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| <b>Meeting</b>          | <b>Extraordinary SLT</b>                            | <b>Agenda no.</b>      | <b>4</b>   |
|                         | <b>Strategic Board</b>                              |                        | <b>6</b>   |
| <b>Meeting Date</b>     | <b>23<sup>rd</sup> May 2024</b>                     |                        |            |
|                         | <b>13<sup>th</sup> June 2024</b>                    |                        |            |
| <b>Report Authors:</b>  | <b>Austin Page – Finance and Compliance Manager</b> |                        |            |
| <b>Presented By</b>     | <b>Neil Cross – Chief Financial Officer</b>         |                        |            |
| <b>Subject</b>          | <b>CIPFA Financial Management Code 2023/24</b>      |                        |            |
| <b>Type of Report:</b>  | <b>Decision</b>                                     |                        |            |
| <b>Action Point No.</b> |   | <b>For Publication</b> | <b>Yes</b> |

## RECOMMENDATIONS

It is recommended that the Service Leadership Team:

- Note the content of the CIPFA Financial Management Code and that the 2023/24 financial year is the third full year of compliance.
- To agree with the assessed level of compliance compared to the Standards contained in the FM Code, shown in Appendix 1 and to commit to the improvements that have been highlighted.

## EXECUTIVE SUMMARY

The purpose of the report is to review the Authority's compliance with CIPFA's Financial Management Code ("The FM Code") for the third financial year, 2023/24.

An initial assessment was carried out in 2021/22, followed by a review in 2022/23, which demonstrated compliance with the FM Code, though some improvements were noted. This assessment was subject to an external review by our internal auditors, RSM, resulting in substantial assurance.

An updated assessment for 2023/24 has been carried out in Appendix 1. The assessment has been carried out against each of the of the 17 Standards that are contained in the FM Code.

Overall, the assessment show's that the Authority is able to demonstrate a high level of compliance, with a few further areas of improvement being identified. The changes since the prior year assessment are:

- **Standard A – Demonstration of Value for Money** – actions raised during the last assessment have been completed in year, most notably, cashable savings have been tracked through the Productivity and Efficiency Board. This also includes the in-year cashable savings plan which was developed. Savings are now more comprehensively captured by the procurement team, and these are reported in each quarter in the procurement reporting pack.

- **Standard E – Financial Sustainability** – The Authority has received a Good Rating from HMICFRS relating to future affordability. The work around the MTFS / Cashable Efficiencies, Reserves and Capital Strategies have been important drivers in achieving this. Towards the latter part of the year, there was some staff turnover in the Monitoring Team which did result in some budget holder reviews being less frequent. Staff have been recruited but it is important that such budget holder reviews become regimented and regular in 2024/25.

## **BACKGROUND**

The FM Code is guidance published by the Chartered Institute of Public Finance and Accountancy to ensure public sector finances are sustainable. Compliance with CIPFA guidance is mandated in the Fire and Rescue National Framework.

The purpose of the CIPFA Financial Management Code is to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

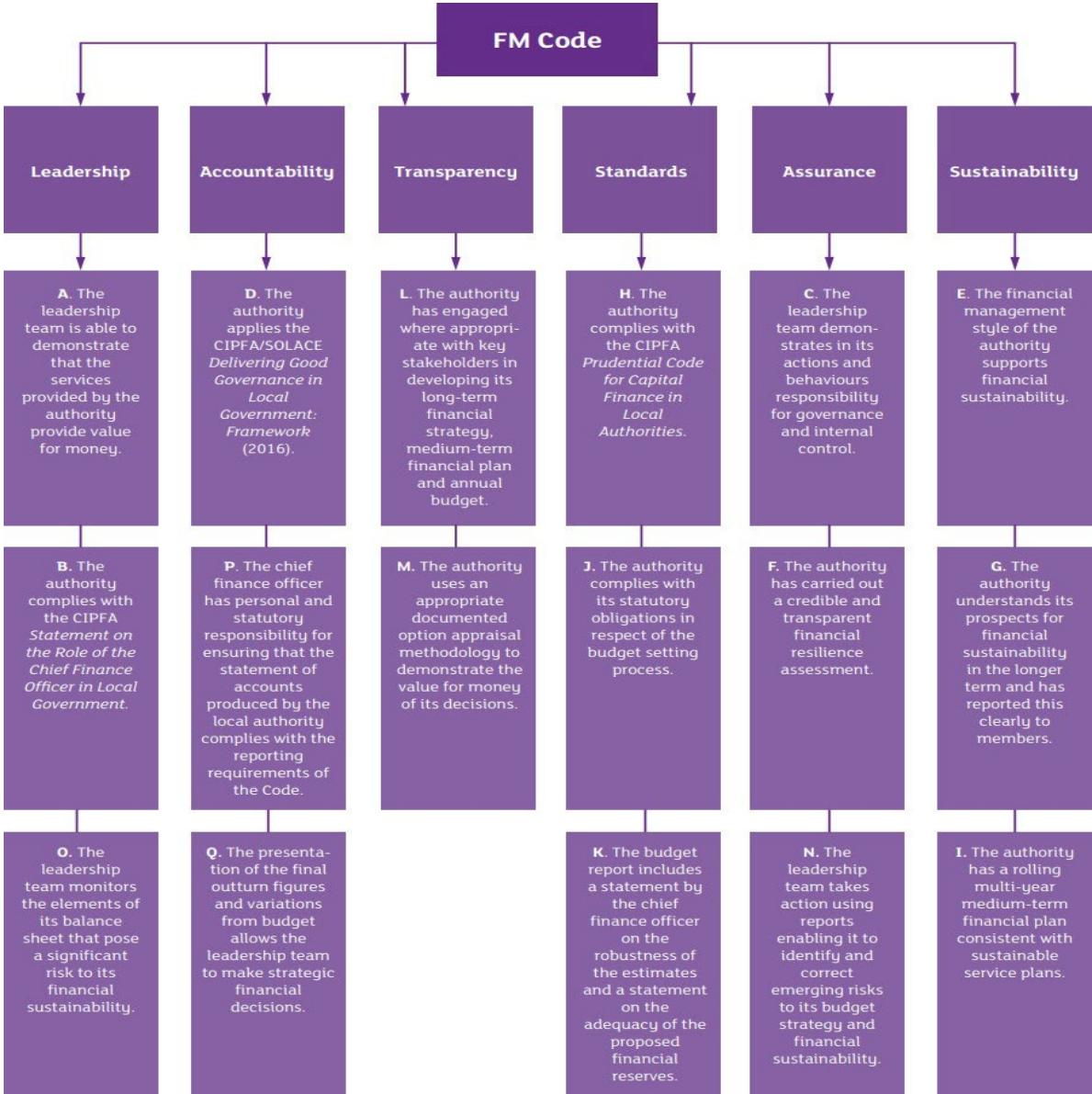
The FM Code is based on a series of principals supported by specific standards which are considered necessary to provide the strong foundation to:

