

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 20 October 2020

From: Director of Finance and Commercial (s151 Officer)

Subject: **CIPFA Financial Management Code**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 In recognition of the financial pressures that Councils are facing, the Chartered Institute of Public Finance and Accountancy (CIPFA) has developed the Financial Management Code.
- 1.2 The intention of the Financial Management Code is to provide guidance to Local Authorities to create a culture of strong, sustainable financial management giving assurance that authorities are managing resources effectively. A self-regulation approach will be taken which should prevent any need for external control or reductions in current powers.
- 1.3 The report is to inform the Audit, Governance and Standards Committee of the contents of the Financial Management Code and the actions to be taken by Hambleton District Council to be compliant by 2021/22.

2.0 The Report

- 2.1 The Financial Management Code requires authorities to demonstrate that the processes in place satisfy the principles of good financial management, whilst providing evidence to show that legislative requirements are met. The Code does not currently have any specific statutory backing. However, CIPFA state that compliance with the code should be linked to (s151) of the Local Government Act 1972. There is also an obligation upon members to adhere to the Financial Management Code.
- 2.2 Complying with the standards set out in the Financial Management Code is the collective responsibility of elected members and Management Team.
- 2.3 Explicit standards of financial management are set out by the Financial Management Code. These are the minimum standards which have to be adhered to in order for the Council to demonstrate its compliance with the Financial Management Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the Financial Management Code does not prescribe how they should be achieved.

- 2.4 In order to demonstrate conformity with the Financial Management Code's standards, the Council will review its current processes, procedures and governance arrangements to understand where the Council is already compliant with the standards. The review will also identify areas of non-compliance within the Council or where compliance is weak. The Council will develop practices to ensure that the areas of non-compliance or areas of weakness are fully compliant by 1 April 2021.
- 2.5 The Financial Management Code identifies risks to financial sustainability and introduces a framework of assurance. The approach is based upon six principles of good financial management as follows
- 1. Organisational Leadership**
Demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisational culture.
 - 2. Accountability**
Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
 - 3. Transparency**
At the core of financial management, using consistent, meaning and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
 - 4. Professional Standards**
Promoted by the leadership team with adherence evidenced.
 - 5. Assurance**
Recognised as an effective tool mainstreamed into financial management, including political scrutiny and the result of both external audit and inspection.
 - 6. Long Term Sustainability**
At the heart of all local services financial management processes evidenced by the prudent use of public resources.
- 2.6 Audit, Governance and Standards Committee will receive regular reports on progress towards achieving the Financial Management Code, including proposals for additional practices where appropriate and in compliance with the Financial Management Code's standards. An annual report will be taken to Audit, Governance and Standards Committee alongside the Statement of Accounts in late autumn each year, commencing 2022, following the first full year of compliance.
- 3.0 Link to Council Priorities**
- 3.1 Compliance with the standards supports the Council's overall aims and priorities by promoting probity, integrity and honesty and by helping to support the Council to become a more effective organisation.

4.0 Risk Assessment

4.1 There are no risks associated with this report.

5.0 Financial Implications

5.1 There are no financial implications associated with this report.

6.0 Legal Implications

6.1 The Code does not currently have any specific statutory backing. However, CIPFA reference that compliance with the Financial Management Code should be linked to the (s151) of the Local Government Act 1972. There is also an obligation upon members to adhere to the Financial Management Code.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 That the Committee notes the content of this report.

Louise Branford-White
Director of Finance and Commercial (s151 Officer)

Background papers: None

Author ref: Saskia Calton

Contacts: Saskia Calton
Corporate Finance Manager
Tel 01609 767226