

# Audit Committee 9<sup>th</sup> July 2024



<b>Title</b>	Updated Review of Self-Assessment against CIPFA Financial Management Code and Self-Assessment against the final Best Value Indicators for Use of Resources
<b>Purpose of the report</b>	To note and approve the self-assessments and identify any areas for focusing on further improvement
<b>Report Author</b>	Terry Collier, Deputy Chief Executive
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	All
<b>Recommendations</b>	To note and approve the self-assessments and identify any areas for focusing on further improvement
<b>Reason for Recommendation</b>	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
<ul style="list-style-type: none"> <li>CIPFA issued the Financial Management Code in 2019 and it came into effect in 2022-23</li> <li>Committee last reviewed the Self-Assessment against the Financial Management Code in March 2024 but identified the need for a more thorough updating.</li> </ul>	<p>Good effective financial management and ownership therefore of underpins everything the Council is seeking to deliver</p>

<ul style="list-style-type: none"> <li>Committee in March reviewed Self-Assessment against Best Value draft guidance Use of Resources indicators</li> </ul>	
<b>This is what we want to do about it</b>	<b>These are the next steps</b>
<ul style="list-style-type: none"> <li>Review the refreshed Self-Assessment against the Financial Management Code (Appendix A)</li> <li>Review the update self-assessment against the final version (published May 2024) of the Best Value Indicators for Use of Resources (Appendices B and C)</li> </ul>	<ul style="list-style-type: none"> <li>Committee to critically review the Self-Assessments and make comments and suggestions as to any areas of amendment or further focus.</li> <li>To note (paragraph 8), from the Internal Audit Annual Plan for 2024-25 that SIAP will in Quarter 2 under an independent assessment of the Financial Management Code and Use of Resources</li> </ul>

- 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. In March 2024 the Committee reviewed an updated self-assessment against the Financial Management Code. However, the Committee identified further scope for additional updating and asked that it came back to the July Audit Committee.
- 1.2 In March 2024 the Committee also considered a self-assessment against the draft Best Value Guidance indicators for Use of Resources issued by the Department of Levelling Up, Housing and Communities. The Committee felt the way the assessment was laid out was not easy to follow. So, the format has been revised (Appendix B and C). In May the final Best Value Guidance (Appendix E, section 4 defines the 7 themes and indicators) was issued with slight changes to the indicators, so officers have refreshed the self-assessment against the latest indicators.
- 1.3 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 D. 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.
- 1.4 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.

1.12 Appendix A is an updated Self-Assessment against the principles set out by the FM Code.

## **2. Key issues**

**2.1** As part of the Council’s commitment to continuous improvement and focusing on how it can continue to improve financial management and governance it is appropriate that we refresh our assessments.. This is even more so the case now the Council is engaged with a Best Value Inspection process which will be assessing the Council in part against the Best Value indicators.

## **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. As a Council committed to continuous improvement officers would welcome feedback from the Committee as to any aspects of the self-assessments which could be refined or action points arising from the self-assessments.

## **4. Financial management comments**

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**

7.1 None.

**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. Since the item last came to the Committee we have discussed with our new Internal Auditors, the Southern Internal Audit Partnership (SIAP) undertaking an independent review of our assessments against the Financial Management Code and the Best Value Use of Resources indicators. SIAP have agreed to do this, and as can be seen from the separate report on this agenda are planning to undertake this in quarter 2 of 2024-25. SIAP and the Best Value Inspection team will liaise with each in this work.

**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. SIAP to undertake independent assessment in Quarter 2.

**12. Contact**

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**Background papers: There are none.**

**Appendices:**

Appendix A – Self Assessment against Financial Management Code

Appendix B – Self-Assessment against Best Value Use of Resources Theme – Well Performing Authority

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

Appendix D - CIPFA Financial Management Code

Appendix E - Best Value Standards and Intervention (May 2024) – Guidance