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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>25 MARCH 2021</b>
<b>REPORT OF THE:</b>	<b>CHIEF FINANCE OFFICER (s151) ANTON HODGE</b>
<b>TITLE OF REPORT:</b>	<b>CIPFA FINANCIAL MANAGEMENT CODE</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 This report includes the draft CIPFA Financial Management Code and sets out the Council's progress in meeting its requirements.

### **2.0 RECOMMENDATION(S)**

- 2.1 It is recommended that the Committee notes the introduction of the CIPFA FM Code and the self-assessment of compliance with the code detailed in the appendix to this report and that future reports will set out progress against the actions stated.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 3.1 To inform the committee of the Council's compliance with the Code.

### **4.0 SIGNIFICANT RISKS**

- 4.1 Failure to produce a statement would result in reputational loss but, more importantly, failure to ensure a high standard of financial management could lead to significant budget and service provision issues for the Council.

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 Local authorities are required to begin to ensure that they comply with the code.

## **6.0 REPORT CONTENTS**

- 6.1 In light of concerns around the financial resilience and management of local authorities, in particular after the well-publicised issues at Northamptonshire County Council, CIPFA developed, and consulted on, a draft code for good practice in financial management.
- 6.2 The final CIPFA FM code has been issued and local authorities are required to begin to apply the code from 1st April 2020. However, CIPFA considers 2020-21 as a 'shadow' year and requires that by 31st March 2021 local authorities should be able to demonstrate they are working towards full implementation of the code. The first full year of compliance will therefore be 2021-22.
- 6.3 Finance in local government is governed by a complex mix of rules including primary legislation, regulation and professional standards. The general financial management of a local authority, however, has not historically been supported by a specific professional code. Therefore, the CIPFA FM code will, for the first time, set standards of financial management for local authorities in the UK.
- 6.4 The code is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. It builds upon the underlying principles of leadership, accountability, transparency, professional standards, assurance and sustainability.
- 6.5 The FM code is also consistent with other CIPFA codes in that it is based on principles rather than narrow prescription. The code will not, therefore, detail specific financial management processes that each organisation must follow. Instead the local authority must demonstrate that the principles of the code, the Financial Management Standards, are being satisfied. Demonstrating this compliance with the code is the collective responsibility of elected members, S151 officers and their professional colleagues in the leadership team.
- 6.6 The code in itself, of course, does not eliminate financial pressure or risk but compliance with the code validates the organisation's ability to identify and manage risk and plan for long term financial sustainability.
- 6.7 A self-assessment of the County Council's ability to demonstrate that it meets the requirements of the FM code, and areas for further development, are detailed in Appendix A of this report.
- 6.8 In recent years, Ryedale District Council has strengthened its financial management, as recognised in the opinions of both external and internal audit. An analysis of the Council's structures, processes and procedures against the FM Code's Financial Management Standards shows a relatively high level of compliance with these principles. However, there are a number of areas where further actions can be taken to enhance compliance and these are detailed in the appendix.

## **7.0 IMPLICATIONS**

7.1 The following implications have been identified:

- a) Financial  
Failure to manage risk can result in legal action and costs
- b) Legal  
Failure to manage risk can result in legal action and costs
- c) Other (Climate Change, Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
Failure to manage risk can result in legal action and costs

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**Background Papers:**

None