



20 May 2019

Agenda Item: 4

**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 Council's performance against the guidance.

Background

2. 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.
3. CIPFA are now proposing that a Financial Management Code (CIPFA FM Code) should be issued to support best practice and to ensure local authorities are able to demonstrate their financial sustainability.
4. A draft code has been developed and was circulated to local authorities in March 2019.
5. As part of the review of the draft code Nottinghamshire County Council (NCC) has undertaken a self-assessment against the standards proposed to ensure that the authority meets the expected level of financial control.

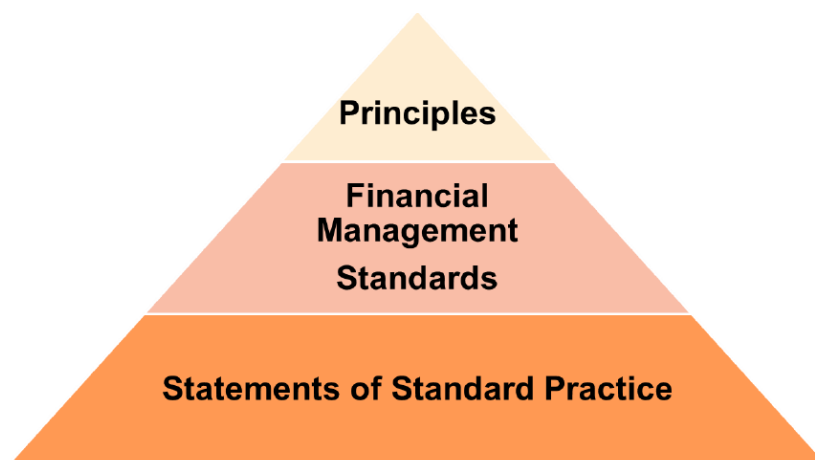
CIPFA FM Code

6. The 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. The code will be applicable from 1 April 2020 which means that, in order to ensure the 2020/21 budget has been prepared in compliance with the code, elements will need to be adopted earlier.
8. It should be noted that reference in the code to 'leadership team' covers both elected members and officers and will include key committees of the authority.
9. 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.

There is a clear hierarchy from Principles to Financial Management Standards to Statements of Standard Practice as shown in figure 1 below. All principles are required to be applied and the statements of standard practice set the minimum requirement to demonstrate adherence to the code.

Figure 1



Nottinghamshire County Council Performance

10. Appendix A sets out the current self- assessment of NCC processes and procedures against the 21 standards in the draft code. The assessment considers if NCC exceeds, meets or is working towards each standard.
11. Overall the assessment is that NCC meets 18 of the 21 standards, exceeds the requirements in 2 and is working towards 1.

12. The Working Towards assessment is against standard G relating to Long Term Financial Strategy. This is due to the current £34m shortfall in the Medium Term Financial Strategy (MTFS) and the uncertainty in central government funding for 2020/21 and beyond.
13. Overall it is felt that NCC can demonstrate good compliance with the draft CIPFA FM Code and will be in a strong position when the code is introduced for the 2020/21 financial year.

Statutory and Policy Implications

14. 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 draft standards in the CIPFA 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:
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Constitutional Comments (SSR 10/5/2019)

The recommendations fall within the scope of matters which may be determined by the Finance and Major Contracts Management Committee.

Financial Comments (GB 10/5/2019)

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 - Draft

Electoral Division(s) and Member(s) Affected

All