

<b>Item No.</b> 12.	<b>Classification:</b> Open	<b>Date:</b> 6 June 2023	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Compliance with CIPFA Financial Management code	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance	

## 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 committee.
5. A report was noted at the audit, governance and standards committee in July 2022 which updated members on the council's compliance with the code in 2021-22.

## CIPFA FINANCIAL MANAGEMENT CODE

6. 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 unexpected financial shocks including energy price hikes and inflation increases, creating the unexpected need to support the most vulnerable residents. Looking ahead, there is significant uncertainty in local government funding which will require authorities to make prudent provision for future reduction in resources.

7. The council has reviewed compliance against the code for the 2022-23 financial year. Appendix A details the council's compliance with each FM standard, by reviewing the guidance of evidence required and assessing how the council meets these standards.
8. 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 quartile compared to other London Boroughs but as there is a small positive year on year movement is ranked as low risk on the 'reserve sustainability measure'.
9. 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 Medium Term Financial Strategy (MTFS) as a key element in sustainability.

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

### **Community impact statement**

10. This report is not considered to contain any proposals that would have a significant impact on any particular community or group.

### **Equalities (including socio-economic) impact statement**

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

### **Health impact statement**

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

## **Climate change implications**

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

## **Resource implications**

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

## Consultation

15. There has been no consultation on this report.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

16. 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 2022-23

## Audit Trail

<b>Lead Officer</b>	Strategic Director of Finance	
<b>Report Author</b>	Geraldine Chadwick, Interim Technical Accountant.	
<b>Version</b>	Final	
<b>Dated</b>	24 May 2023	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Assistant Chief Executive – Governance and Assurance	N/A	N/A
Strategic Director of Finance	N/A	N/A
Cabinet Member	N/A	N/A
<b>Date final report sent to Constitutional team</b>	24 May 2023	