

**FINANCE, AUDIT AND RISK COMMITTEE**  
**15 SEPTEMBER 2021**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: FINANCIAL MANAGEMENT CODE AND BALANCE SHEET INSIGHT**

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

**1. EXECUTIVE SUMMARY**

In October 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Management Code. The intention of the Code is that it supports Local Authorities in assessing how prepared they are to deal with financial pressures. An assessment was provided to this Committee in January 2020. Since then, CIPFA have published some guidance notes. This report updates the previous assessment to cover matters raised in the guidance note and changes that the Council has made since the last update. It also provides a summary of the Council's balance sheet which is one of the actions contained within the Code.

**2. RECOMMENDATIONS**

- 2.1. That the Committee note this report and comment on the actions arising from the review of the Financial Management Code.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To enable the Committee to assess how the Council is performing against the Financial Management Code, in line with their Terms of Reference.
- 3.2. To provide training to the Committee to help them understand the Council's Balance Sheet (as part of the Statement of Accounts).

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. None. Whilst it may not be a requirement to adopt the Financial Management Code, it is good practice and is part of effective governance.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. The Council's Political Liaison Board is made up of Cabinet Members and the Officer Leadership Team. For the purposes of the Financial Management Code they are considered to be the Council's Leadership Team. As a result, the Political Liaison Board also receive updates on performance in relation to the Financial Management Code.

## **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

## **7. BACKGROUND**

- 7.1 In October 2019 CIPFA (Chartered Institute of Public Finance and Accountancy) launched a Financial Management Code. In January 2020 the actions arising from this were presented to this Committee.
- 7.2 The Code developed in response to the financial pressures that Authorities face and the need for strong financial management to address those pressures. The intention is that a self-regulation approach will prevent any other Local Authorities 'failing'. This will then avoid any need for any external control or reductions in current powers.
- 7.3 The Code should be applied from 1 April 2020. As it relates to the financial management cycle this means that elements may not be fully implemented until 31 March 2021.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 Since the last report was considered by this Committee, CIPFA have published some guidance notes. This report provides an update on the actions that were outstanding from the last time it was presented and any new considerations. The CIPFA guidance notes have helped to clarify the intentions of the Code. This assessment is attached at Appendix A. The table in the Appendix sets out the 17 standards contained within the Code, an assessment of the current situation and actions required to comply with the Code. The Code is not intended to be proscriptive, so the manner in which compliance is demonstrated will be proportionate to the circumstances of the Council.
- 8.2 The Committee will note that one of the actions is "to raise awareness of the various elements of the Council's balance sheet, what they mean and the potential impacts/risks". An explanation of the various elements is attached at Appendix B.
- 8.3 Whilst there is a role for the Chief Finance Officer (s151 Officer) to manage compliance with the Code, this is not something that should be done in isolation. Adherence to the Code is a joint responsibility of the Authority's Leadership Team- both Officers and Members. This Committee also has a role in monitoring and supporting adherence.

## **9. LEGAL IMPLICATIONS**

- 9.1. The Committee's Terms of Reference in paragraph 10.1.5 (d) of the Constitution include to "[a]ssist the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk." The Committee therefore has a role in monitoring and supporting adherence to the Financial Management Code.
- 9.2. The Code does not have any specific statutory backing. However CIPFA reference that compliance with the code should be linked to s151 of the Local Government Act 1972 ("every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the

administration of those affairs”). They also place an obligation on their Members to adhere to the Code. Note that it is a legal requirement for the Council’s Chief Finance Officer (s151 Officer) to be a member of a specified accountancy body (s113 Local Government Act 1988).

## **10. FINANCIAL IMPLICATIONS**

- 10.1. *There are no specific financial implications arising from this report. Adherence to the Financial Management Code should support the Council in developing effective financial management.*

## **11. RISK IMPLICATIONS**

- 10.2. *There are no specific risk implications arising from this report. Adherence to the Financial Management Code should support the Council in developing effective risk management.*

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. *There are no equalities implications arising from this report.*

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. The Social Value Act and “go local” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to *this report*.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 *There are no direct HR implications arising from this report.*

## **16. APPENDICES**

- 16.1 *Appendix A: Assessment of adherence to the Financial Management Code*

- 16.2 *Appendix B: Balance sheet review*

## **17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

- 18.1 *Financial Management Code report to Finance, Audit and Risk Committee 20 January 2020*  
<https://democracy.north-herts.gov.uk/documents/s9595/Financial%20Management%20Code.pdf>