- 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 financial circumstances.

### **Principals of good financial management:**

- **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 that 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, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The FM Code translates these principles into 17 financial management standards as displayed below.



These financial management standards have different practical applications according to the different circumstances of each authority and their use should therefore reflect this. CIPFA highlights that authorities should take a proportional response and focus on key gaps and risks areas.

An assessment has been carried out in Appendix 1, to demonstrate that the Authority meets the requirement of the FM Code. The assessment that has been carried out to against each of the of the 17 Standards mentioned above, that are contained in the FM Code.

It is the collective responsibility of the Office of the PFCC, Chief Finance Officer and the Service Leadership Team to demonstrate compliance with the FM Code.

## OPTIONS AND ANALYSIS

The benefits of the proposals are to provide reassurance around the Compliance with CIPFA's FM Code, ensuring that the Authority has good financial management in place. This should provide a strong foundation to ensure:

- Financially manages the short, medium, and long-term finances of the Authority.
- Manage financial resilience to meet unforeseen risks or demands.
- Manage unexpected shocks in financial circumstances.

## RISKS AND MITIGATIONS

Compliance with the FM Code validates that the Authority's ability to manage risk and plan for future financial sustainability.

This should give further reassurance in regard to risk SRR150001 on Authorities risk register.

## LINKS TO FIRE AND RESCUE PLAN

Strong financial management and resilience, ensures the Authority service can deliver on the priorities in the Fire and Rescue Plan.

## FINANCIAL IMPLICATIONS

This report relates to financial governance and should have no direct financial impacts.

## LEGAL IMPLICATIONS

Whilst compliance with the code is not a statutory duty in itself, failure to comply could be viewed as not meeting existing statutory duties.

The Chief Financial Officer (Section 151 Officer) has the Statutory Responsibility (supported by the Service Leadership Team) for ensuring compliance with the FM Code. Actions and responsibilities are outlined in Appendix 1 to this report.

## STAFFING IMPLICATIONS

This decision does not have any direct staffing implications. However, there will be a requirement to engage with staff through the implementation of the recommendations (e.g. Training).

## EQUALITY AND DIVERSITY IMPLICATIONS

We have considered whether individuals with protected characteristics will be disadvantaged as a consequence of the actions being taken. Due regard has also been given to whether there is impact on each of the following protected groups as defined within the Equality Act 2010:

|                    |    |                                |    |
|--------------------|----|--------------------------------|----|
| Race               | No | Religion or belief             | No |
| Sex                | No | Gender reassignment            | No |
| Age                | No | Pregnancy & maternity          | No |
| Disability         | No | Marriage and Civil Partnership | No |
| Sexual orientation | No |                                |    |

If an impact on one group or more is anticipated, a full People Impact Assessment must be completed and attached to the report. Please also look to add other comments to ensure that a review has been properly considered as part of this report process.

## **HEALTH AND SAFETY IMPLICATIONS**

The are no Health and Safety Implications arising as a result of this report.

## **CONSULTATION AND ENGAGEMENT**

The are no Consultation requirements as a result of this report.

## **LIST OF BACKGROUND PAPERS AND APPENDICES**

Appendix 1 – Assessment of Compliance to CIPFA Financial Management Code

Appendix 2 – CIPFA Financial Management Code