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<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>16 FEBRUARY 2023</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 is an annual report which sets out how far the Council complies 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 2022/23.

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

2.1 It is recommended that the Committee notes the work undertaken to enhance compliance with the CIPFA FM Code.

### **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 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.

## **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