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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>24 MARCH 2022</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 follows one to Committee in March 2021 which set out how far the Council complied with the requirements of the CIPFA Financial Management Code. This attached Appendix shows the current position against each of the CIPFA principles and gives an update on the current position and areas where action was due to take place in 2021/22. It also highlights any further actions which will ensure continuous improvement.

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

- 2.1 It is recommended that the Committee notes the work undertaken to enhance compliance with the CIPFA FM Code and that future reports will set out progress against any further 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 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 The final CIPFA FM code was issued in October 2019 with 2021-22 being the first year of expected full compliance. However, In February 2021 CIPFA provided clarification on compliance with the code to reflect COVID-19 pressures. This stated that much of the existing Code requirements are based on statutory responsibilities, the timescales for which CIPFA is not able to influence. The Code does, however, allow for both flexibility and a proportionate approach:
- “The manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority.”
- and that:
- “Financial management standards are to be guided by proportionality.”
- CIPFA concluded that while the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged.
- 6.8 CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement should include the overall conclusion of the assessment of the organisation's compliance with the principles of the FM Code.

6.9 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 undertaken last year showed a relatively high level of compliance with these principles. The actions set out in the update at Appendix 1 should further enhance this compliance.

## 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