



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**TUESDAY, 20 SEPTEMBER 2022**

**Report of the Director of Finance and ICT**

**CIPFA Financial Management Code**

**1. Purpose**

- 1.1 To provide Audit Committee with an update of the Council's progress towards complying with the Financial Management Code standards.

**2. Information and Analysis**

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.
- 2.2 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.
- 2.3 The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.
- 2.4 Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial

decision making.

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- 2.6 The FM Code builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom.
- 2.7 By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.
- 2.8 The Council considers that it has strong levels of compliance, and this is further enforced by addressing the areas where further work had previously been identified.

## **Progress**

- 2.9 Cabinet received a report on 23 April 2020, informing them of the contents of the FM Code. In this report it was noted that Audit Committee would receive reports on the Council's progress towards achieving the requirements of the FM Code. Audit Committee has received update reports on 8 December 2020 and 21 September 2021.
- 2.10 The reports highlighted that the Council already has a strong level of compliance with many aspects of the FM Code, however, there were significant areas where further work was required to document how the Council is compliant with the FM Code relating to governance and financial management. These are shown at Appendix Two together with an update of progress against these areas.

## **Refresh**

- 2.11 Officers from the Council's Finance Division have reviewed the requirements of the Code in recent months to ensure that the Council is still compliant with Code. The review has confirmed that the Council still has robust financial management practices and processes.

2.12 In addition to reviewing the requirements, the Council has built a repository of recent public interest reports noting the lessons learned to ensure that the Council maintains good financial governance.

### **Internal Audit Reports**

2.13 In support of the refresh of the Code requirements it is worth noting that the Council's financial practices and processes are regularly reviewed as part of the Council's Internal Audit Plan. Recent audits of the Council's accountancy and budgetary arrangements, accounts payable and accounts receivable functions have all received a substantial assurance opinion underpinning robust financial procedures that are embedded across the Council.

### **Finance Review**

2.14 The Council implemented a revised operating model in July 2021 which has seen the introduction of a Finance Business Partnering approach which is a fundamental shift from the current financial monitoring activity. Budget holders and key stakeholders must understand their responsibilities in terms of monitoring budgets and good financial management practice as defined in the Council's Financial Regulations.

2.14 There will be a period of transition to ensure that the SAP upgrade, planned to be implemented in early October 2022, delivers the enhanced financial reporting to support both finance officers and budget holders. Finance officers will be equipped with a diverse range of core skills and knowledge to support this revised approach.

2.15 The revised operating model builds on the solid platform of strong financial management which is currently in place, but focuses on the development of systems and processes, and improved financial reporting. The Finance & ICT Division's Service Plan Deliverables for 2022-23 include the following which supports enhanced financial management:

- Continue to develop the revised operating model for finance adopting the principles of standardise, simplify and share
- Implemented a centralised purchasing team within Exchequer Financial Services to benefit the wider business by aligning it with the Accounts Payable and Master Data functions
- Ensure the Budget Management Support Team has developed a suite of training to support both finance and non-finance officers

- Review finance business processes across the organisation identify potential efficiencies and developments required
- Implement new Exchequer processes and systems in relation to the SAP upgrade
- Reviewed and improved the debt recovery process making it cost effective in line with the legal core offering approach to service delivery
- Reviewed internal request processes and forms to create electronic workflow forms and approvals

## **Summary**

2.16 Actions have been taken to address the areas where there is a need for improvement which were reported to Audit Committee on 8 December 2020 and 21 September 2021, which reinforce the Council's strong financial management. However, the Council must not become complacent and will continually monitor its financial management practices.

## **3. Consultation**

3.1 N/A

## **4. Alternative Options Considered**

4.1 Do Nothing – whilst the FM Code is not a legislative requirement, it applies to all local authorities. The Council's external auditors will consider the requirements of the Code and the Council's standing against the principles in reaching its value for money opinion.

## **5. Implications**

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

## **6. Background Papers**

6.1 Cabinet 16 April 2020 – CIPFA Financial Management Code  
Audit Committee 8 December 2020 and 21 September 2021 – CIPFA Financial Management Code

## **7. Appendices**

- 7.1 Appendix 1 – Implications
- 7.2 Appendix 2 – Areas for Improvement

## **8. Recommendation(s)**

That Committee:

- a) notes progress against the requirements of the Financial Management Code.

## **9. Reasons for Recommendation(s)**

9.1 The Council is required to ensure that it has proper practices and arrangements in place to support good financial management. Ensuring compliance with the principles of the FM Code supports good financial practice, internal control and governance measures.

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**Implications**

**Financial**

1.1 None.

**Legal**

2.1 None.

**Human Resources**

3.1 None.

**Information Technology**

4.1 None.

**Equalities Impact**

5.1 None.

**Corporate objectives and priorities for change**

6.1 Supports the Council Plan priority of delivering value for money services.

**Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.