

Audit Committee 19th March 2024



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| Title | Updated Review of Self Assessment against Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code and assessment against Best Value indicators for Use of Resources |
| Purpose of the report | To note |
| Report Author | Terry Collier, Deputy Chief Executive |
| Ward(s) Affected | All Wards |
| Exempt | No |
| Exemption Reason | N/A |
| Corporate Priority | All |
| Recommendations | To note the refreshed self-assessment against the CIPFA Financial Management Code To note the self-assessment against the DLUHC Best Value Theme for Use of Resources |
| Reason for Recommendation | Good effective financial management and use of resources and ownership therefore of underpins everything the Council is seeking to deliver |

1. Summary of the report

| What is the situation | Why we want to do something |
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| <ul style="list-style-type: none"> • CIPFA issued the Financial Management Code in 2019 and it came into effect in 2022-23 • Committee last reviewed the Self-Assessment against the Code in November 2021. • Department for Levelling Up, Housing and Communities issued new Best Value guidance in July 2023 | <p>Good effective financial management and use of resources and ownership therefore of underpins everything the Council is seeking to deliver</p> |

| This is what we want to do about it | These are the next steps |
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| <ul style="list-style-type: none"> • Review the refreshed Self-Assessment against the FM Code • Review the new Self-Assessment against the Best Value Use of Resources Theme | <ul style="list-style-type: none"> • Committee to critically review the Self-Assessment and make comments and suggestions as to any areas of amendment or further focus. |

1.1 An initial Self-Assessment against the Code was reported to the Audit Committee in November 2020, a subsequent refreshed assessment was considered in November 2021.

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) as part of a number of measures it put in place in response to concerns (even before COVID-19) around financial resilience of Councils introduced a new Financial Management Code (FM Code), see Appendix 1. The FM Code came into effect from April 2020, in recognition of the pressures facing local authorities, full implementation was delayed until 2022-23. This allowed authorities a shadow year to work towards full implementation

1.3 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.

1.4 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..11 In turn the Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team – by “Leadership Team” CIPFA mean both senior managers and senior councillors
- 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 Appendix 1 is an updated Self-Assessment against the principles set out by the Financial Management Code.

1.6 In July 2023 the Department for Levelling Up Housing and Communities (DLUHC) issued a refreshed set of Best Value Guidance including a set of 7 themes, one of which is on Use of Resources (Theme 5), see Appendix 3. From speaking to colleagues across the sector, we feel it would help improve our focus and insights. Therefore we have completed an initial self-assessment which is attached as Appendix 4.

2. Key issues

2.1 Given that it is a while since we reviewed the Self-Assessment, and given the challenges and pressures we are facing, it is timely to refresh the Self-Assessment.

3. Options analysis and proposal

3.1 Option 1 to accept the two self-assessments as set out.

3.2 Option 2 Committee to make suggestions as to areas for further focus.

4. Financial management comments

4.1 The Financial Management code is designed to encourage and support more effectively financial management across organisations. Similarly the Use of Resources Best Value guidance is designed to ensure effective use of resources including financial resources.

5. Risk management comments

5.1 A key aspect of good financial management and use of resources is effective risk management. This is addressed in the two assessments.

6. Procurement comments

7.1 None

7. Legal comments

8. Other considerations

8.1 When the Council first implemented the FM Code, following a workshop session with CIPFA we then used a Financial Peer Challenge review as an opportunity to obtain an independent external assessment to obtain some reassurance. Whilst we are not due a Financial Peer Challenge review we will explore options for collaborating with other parties to obtain external feedback. One option we will discuss with Mole Valley and our external auditors is an exercise Grant Thorntons did for Mole Valley on the FM Code.

9. Equality and Diversity

9.1 There are no equality and diversity implications.

10. Sustainability/Climate Change Implications

10.1 None

11. Timetable for implementation

11.1 Ongoing

12. Contact

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Background papers: There are none.

Appendices:

Appendix A – CIPFA Financial Management Code

Appendix B – Self Assessment

Appendix C- Best Value Standards and Intervention – Guidance

Appendix D - Assessment against Use of Resources Best Value Theme

Appendix E - Assessment against Use of Resources Best Value Theme – Risk of Failure