

Southend-on-Sea Borough Council

Agenda
Item No.

6

Report of the Executive Director (Finance and
Resources)

to

Audit Committee

on

28th April 2021

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CIPFA's Financial Management Code

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the Council's self-assessment outcome against the expectations of CIPFA's new Financial Management Code.

2. Recommendations

- 2.1 **The Audit Committee notes the Council's review against the expectations of CIPFA's Financial Management Code, takes assurance that the Council's arrangements have been self-assessed as compliant, and endorses the action plan to deliver further improvements**
- 2.2 **The Audit Committee agrees to keep the Council's compliance status against CIPFA's Financial Management Code under review and endorses the requirement for an annual self-assessment to be undertaken and reported to the Audit Committee every April.**

3. Background

- 3.1 In October 2019 CIPFA published a new Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management arrangements for local authorities.
- 3.2 It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:
- Financially manage the short, medium and long-term finances of a local authority
 - Manage financial resilience to meet unforeseen demands on services
 - Manage unexpected shocks in their financial circumstances.
- 3.3 The FM Code has six core principles and within those it has 17 minimum standards (A-Q) that came into effect from 1st April 2020, with the first full year of compliance being the 2021/22 financial year.

4. Self-assessment

4.1 The Council committed to undertake a self-assessment against each of the 17 standards contained within the FM Code. Officers in finance and audit have reviewed the Council's current practices, and the evidence of their utilisation, to complete that self-assessment. The officers reviewed the evidence of the Council's current arrangements compared to the FM Code's expectations and expressed their degree of confidence about how well these arrangements met the FM Code's expectations. This has resulted in a RAG rating that is being used to report the status of compliance against each standard:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

4.2 The results of the review undertaken by officers is represented by the diagram shown at Appendix 1. This illustrates that the Council is self-assessed as achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 13 standards and demonstrable compliance, but with recognised scope for further improvement for the remaining 4 standards.

4.3 In addition to the improvements recommended for the 4 standards rated as amber that are reported in the action plan at Appendix 2, additional work to ensure consistency and embedding of arrangements throughout the Council is also proposed to enhance the already compliant arrangements in respect of the following 3 standards:

- C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control
- E: The financial management style of the authority supports financial sustainability
- N: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

4.4 Whilst demonstrating best practice in all areas would always be ideal it is acknowledged that with the finite level of resources available, sensible judgements need to be made. The Council needs to have confidence in its arrangements and compliance with the Code, but also to ensure that arrangements are proportionate and represent a good use of limited available resources. The proposals in this report will be kept under review but it is considered that this fine balance has been achieved, and no extra costs will be incurred as a result of this assessment and recommended way forward.

4.5 Discussions have been held with the Corporate Management Team to confirm the:

- results of the self-assessment
- areas where we should focus our resources to deliver improvements
- commitment to continue to create the right conditions to embed good financial management, with clear ownership and accountability for delivering better outcomes
- need to embed the importance of securing value for money across all areas of the Council via the Knowing Your Business programme.

- 4.6 The findings of the self-assessment have resulted in the proposed action plan, included at Appendix 2. This plan outlines the steps that the Council will take to deliver further improvements to existing arrangements to ensure enhanced compliance with the expectations of the FM code while also supporting the delivery of the Southend 2050 Ambition, Roadmap and Outcomes. This work will also be included in the Council's Future Ways of Working Programme (FWOW) under the Financial Sustainability workstream.
- 4.7 It should also be noted that the NAO's Code of Audit Practice 2020 for external audit of local government that takes effect from the audit of the 2020/21 financial year has updated the approach that external auditors will be taking to delivering their review of the Council's Value for Money (VFM) arrangements. The Council's findings from the self-assessment against the FM Code will form part of the evidence provided to the external auditors to inform their review.

5. Reasons for Recommendations

- 5.1 One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the internal control framework, therefore understanding the Council's compliance with the expectations of CIPFA (the sectors' standard setter) in respect of financial management assists the Committee to achieve this purpose.**

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

The corporate financial management arrangements underpin the operational effectiveness of the Council's corporate governance arrangements and specifically monitors progress of managing financial sustainability and the use of financial resources associated with the successful delivery of our Southend 2050 Ambition, Roadmap and Outcomes.

6.2 Financial Implications

Any financial implications arising from effectively managing the Council's financial position will be considered through the normal financial management processes. Proactively managing the Council's finances results in improved utilisation of limited resources, better VFM including reduced costs and improved outcomes for local residents.

6.3 Legal Implications

The Accounts and Audit Regulations 2015 require the Council to ensure that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions.

6.4 People Implications

Any people implications arising from managing the Council's finances will be considered through the Council's normal business management processes.

6.5 Property implications

Any property implications arising from managing the Council's finances will be considered through the Council's normal business management processes.

6.6 Consultation

Consultation has taken place with key stakeholders.

6.7 Equalities and Diversity Implications

Corporate equalities considerations have been considered in the drafting of the financial management arrangements and any specific equality related risks have been identified for the Council.

6.8 Risk Assessment

Failure to implement a robust and fit for purpose financial management framework increases the risk that Council objectives will not be delivered.

6.9 Value for Money

Effective forecasting and timely management of the finances of the Council is a key factor in preventing waste, inefficiency and unnecessary or unplanned use of resources.

6.10 Community Safety Implications

Any community safety implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

6.11 Environmental Impact

Any environmental implications arising from managing the Council's finances will be considered through the Council's normal business management processes.

7. **Background Papers**

- CIPFA's Financial Management Code 2019
- CIPFA's Financial Management Code Guidance Notes 2020

8. **Appendices**

- Appendix 1 – Illustration of Self-Assessment Findings
- Appendix 2 – FM Code Action plan