


Audit Committee			
12th November			
CIPFA Financial Management Code			
Purpose of the report	To note		
Report Author	Terry Collier		
Cabinet Member	Councillor Buttar	Confidential No	
Corporate Priority	Financial Sustainability		
Recommendations	Cabinet/Committee is asked to: Note the report and presentation on the new CIPFA Financial Management Code		
Reason for Recommendation	TO inform the Committee of the requirements of the new CIPFA Financial Management Code		

1. Key issues

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) as part of a number of measures it is putting in place in response to recent concerns (even before COVID-19) around financial resilience of Councils has introduced a new Financial Management Code (FM Code). Although the FM Code comes into effect from April 2020, in recognition of the pressures facing local authorities, 2021/22 will be the first full compliance year for the Code. This allows authorities a shadow year to work towards full implementation
- 1.2 On the eve of COVID-19 lockdown in February 2020 officers and Cabinet members invited CIPFA to the Council Officers to do a workshop on the requirements of the new code. The attached is a condensed version of the slides the workshop worked through.
- 1.3 The Code focuses on Value for Money, Governance and financial management styles, financial resilience and financial sustainability. The Code identifies the risks to financial sustainability and introduces an over arching framework of assurance which builds on existing financial management good practice. The Code is a principles based approach, rather than prescriptive setting out six principles:
 - Leadership
 - Accountability
 - Transparency

- Standards
- Assurance
- Sustainability

Each of these principles is supported by a set of guidance standards against which Councils should be assessed.

1.4 In turn the Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team
- Governance and Financial Management Style
- Long to Medium Term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

Each of these areas are supported by standards against which Councils should be assessed.

1.5 Although the FM Code does not have legislative backing, it applies to all local authorities, including police, fire, combined and other authorities. The Code recognises that some organisations have different structures and legislative frameworks. Where compliance with this code is not possible adherence to the principles is appropriate. The Code's FM standards set out the professional standards to be met if a LA is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.

1.6 Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a LA is to meet its statutory responsibility for sound financial administration. The Council's external auditors will from 2021/22 have regard to the FM Code and will be looking to ensure that the Council is meeting the Code.

1.7 As a first step towards ensuring that the Council meets the Code in 2021-22 the Council following the CIPFA workshop produced a draft Self Assessment against the Code (Appendix 2). This has been shared with the LGA Peer Review team who will provide feedback on the extent to which they feel we are making progress against the Code. The Self-Assessment will be continually reviewed and refined. One of the key requirements of the Code, Financial Management Standard F is that every Council should undertake an independent Financial Resilience assessment. Having discussed with CIPFA and the LGA we are using the independent Local Government Association Peer Review process to provide our first such Financial Resilience Assessment.

2. Options analysis and proposal

- 2.1 There is no option but to focus on ensuring that the Council meets the requirement of the Code.

- 3. Financial implications**
- 3.1 No direct additional financial implications identified.
- 4. Other considerations**
- 4.1 Not applicable
- 5. Sustainability/Climate Change Implications**
- 5.1 There are clearly linkages between a sustainable financial approach and an environmentally sustainable approach. Some of the longer term risks to council's financial sustainability are environmental.
- 6. Timetable for implementation**
- 6.1 Requirement is to be in a position to demonstrate compliance with the Code by April 2021.

Background papers:

Appendices:

Appendix A- Presentation on the FM Code

Appendix B – Draft Self Assessment