

Report to:	Audit Committee	Date: 12 October 2022
Subject:	Compliance with the CIPFA Financial Management Code	
Report of	Section 151 Officer	

Summary

1. This report presents information which highlights the Council's compliance with the Financial Management Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Recommendation(s)

2. The Audit Committee is recommended to note the level of compliance with the CIPFA Financial Management Code and the issues that require further development.

Reasons for recommendation(s)

3. Adherence to the Financial Management code will support strong Financial Management and resilience.

Alternative options considered and rejected

4. None

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Background

5. During 2019 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued the CIPFA Financial Management Code (FM Code), followed in 2020 by the guidance notes to support this document which provided a more comprehensive description of the requirements and how these could be demonstrated.
6. Outlined in this report is an up-to-date position statement which shows how the authority is placed against code compliance. Appendix 1 sets out the requirements of the code and where changes are needed to meet the code in full.

Executive Summary

7. The code is not a set of rules to be followed but a set of principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional standards needed if a local authority is to meet the minimum standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.
8. A tightening of finances has placed local government under extreme financial pressure and Bury has done much to transform services and reduce costs but for these approaches to be successful it must also have good financial management embedded within the organisation.
9. The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.
10. There are six overarching principles on which the FM code is based
 - a. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - b. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - c. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 - d. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
 - e. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 - f. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
11. The CIPFA financial management standards are presented and explained in Sections 1 to 7 of the FM Code.
 - a. The responsibility of the Chief Finance Officer and Leadership team
 - b. Governance and financial management style
 - c. Long to medium-term financial management
 - d. The annual budget
 - e. Stakeholder engagement and business plans
 - f. Monitoring financial performance
 - g. External Financial Reporting
12. Each local authority must demonstrate that the requirements of the FM Code are being satisfied. However, the FM Code is not expected to be considered

- in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making and a holistic view is taken
13. Compliance with the FM code is considered to be the collective responsibility of elected members, The Chief Finance Officer, the Head of Paid Service and the Leadership Team
 14. The finance team will focus on the actions identified. A number of these actions will be undertaken on the conclusion of the Finance Restructure and transformation including: -
 - a. Completion of the finance restructure as per timetable and ensure good appointments to any vacancies
 - b. Support development for all staff and accreditation through professional accounting bodies
- Further actions to ensure compliance: -
- c. A programme of Budget holder and member education and training has commenced but will need to continue and be developed further.
 - d. System enhancements are being reviewed to improve the budget monitoring abilities of budget holders alongside training.
 - e. The development of improved financial monitoring and reporting, working with services to link this with activity and outcomes.
 - f. The review of income and debt recovery for the authority with a clear plan of improvement and reviews.
 - g. Work is currently under way to expand the use of benchmarking into other directorates.
 - h. A review of reserves was undertaken as part of the 2021/22 accounts process but a further in-depth review will be undertaken over the summer of 2022/23 to understand the ability to add to the smoothing reserve that was created as part of the 2022/23 budget setting process
 - i. Review of timeline to ensure reporting is undertaken in real time enabling Executive team and Departmental Leadership teams to respond in a timely manner.
15. An updated assessment has been carried out at APPENDIX A of the Council's assessed level of compliance compared to the Standards contained in the FM Code.
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Links with the Corporate Priorities:

Please summarise how this links to the Let's Do It Strategy.

16. Good Financial Management ensures the resources to maintain the Council's strategic leadership of the Let's do it! Strategy.
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Equality Impact and Considerations:

Please provide an explanation of the outcome(s) of an initial or full EIA.

17. There are no Equality Impact Considerations.

Environmental Impact and Considerations:

Please provide an explanation of the carbon impact of this decision.

18. There are no Carbon Impact considerations.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
If compliance with the FM code is not demonstrated, then the Authority's financial sustainability could be called into question resulting in a negative impact with stakeholders	<ul style="list-style-type: none">• Strong leadership of the Council• Experienced and Qualified accountants working within the service who also undertake CPD

Legal Implications:

19. The preparation of annual accounts in compliance with the Accounts and Audit Regulations 2015 and the latest CIPA code of practice ensures that the Councils accounts are based on approved accountancy standards and constitutes good accounting practice under the terms of s 21(2) of the Local Government Act 2003.

Financial Implications:

20. The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility (supported by the management team and elected members) for ensuring compliance with the FM Code.

Background papers:

Appendix A – Financial Management Code – Evidence of Compliance

Appendix B – CIPFA Financial Management Code

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
FM code	Financial Management Code
CIPFA	Chartered Institute of Public Finance and Accountancy
CPD	Continued Professional Development