

Item No. 12.	Classification: Open	Date: 18 July 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Compliance with CIPFA Financial Management Code	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the Audit, Governance and Standards Committee note the report.

BACKGROUND INFORMATION

2. In 2020-21, CIPFA introduced the 'CIPFA Financial Management Code'. The stated purpose was to support and improve councils' financial resilience enabling them to better meet unforeseen demands on services and to manage unexpected shocks in financial circumstances to provide a strong foundation to manage short, medium and long term finances of the organisation.
3. The Financial Management (FM) code complies with other legislation and associated CIPFA codes and provides evidence of compliance with statutory and professional frameworks. It is based on 6 principles:
 - i) Leadership
 - ii) Accountability
 - iii) Transparency
 - iv) Standards
 - v) Assurance
 - vi) Sustainability

The six principles are translated into 17 Financial Management standards.

4. The code came into effect from 1 April 2020 and authorities were encouraged to work towards compliance with the code in the financial year 2020-21; with full compliance in 2021-22. The report on compliance with the code for the financial year 2020-21 was noted at the 4 June 2021 meeting of the audit, governance and standards committee.

CIPFA FINANCIAL MANAGEMENT CODE

5. The purpose of the FM code is to provide a strong foundation from which to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. This has been particularly relevant for local authorities during the unexpected financial shock of the Covid-19 pandemic and, more recently, the unexpected need to support the most vulnerable residents through increases in inflation and rising energy

costs. Furthermore, looking forward there is significant uncertainty in local government funding which will require authorities to make prudent provision for future reduction in resources.

6. The Council has reviewed compliance against the code for the 2021-22 financial year. Appendix A details the council's compliance of each FM standard, by reviewing the guidance of evidence required and assessing how the council meets these standards.
7. The section on medium to long term financial management includes a specific FM standard – '*The authority has carried out a credible and transparent financial resilience assessment.*' (Appendix A, Section F, p 14). The council has reviewed this as required through the CIPFA Financial Resilience Index over the previous two years. The Council's reserves are in the bottom third compared to other London Boroughs but as there is a positive and increasing year on year movement is ranked as low risk on the 'reserve sustainability measure' and 'extremely low risk' in the change in reserves year on year.
8. The council will continue to review compliance with the FM code and set a path of continuous improvement in place, including placing the importance of a robust Fairer Futures Medium Term Financial Strategy (FFMTFS) as a key element in sustainability and coordinating the review of balance sheet management.

Community, equalities (including socio-economic) and health impacts

Community impact statement

9. This report is not considered to have a direct impact on local people and communities. However, good governance arrangements are important to the delivery of local services and to the achievement of outcomes.

Equalities (including socio-economic) impact statement

10. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

11. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

12. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

13. There are no direct resource implications in this report.

Consultation

14. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

15. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information Governance files	Finance and Governance, Second Floor, Tooley Street	Geraldine Chadwick

APPENDICES

No.	Title
Appendix A	CIPFA Financial Management Code 2021-22

Audit Trail

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Geraldine Chadwick, Interim Technical Accountant.	
Version	Final	
Dated	4 July 2022	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team		4 July 2022