

**Financial Management Code**

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| <b>Final Decision-Maker</b>           | Audit, Governance & Standards Committee                |
| <b>Lead Head of Service</b>           | Mark Green, Director of Finance & Business Improvement |
| <b>Lead Officer and Report Author</b> | Ellie Dunnet, Head of Finance                          |
| <b>Classification</b>                 | Public   |
| <b>Wards affected</b>                 | All  |

**Executive Summary**

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 Chartered Institute of Public Finance & Accountancy (CIPFA) has produced the code which sets the standards of financial management for local authorities.

**Purpose of Report**

Noting.

**This report makes the following recommendations to Audit, Governance and Standards Committee:**

1. That the assessment of compliance against the FM Code and proposed actions documented within Appendix 1 be noted.
2. That the conclusion that the Council has complied with the requirements of the FM Code be noted.

**Timetable**

| <b>Meeting</b>                            | <b>Date</b>  |
|---|--------------|
| Audit, Governance and Standards Committee | 28 July 2021 |

# Financial Management Code

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue                                 | Implications  | Sign-off                         |
|---------------------------------------|---|----------------------------------|
| <b>Impact on Corporate Priorities</b> | We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims by ensuring sound financial management.   | Ellie Dunnet, Head of Finance    |
| <b>Cross Cutting Objectives</b>       | The recommendations support cross cutting objectives by promoting sound financial management.   | Ellie Dunnet, Head of Finance    |
| <b>Risk Management</b>                | Already covered in the risk section.  | Ellie Dunnet, Head of Finance    |
| <b>Financial</b>                      | There are no cost implications arising from this report. However, the recommendations are intended to support good financial management and financial sustainability.   | Ellie Dunnet, Head of Finance    |
| <b>Staffing</b>                       | The recommendations do not have any staffing implications.  | Ellie Dunnet, Head of Finance    |
| <b>Legal</b>                          | Director of Finance & Business Improvement as the Council's Section 151 Officer, in accordance with Section 151 of the Local Government Act 1972 is responsible for ensuring that there is effective management of the Council's financial affairs. The CIPFA FM code does not currently have specific legislative backing, | Team Leader Corporate Governance |

|  |   |                                      |
|--|---|--------------------------------------|
|  | but it is supported by the statutory requirement on all local authorities to have sound financial management. CIPFA is of the view that compliance with the CIPFA FM code is necessary for local authorities to demonstrate that they are meeting this statutory requirement. |                                      |
| <b>Privacy and Data Protection</b>     | There are no privacy or data protection implications arising from the recommendations.  | Senior Policy and Engagement Officer |
| <b>Equalities</b>                      | The recommendations do not propose a change in service therefore will not require an equalities impact assessment.  | Senior Policy and Engagement Officer |
| <b>Public Health</b>                   | We recognise that the recommendations will not negatively impact on population health or that of individuals.   |                                      |
| <b>Crime and Disorder</b>              | There are no implications relating to Crime and Disorder arising from the recommendations.  | Ellie Dunnet, Head of Finance        |
| <b>Procurement</b>                     | There are no procurement implications arising from the recommendations.   | Ellie Dunnet, Head of Finance        |
| <b>Biodiversity and Climate Change</b> | The implications of this report on biodiversity and climate change have been considered and are; <ul style="list-style-type: none"> <li>• There are no implications on biodiversity and climate change.</li> </ul>  | Transformation Team Leader           |

## 2. INTRODUCTION AND BACKGROUND

2.1 CIPFA has developed the FM Code in response to the challenges of reduced funding and increased demand for services, alongside the high-profile financial management issues which have faced a small number of local authorities in recent years, which have served to highlight the importance of robust financial management.

2.2 The FM Code sets out the principles by which local authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.

2.3 The Code itself is not prescriptive in nature, but centred around the following principles of good financial management:

- 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.
- 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.

2.4 The Code translates these principles into a series of standards, which are summarised within Appendix 1. Compliance with the standards is not prescribed in legislation, however it is the duty of each local authority to adhere to the principles of proper financial management. Compliance with the standards is established through self-assessment, which has been documented within the appendix. It should be noted that the financial management standards are minimum standards and, in some cases, may be exceeded.

2.5 Local authorities were expected to demonstrate that they were working towards implementation of the FM Code requirements by 31 March 2021, with 2021/22 being the first full year of compliance. CIPFA considers application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

2.6 The self-assessment documented within Appendix 1 concludes that the Council is complying or partially complying with all of the principles of sound financial management. There are a small number of actions which have been identified to enhance conformance with the standards over the next year, which have been summarised below:

|   | <b>Action</b>   | <b>FM Code Section</b>                  | <b>Implementation Date</b> | <b>Responsible Officer</b>                   |
|---|---|---|----------------------------|--|
| 1 | Develop and embed a policy on Social Value  | CFO & Leadership Team                   | December 2021              | Head of Finance                              |
| 2 | Review and update the Council's Commissioning Strategy  | CFO & Leadership Team                   | March 2022                 | Head of Commissioning & Business Improvement |
| 3 | Arrange Member workshops to inform the development of the 2022/23 budget  | Stakeholder Engagement & Business Plans | October / November 2021    | Director of Finance & Business Improvement   |
| 4 | Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal'   | Stakeholder Engagement & Business Plans | September 2021             | Head of Finance                              |
| 5 | Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making, and identify scope for improving these as appropriate. | Monitoring Financial Performance        | December 2021              | Head of Finance                              |
| 6 | Refresh the 2021/22 Capital Strategy  | Monitoring Financial Performance        | September 2021             | Head of Finance                              |

*Table 1: Summary of actions to enhance compliance with FM Code (July 2021)*

### **3. AVAILABLE OPTIONS**

#### **3.1 Option 1**

The committee is asked to note the assessment of compliance against the FM Code and proposed actions documented at Appendix 1. Demonstrating compliance with the FM Code is a collective responsibility of elected members, the chief finance officer and leadership team.

#### **3.2 Option 2**

Alternatively, the committee could recommend alternative actions or comment to support the implementation of the FM Code requirements. The proposed actions detailed within the report and appendix have been developed following consultation with senior officers and are considered to enable full compliance with the Code to be achieved.

#### **3.3 Option 3**

The committee could choose to do nothing and not implement the requirements of the FM Code. This option is not recommended as the Code is designed to

support sound financial management, which is a statutory requirement placed on Local Authorities by Section 151 of the Local Government Act 1972.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 The preferred option is option 1 as set out above.

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#### **5. RISK**

5.1 This report is for noting only and the recommendations do not give rise to any risk management implications. The management of financial risks is considered within Appendix 1.

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#### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 No consultation has been undertaken in relation to this item.

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#### **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 Proposed actions will be implemented and compliance with the FM Code will be monitored on an ongoing basis.

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#### **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- **Appendix 1:** Assessment of compliance against the FM Code Principles and actions required
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#### **9. BACKGROUND PAPERS**

None