

Audit Committee

DATE OF MEETING: TUESDAY, 27 JULY 2021

TITLE OF REPORT: ASSESSMENT OF COMPLIANCE WITH CIPFA
FINANCIAL MANAGEMENT CODE

Report of: Head of Corporate Services

Cabinet Portfolio: Deputy Leader and Finance & Corporate Services
Key Decision No

Confidentiality Non Exempt

1 PURPOSE OF REPORT

1.1 Local government finance in the UK has been governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, was not supported by a professional code. CIPFA introduced a Financial Management code (FM Code) to provide guidance to local authorities. This report provides the results of an Officer review against the key standards in the code.

2 OFFICER RECOMMENDATION

The Committee notes:

- 2.1 The publication of the FM Code and the requirement for it to be applied from 1 April 2020.
- 2.2 That the first year, 2020/21, is a shadow year where local authorities can demonstrate that they are working towards full implementation which, for the first full year of compliance, will be 2021/22.
- 2.3 That an initial assessment has been carried out at APPENDIX A of the Council's assessed level of compliance compared to the Standards contained in the FM Code.
- 2.4 There is an item on the Internal Audit Plan 2021/22 to review progress against actions raised in the initial review.

BACKGROUND

3.1 In December 2019, CIPFA published its Financial Management code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management. The first year of implementation of this code is 2021/22 with authorities invited to assess themselves against in 20/21. Hart District Council assessed itself accordingly at the 31 March 2021 to

actions to be implemented in during 2021/2022. The assessment is provided at Appendix A.

4 MAIN ISSUES

- 4.1 The driver for the FM Code was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.
- 4.2 The FM Code acknowledges that there is much good practice across the sector, but the failure of a small number threatens stakeholders' confidence in local government. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.
- 4.3 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities.
- 4.4 Appendix A demonstrates our self-assessment against the code and provides several actions to be taken during 2021/22 to improve compliance. Progress against these recommendations will be reported to each future Audit Committee meeting.

5 CORPORATE GOVERNANCE CONSIDERATIONS

5.1 Service Plan

Is the proposal identified in the Service Plan?	No
Is the proposal being funded from current budgets?	Yes
Have staffing resources already been identified and set aside for this proposal?	Yes

5.2 Legal and Constitutional Issues

No Legal or Constitutional Issues Identified.

5.3 Financial and Resource Implications

No significant financial and resource implications identified.

5.4 Risk Management

Financial sustainability risk is included on the Finance and Corporate Risk Registers.

6 EQUALITIES

6.1 No Equalities Risk Assessment required.

7 CLIMATE CHANGE IMPLICATIONS

7.1 No direct carbon/environmental impacts arising from the report.

8 ACTION

8.1 This report is noted and progress on implementation of recommendations is monitored.

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