

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Finance & Audit Committee
Date: 9th March 2021
Reporting officer: Lisa Nyon, Assistant Director (Corporate Services)
Subject: CIPFA Financial Management Code 2019

Purpose and summary of report:

The purpose of the report is to provide Members with an overview of the Chartered Institute of Public Finance Accountants (CIPFA) Financial Management Code 2019, along with the initial self-assessment that has been undertaken by officers to identify compliance and areas for further consideration.

Recommendations:

Management Team/Members are requested to note:

- The findings of the initial self-assessment
- The requirement to be compliant with the code from 1st April 2021

1. Introduction

- 1.1 In October 2019, The Chartered Institute of Public Finance Accountants (CIPFA) issued a new code, which sets out a standard of financial management for local authorities. The new Financial Management Code (FM Code) states that local authorities should be working towards compliance with the code during 2020/21 with the view to full compliance by the end of the financial year 2021/22.
- 1.2 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.
- 1.3 The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.
- 1.4 The council has reviewed current working practises against the FM Code by way of a self-assessment, which has identified areas in which further action is required to ensure full compliance.

2. Initial Assessment

- 2.1 The FM Code consists of 17 financial management standards grouped into 6 categories:
- 2.1.1 **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - 2.1.2 **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.
 - 2.1.3 **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.
 - 2.1.4 **Adherence to professional standards** is promoted by the leadership team and is evidenced.
 - 2.1.5 **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.
 - 2.1.6 **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.
- 2.2 Appendix two sets out an initial self-assessment against the financial management standards, undertaken by the Finance team and details how compliant the council is against the requirements of this code. It also highlights any areas that need improvement to ensure full compliance.
- 2.3 In assessing compliance with the code the following criteria, set out in the table below has been applied using a RAG rating format:

RAG Rating	Number of Standards	Definition
RED	0	Significant improvements are required to comply with the code
AMBER	2	Moderate improvements are required to comply with the code
GREEN	15	Compliant / Minor improvements are required to comply with the code

- 2.4 It is pleasing to note that the initial self-assessment concludes that there are no significant improvements to be made. Out of the 17 standards the council is compliant with 15 and moderate improvements are required for the other two standards.

3. Future reporting

3.1 The FM Code states that:

“CIPFA considers application of the FM Code to be a collective responsibility of each authority’s organisational leadership team”

The leadership team is defined as elected Members, the Chief Finance Officer (CFO) and their professional colleagues in the leadership team

3.2 In order to ensure that the leadership team of the council is fully advised on the code, the initial assessment has been presented to the council’s Management Team and the Cabinet. It will also be reported to the Finance & Audit Committee who will receive regular updates throughout the year as the council works towards full compliance with the code by the end of 2021/22.

4. Background papers

4.1 Background papers pertaining to this report are held by the Assistant Director (Corporate Services). Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements

IMPLICATIONS	APPENDIX 1
Legal	<p>Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not previously been supported by a professional code.</p> <p>Whilst not a legal requirement, the FM Code is designed to support good practice in financial management and assist local authorities in demonstrating their financial sustainability.</p>
Finance and Value for Money	<p>The code sets out guidance to support sound financial decision making and specifically, the first element of the code looks to ensure:</p> <p><i>The leadership team is able to demonstrate that the services provided by the authority provide value for money.</i></p> <p>Compliance with the code will support the financial and value for money decision making of the authority.</p>
Risk Assessment	<p>Compliance with the FM Code will mitigate any potential risks in respect of financial management and financial decision-making.</p>
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? No</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>

IMPLICATIONS	APPENDIX 1
Corporate Plan	<p>This report supports delivery of objective #3 – Progress – in the Corporate Plan and specifically the following aims:</p> <ul style="list-style-type: none"> - A financially innovative council - Sound financial management - Drive service improvement and corporate governance
Climate Change	There are no climate change implications resulting from this report.
Crime and Disorder	There are no crime and disorder implications resulting from this report.
Digital and website implications	There are no digital and website implications resulting from this report.
Safeguarding children and vulnerable adults	There are no safeguarding children and vulnerable adults implications resulting from this report.