



Open Report on behalf of Andrew Crookham, Executive Director of Resources

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| Report to: | Audit Committee |
| Date: | 26 September 2022 |
| Subject: | Update on the CIPFA Financial Management Code |

Summary:

The Audit Committee last received a report on the CIPFA Financial Management Code on 14 June 2021. That report set out the results of the assessment undertaken to evaluate the Council against the standards within the code.

This report builds on that earlier work by setting out an action plan and timescales for implementing the requirements of the CIPFA Financial Management Code.

Actions Required:

Members of the Audit Committee are asked to scrutinise and comment on the CIPFA Financial Management Code Action Plan, which is attached to this report at Appendix B.

1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced the Financial Management (FM) Code, recognising that good financial management is an essential element of good governance and longer-term service planning, factors which are critical in ensuring that local service provision is sustainable.

1.2 The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority;
- manage financial resilience to meet unforeseen demands on services; and
- manage unexpected shocks in their financial circumstances.

- 1.3 The FM Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. This code incorporates their existing requirements on local government to provide a comprehensive picture of financial management in local authorities.
- 1.4 The six principles of good financial management are:
- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - Accountability – based on medium-term financial planning that 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 frequently 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, including 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.
- 1.5 Each local authority must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team. The FM Code was launched during 2019, with a compliance requirement from 2021/22. Due to the Covid-19 pandemic CIPFA concluded that while the first full year of compliance with the FM Code should remain as 2021/2022, it can be within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel.
- 1.6 Appendix A sets out the results of the self-assessment we have undertaken to evidence our current compliance with the FM Code and any actions required. This same appendix was attached to the report to Audit Committee in June 2021.
- 1.7 The improvements required are shown in the action plan at Appendix B, which sets out deadlines for implementing changes as well as the lead officers with responsibility for them. A progress report on the implementation of the action plan will be brought to a future committee meeting.

2. Conclusion

2.1 This Committee is invited to scrutinise the action plan attached at Appendix B and to provide any feedback on the proposals.

3. Consultation

a) Risks and Impact Analysis

N/A

4. Appendices

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| These are listed below and attached at the back of the report | |
| Appendix A | CIPFA Financial Management Code Self-Assessment |
| Appendix B | CIPFA Financial Management Code Action Plan |

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Michelle Grady, who can be contacted on 01522 553235 or michelle.grady@lincolnshire.gov.uk.

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