

CIPFA Financial Management Code

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

- 1.1 The purpose of this report is to inform the Audit and Standards Committee of the key requirements and the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for 2021/22.
- 1.2 A self-assessment was undertaken by the Director for Corporate services which was then used as the basis for the internal audit review.
- 1.3 The resulting audit has confirmed the council is complying in all areas of the code and provides an assurance rating for each aspect in order to assist in identifying areas where improvements could be made. The outcome of the review has been used to develop an action plan and has informed the AGS for 2020/21.

2 Recommendations

That Committee:

- 2.1 **Notes the outcome of the internal audit review of the Council's compliance with the CIPFA Financial Management code;**
- 2.2 **Approves the action plan at Appendix A**

3 Reason for Recommendations

- 3.1 To ensure the Committee are aware of the level of compliance with The Code and can consider and comment on the associated action plan for improvements that can be made to increase the level of assurance with aspects of The Code.

4 Background

- 4.1 Following concerns around the financial resilience and management of local authorities, CIPFA (Chartered Institute of Public Finance and Accountancy) developed the Financial Management Code (The Code) for good practice in financial management.
- 4.2 The code is designed to support good practice in financial management and to assist local authorities' in demonstrating their financial sustainability. The code contains a series of standards which are considered the minimum required to meet fiduciary duties to taxpayers, customers and lenders. As such it is CIPFA's judgement that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. In addition CIPFA members must comply with it as one of their professional obligations. Whilst compliance with the code is obligatory how this is achieved is not prescribed.
- 4.3 The code sets out that demonstrating compliance with The Code is a collective responsibility of elected members, the Chief Finance Officer (CFO), and the Senior Leadership Team (SLT). It is for all of the SLT to work with elected members in ensuring compliance with The Code and so demonstrate the standard of financial management to be expected of a local authority. A situation where the CFO is forced to act in isolation is one where financial management has failed and financial sustainability is threatened. To support this however the CFO must provide timely, relevant and reliable financial advice in accordance with the law and professional standards.
- 4.4 Local authorities are required to apply the requirements of The Code with effect from 1 April 2020. However, CIPFA considered the original ambition within The Code, the timescale and the wider resource challenges now facing local authorities and considers that the intended implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with The Code is therefore 2021/22, although earlier adoption was encouraged.
- 4.5 CIPFA issued a bulletin 06 in February 2021 providing guidance concerning the impact of the Covid-19 pandemic on governance in local government bodies and takes into account the introduction of The Code during 2020/21. The guidance refers to the impact of Covid-19 on financial resilience in 2020/21 and coming years and emphasises that implementation of The Code in the shadow year remains a critical task, particularly with its focus on achieving sustainable outcomes. For these reasons, the guidance states that Annual Governance Statements (AGS) for 2020/21 should include the overall conclusion of an assessment of the organisation's compliance with the principles of The Code. Furthermore, where there are outstanding matters or areas for improvement, these should be included in the AGS action plan.

5 Main Considerations

- 5.1 An update was provided to SLT on The Code shortly after it was published in late 2019 alongside an initial self-assessment undertaken by the Director for Corporate Services. Provision was made in the 2020/21 internal audit plan for a review of the council's compliance with The Code alongside the self-assessment. Detailed guidance notes were not published by CIPFA until much later (May 2020) which coupled with the pressures of the pandemic delayed the start of the audit. The audit was also undertaken across a number of partners so that any learning and best practice could be shared.
- 5.2 The resulting audit report is attached. Whilst the audit confirms the council is complying in all areas of the code there are areas where the compliance could be improved by moving from either "satisfactory" to "Good" or "Good" to "Substantial". It should be noted that the audit review was undertaken as a consultancy review and, as such, is not designed to provide assurance over the adequacy of controls.
- 5.3 The SLT considered the assurance provided alongside the resources available and the size of the authority in order to compile an action plan setting out the areas to develop further in order to improve the level of compliance where this was considered to add value to the organisation. This work was shared with the Portfolio holder for Corporate Governance, Finance and Resources.
- 5.4 The findings of the review have also been used to inform the AGS for 2020/21 as required by the guidance.

6 Options Considered

- 6.1 The Council could accept the current level of assurance and not look to improve upon its rating in certain areas.

7 Consultation

- 7.1 A number of officers were engaged in the review undertaken by Internal Audit. The work was also undertaken across a number of audit clients so best practice and learning could be shared.
- 7.2 This work was shared with the Portfolio holder for Corporate Governance, Finance and Resources.

8 Next Steps – Implementation and Communication

- 8.1 Subject to approval and the committee's comments the action plan will be worked upon and delivered in line with the timeline set out.

9 Financial Implications

- 9.1 There are no direct financial implications as the work will be undertaken within existing resources.

- 9.2 Indirectly, The code, whilst not eliminating financial pressure or risk validates the organisation's ability to identify and manage risk and plan for long term financial sustainability.

Financial Implications reviewed by: Dawn Garton, Director for Corporate Services

10 Legal and Governance Implications

- 10.1 There are no further legal or governance implications.

Legal Implications reviewed by: Kieran Stockley, Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no direct equality or safeguarding implications

12 Community Safety Implications

- 12.1 There are no direct community safety implications

13 Environmental and Climate Change Implications

- 13.1 There are no direct environmental or climate change implications

14 Other Implications (where significant)

- 14.1 There are no other implications

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to deliver the associated action plan	Low	Negligible	Low Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low	1			
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Active management of the plan by the Director for Corporate Services in conjunction with the SLT

16 Background Papers

16.1 The CIPFA Financial Management Code

17 Appendices

17.1 Appendix A - CIPFA Financial Management Code Action Plan

Report Author:	Dawn Garton , Director for Corporate Services
Report Author Contact Details:	01664 502444 DGarton@melton.gov.uk
Chief Officer Responsible:	Dawn Garton , Director for Corporate Services
Chief Officer Contact Details:	01664 502444 DGarton@melton.gov.uk