

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Executive Director (Finance and
Resources)

to

Audit Committee

on

20 October 2021

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CIPFA's Financial Management Code – Progress Update

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To provide a six monthly progress update to the Audit Committee on the action plan that resulted from the Council's self-assessment against the expectations of CIPFA's new Financial Management Code.

2. Recommendations

- 2.1 **The Audit Committee notes the progress against the Financial Management Code action plan that was reported to the Audit Committee on 28 April 2021.**
- 2.2 **The Audit Committee notes the next annual self-assessment of the Council's compliance status against CIPFA's Financial Management Code will be undertaken and reported to the Audit Committee in April 2022.**

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 1 April 2020, with the first full year of compliance being the 2021/22 financial year.

4. Progress with the action plan

- 4.1 The Council undertook a self-assessment against each of the 17 standards contained within the FM Code. Officers in finance and audit 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 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 was 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 The proposed action plan and progress to 30 September is included at Appendix 2. This plan outlines the steps that the Council is taking 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.
- 4.4 The following table sets out our assessment of the progress made against each of the standards that were self-assessed as requiring further improvement and the anticipated rating at the time of the next assessment in April 2022:

Financial Management Standard	Self-Assessment RAG rating	Anticipated RAG rating at the next Self-Assessment
A – The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	Green
I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Amber	Amber
L - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Amber	Amber
M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	Amber	Green

4.5 It should also be noted that the National Audit Office'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 has formed part of the evidence provided to the external auditors to inform their review.

4.6 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 was 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.

4.7 Progress to 30 September in these three areas is as follows:

- C: The Council is:
 - undertaking a review of the Constitution that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people, to ensure that this provides the most effective way of working
 - undertaking a review of risk management arrangements to ensure that these are operating effectively across the organisation
- E: The Council is:
 - embarking on an LGA Corporate Peer Challenge which will include financial sustainability within its remit
 - implementing the Knowing Your Business Programme to aid understanding of the key cost and income drivers and their effect on sustainability
 - embedding a specific standard objective as part of the Annual Conversation performance assessment process for every officer that is part of the wider leadership group, that includes being accountable for demonstrating strong financial acumen and sound budget management
- N: The Corporate Management Team receive monthly financial performance reports that inform of any adverse variances and emerging budgetary risks that require the development of remedial savings plans and appropriate spending reductions. The report now includes a RAG rated savings tracker to show the status of approved budget savings and income generation initiatives. The development of the report will be kept under review to ensure it remains relevant and appropriate.

4.8 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.

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 Progress Against Action plan