

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

CIPFA Financial Management Code

Purpose of the Report

1. To update Members on the latest guidance on best practice in Financial Management from the Chartered Institute of Public Finance & Accountancy (CIPFA), and to provide an assessment of Nottinghamshire County Councils performance against the guidance.

Background

2. An initial report was presented to the Finance & Major Contract's Management Committee on 20 May 2019. This report provided an initial self-assessment against the draft code.
3. Much of local government finance is governed by primary legislation, regulation and professional standards, however the general financial management of local government has up to now not been subject to a professional code.
4. CIPFA has now published The Financial Management Code (FM Code). The first full year of compliance is 2021/22.
5. This report provides an updated assessment against the full code.

FM Code

6. The FM code builds on the success of the CIPFA Prudential Code, which requires local authorities to demonstrate the long-term financial sustainability of their capital expenditure and associated borrowing. It is consistent with other CIPFA codes and is based on principles rather than prescription.
7. It should be noted that reference in the FM code to 'leadership team' covers both elected members and officers and includes key committees of the authority.
8. The key principles underlying the code are set out below
 - **Organisational leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

- **Accountability** - based on medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
- Adherence to **Professional Standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection.
- **The long-term sustainability** of local services is at the heart of all financial management process and is evidenced by prudent use of public resources.

Nottinghamshire County Council Performance

9. Appendix A sets out the self- assessment of NCC processes and procedures against the 17 standards in the FM code. The assessment considers if NCC exceeds, meets or is working towards each standard.
10. The assessment is that NCC meets 14 of the 17 standards and exceeds the requirements in 3.
11. It should be noted that the assessment of 'meets' against standard G relating to the prospects of long term financial sustainability is made in the context of the current £47.7m shortfall in the Medium Term Financial Strategy (MTFS) and the uncertainty in central government funding for 2022/23 and beyond. The standard requires that NCC understands the position and has reported this clearly to Members.
12. Overall, it is felt that NCC can demonstrate good compliance with the FM Code and will continue to work to ensure the requirements are met on an ongoing basis.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

That Members

- 1) Review and comment on the self-assessment against the standards in the FM Code.
- 2) Identify any additional information they require.

**NIGEL STEVENSON
SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT**

**For any enquiries about this report please contact:
Keith Palframan, Group Manager – Financial Services**

Constitutional Comments (SR 25/8/21)

14. The proposal in this report are within the remit of this Committee.

Financial Comments (KRP 25/8/21)

15. There are no direct financial implications arising from the contents of the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- CIPFA Financial Management Code

Electoral Division(s) and Member(s) Affected

- All