

**DERBYSHIRE COUNTY COUNCIL**

**CABINET**

**16 April 2020**

**Report of the Director of Finance & ICT**

**CIPFA FINANCIAL MANAGEMENT CODE**  
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

**1 Purpose of the Report**

To inform Cabinet of the contents of the Financial Management Code.

**2 Information and Analysis**

**Background**

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.

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.

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.

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.

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.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

The first full year of compliance will be 2021-22. This recognises that organisations will require time to reflect on the contents of the FM Code and allows them to use 2020-21 financial year to demonstrate how they are working towards compliance.

## **Financial Management Code**

The FM Code establishes an approach based on six principles of good financial management:

1. **Organisational Leadership**  
Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
2. **Accountability**  
Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
3. **Transparency**  
At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
4. **Professional Standards**  
Promoted by the leadership team, with adherence evidenced.
5. **Assurance**  
Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
6. **Long-Term Sustainability**  
At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

Explicit standards of financial management are also set out by the FM Code. These are the minimum standards which have to be complied with in order for the Council to demonstrate its compliance with the FM Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the FM Code does not prescribe how they should be achieved. The standards are summarised in Appendix 1.

## **Actions**

The Council will review its current processes, procedures and governance arrangements, to understand where it is already compliant with the FM Code standards and to identify any areas of non-compliance or where compliance is weak.

In order to demonstrate conformity with the FM Code's standards, a document evidencing the applicable parts of the Council's Constitution, Financial Regulations, reports and policies will be compiled. Where evidence is found to be weak, the Council will develop practices to ensure that it is fully compliant by 1 April 2021.

Audit Committee will receive regular reports on progress towards achieving the FM Code, including proposals for additional practices where appropriate and on compliance with the FM Code's standards. An annual report will be taken to Full Council alongside the Statement of Accounts in late Autumn each year, commencing in 2022, following the first full financial year of compliance.

### **3 Financial Considerations**

As set out above.

### **4 Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

### **5 Background Papers**

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

### **6 Key Decision - No.**

### **7 Is it necessary to waive the call-in period? - No.**

### **8 Officer's Recommendation**

That Cabinet:

8.1 Notes the contents of the report.

PETER HANDFORD

Director of Finance & ICT

## APPENDIX 1

## CIPFA Financial Management Standards

FM Standard Reference	Standard
	<b>LEADERSHIP</b>
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.
	<b>ACCOUNTABILITY</b>
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i> .
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i> .
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.
	<b>TRANSPARENCY</b>
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions.
	<b>STANDARDS</b>
H	The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> .
J	The authority complies with its statutory obligations in respect of the budget setting process.

## APPENDIX 1

FM Standard Reference	Standard
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.
	<b>ASSURANCE</b>
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.
F	The authority has carried out a credible and transparent financial resilience assessment.
H	The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> .
	<b>SUSTAINABILITY</b>
E	The financial management style of the authority supports financial sustainability.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.