

## **LANCASHIRE COMBINED FIRE AUTHORITY**

### **AUDIT COMMITTEE**

Meeting to be held on 20 July 2021

### **COMPLIANCE WITH CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA) FINANCIAL MANAGEMENT CODE (Appendix 1 refers)**

Contact for further information:-

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

#### **Executive Summary**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets the standard of financial management for local authorities, and applies to all local authorities, including police, fire, combined and other authorities.

The Code sets out a series of financial management standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders.

Based on this, a self-assessment against these standards has been undertaken and is attached as appendix 1, which demonstrates strong compliance against the Code.

#### **Recommendation**

The Committee is asked to note and endorse the self-assessment attached as appendix 1.

#### **Background**

The CIPFA FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

The Code sets the standard of financial management for local authorities, and applies to all local authorities, including police, fire, combined and other authorities.

CIPFA have considered the implementation of the FM Code and consider that 2020/21 should be a shadow year of operation for local authorities to demonstrate that they have been working towards full implementation of the Code; the first full year of compliance with the Code will therefore be 2021/22.

#### **The Financial Management Code**

The purpose of the FM Code itself is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities. A series of financial management standards set out the professional

standards needed if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.

While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

Reflecting on the importance of longer-term financial planning, one of the objectives of the FM Code is to support organisations to demonstrate that they have the leadership, capacity and knowledge to be able to plan effectively. This must be balanced against retaining the integrity of the annual budget preparation process when the need to make difficult decisions may threaten its integrity.

The FM Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The FM Code incorporates existing requirements on local government so as to provide a comprehensive picture of financial management in the authority.

The application of the FM Code will therefore provide the strong foundation within local authorities to enable them to:

- Financially manage their short-, medium- and long-term finances;
- Manage financial resilience to meet foreseen demands on services;
- Financially manage unexpected shocks in their financial circumstances.

The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

- 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 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.

Each local authority must demonstrate that the requirements of the FM Code are being satisfied, as such a self-assessment has been undertaken and is attached as appendix 1, demonstrating strong compliance against the Code.

**Financial Implications**

None

**Human Resource Implications**

None

**Equality and Diversity Implications**

None

**Environmental Impact**

None

**Business Risk Implications**

Failure to comply with the Code would impact on the Authorities Audit/Inspection regimes, as well as potentially impacting on our ability to borrow.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

| Paper  | Date       | Contact   |
|--|------------|---|
| CIPFA FM Code                                    | March 2021 | Keith Mattinson, Director of Corporate Services |
| Reason for inclusion in Part II, if appropriate: |            |   |