Explicit standards of financial management are also set out by the FM Code. These are the minimum standards which have to be complied with in order for the Council to demonstrate its compliance with the FM Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the FM Code does not prescribe how they should be achieved.
- 4.9 A review of current processes, procedures and governance arrangements has been undertaken, to understand where we are already compliant with the FM Code standards and to identify any areas of non-compliance or where compliance is weak.
- 4.10 To demonstrate conformity with the FM Code's standards, a document evidencing the applicable parts of the Council's Constitution, Financial Regulations, reports and policies has been compiled. This document has highlighted 7 areas where further evidence and/or work may be required. These 7 items form an action plan at the end of the document. The assessment document for 20/21 can be found at appendix 1, we are currently working on the 21/22 version which will be available for review once finalised.

- 4.11 Audit & Governance Committee will receive updates on progress towards refining and reviewing the compliance the FM Code as appropriate , including proposals for additional practices where appropriate and on compliance with the FM Code's standards.

Public/stakeholder engagement

- 5.1 None

Other options

- 6.1 None, the Council must comply with the code

Financial and value for money issues

- 7.1 None

Legal implications

- 8.1 None

Climate implications

- 9.1 None

Other significant implications

- 10.1 None

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|----------------------------|--|-------------------------|
| Legal | Olu Idowu, Head of Legal Services | 19 July 2022 |
| Finance | Toni Nash, Head of Finance | 18 July 2022 |
| Service Director(s) | | |
| Report sponsor | Simon Riley, Strategic Director of Corporate Resources | 19 July 2022 |

Other(s)

Background papers:

List of appendices:

Appendix 1