

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	23 March 2023
Subject:	CIPFA Financial Management Code
Report of:	Financial Services Manager
Head of Service/Director:	Head of Finance and Asset Management
Lead Member:	Finance and Asset Management
Number of Appendices:	1

Executive Summary:

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code October 2019. The Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out the standards of financial management for local authorities. At the Audit and Governance Committee meeting on 24 March 2022, Members approved the Assessment of Compliance with the Financial Management Code and agreed to receive an annual monitoring report of progress against the action plan.

Recommendation:

To CONSIDER the annual monitoring report of progress against the CIPFA Financial Management Code action plan.

Financial Implications:

This report relates to financial governance and should have no direct financial impact.

Legal Implications:

There are no direct legal implications arising from the recommendation of this report. Whilst there is no statutory requirement to follow the Code published by CIPFA, compliance with the Code is deemed good practice.

Environmental and Sustainability Implications:

None.

Resource Implications (including impact on equalities):

Any development requirements will be identified and appropriate training needs identified and provided to individuals.

Safeguarding Implications:

None as a result of this report.

Impact on the Customer:

None as a direct result of this report.

1.0 INTRODUCTION

- 1.1** The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code in October 2019. The Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out the standards of financial management for local authorities.
- 1.2** Each local authority must demonstrate that the requirements of the code are being satisfied. Compliance with the Financial Management Code is a collective responsibility of elected Members, the Chief Finance Officer and their professional colleagues in the leadership team. It is for all of the senior management team to work with Members in ensuring that the principles of the Financial Management Code are being met and so demonstrate the standard of financial management to be expected of a local authority.
- 1.3** The CIPFA Financial Management Code sets the standards of financial management for local authorities. The Code is based on a series of principles supported by specific standards and statements of practice 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 foreseen demands on services.
 - Financially manage unexpected shocks in their financial circumstances.

2.0 CIPFA FINANCIAL MANAGEMENT CODE

- 2.1** The Financial Management Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances.
- 2.2** The Financial Management Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

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, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.

- **Transparency** - At the core of financial management, using consistent, meaningful, and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
- **Professional Standards** - Promoted by the leadership team, with adherence evidenced.
- **Assurance** - Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit, and inspection.
- **Long-Term Sustainability** - At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

2.3 The Financial Management 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 overarching framework of assurance which builds on existing financial management good practice. 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
- Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

2.4 In March 2022, an assessment against the Financial Management Code was brought to the Audit and Governance Committee for approval and Appendix A attaches the first annual monitoring report against the actions identified.

2.5 The action plan in the Appendix shows the progress made against each of the agreed actions along with indicative timescales. Some of the actions require more certainty from central government on the level of funding for local government which means that action cannot be fully completed until the government provide a longer term funding proposition.

3.0 CONSULTATION

3.1 None

4.0 ASSOCIATED RISKS

4.1 There are inherent risks regarding non-compliance with the Financial Management Code which include risks to financial sustainability, financial resilience, financial planning and delivery as well as to the Council's reputation.

5.0 MONITORING

5.1 Annual monitoring reports will be brought to Audit and Governance Committee.

6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

6.1 None directly but the Financial Management Code underpins the Council priority to ensure the authority remains financially secure in the long term.

Background Papers: Audit and Governance Committee Report March 2022

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Appendices: Appendix A – Financial Management Code Action Plan