



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

22 December 2021

Report of: Councillor Adam Stokes
Deputy Leader of the Council



Financial Management Code

To update Members on the progress being made on the implementation of the new CIPFA Financial Management Code. The report provides an update on the progress of the Action Plan that was approved by the Committee on 9 June 2021.

Report Author

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Corporate Priority:	Decision type:	Wards:
High Performing Council	Administrative	All Wards

Reviewed by:	Alison Hall-Wright (Head of Finance and ICT)	9 December 2021
Approved by:	Karen Bradford (Chief Executive)	9 December 2021
Signed off by:	Councillor Adam Stokes (Deputy Leader of the Council)	10 December 2021

Recommendation (s) to the decision maker (s)

1. The Governance and Audit Committee is asked to note the progress being made in respect of the Financial Management Code Action Plan.

1 The Background to the Report

- 1.1 Local government finance in the UK is governed by primary legislation, regulation and professional standards. However, until recently, the financial management of local authorities has not been supported by a professional code.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has published its Financial Management Code (FM Code) to provide guidance for good and sustainable financial management in local authorities. It has been produced to assist local authorities in demonstrating their financial sustainability through a set of standards of financial management.
- 1.3 At its meeting on 9 June 2021, Governance and Audit Committee was presented with a report setting out the framework of the Financial Management Code, the details of a self-assessment against the Code requirements and an outline of an action plan that responded to the outstanding areas.
- 1.4 It was agreed that six monthly updates would be presented to the Committee to track and monitor progress against the Code requirements via Action Plan updates. An updated self-assessment and supporting evidence is provided at Appendix A.
- 1.5 A summary of the actions that have been reviewed since the last update are provided below:

Financial Management Standard	Action Required	Updated Position of Action
<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)</p>	<p>Undertake a comprehensive review of the Code of Corporate Governance</p>	<p>The initial area of the review has focussed on the Constitution review and the following actions are noted:</p> <ul style="list-style-type: none"> • Since the initial adoption of South Kesteven District Council's Constitution, a number of subsequent amendments have been made to the document. Unfortunately, over time, there are now a number of inconsistencies, contradictions and areas open for interpretation that need addressing to greatly improve the document and provide a better platform for decision-making and accountability. • An initial review of the Constitution has been undertaken recently, further to which a revised format has been proposed, which reverts back to that recommended as part of the model Constitution. This provides a better structure for the document and reduces the number of articles and sections currently included in the Council's Constitution.

		<ul style="list-style-type: none"> • One of the sections most open to interpretation is that of the Council's scheme of delegation, particularly in relation to its executive decision-making arrangements and which decisions can be taken by Cabinet, individual Cabinet Members or via delegated authority to officers. • A new Responsibility for Functions section, which is effectively the Council's scheme of delegation, has been the subject of review over the last few months with a revised version being presented to Constitution Committee on 10 January 2022 and recommended for adoption at Full Council on 27 January 2022. • It is anticipated that the rest of the Constitution will have undertaken a full review in order that this can be adopted in its entirety at the Council's AGM in May 2022.
The authority has carried out a credible and transparent financial resilience assessment	Development of resilience scenario planning and testing as part of the Medium Term Financial Planning (MTFP)	The MTFP is currently being reviewed and updated to reflect the changing financial landscape.
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	Assess implications arising from changes in Prudential Code	The Council complies with the Code. There may be changes to Code requirements, but these have not yet been published so the Council is not yet in a position to consider them.
The Leadership team takes action using reports enabling it to identify and correct emerging risks to its budget plans and financial sustainability	Develop a partnership protocol, assurance framework and register. There are mechanisms in place to report the performance of the authority's significant delivery partnerships	<p>A partnership protocol has been developed: Partnerships can take a variety of forms, including but not limited to:</p> <p><u>Formal</u></p> <ul style="list-style-type: none"> - Investment/Financial partnerships where two parties co-invest in an asset/service - Joint ventures with an organisation in the private sector to deliver a service/product - Shared Services with other public sector partners (eg East Midlands Building Control) that can deliver greater skills or

value for money by achieving economies of scale

Informal

- Partnerships with community or voluntary sector groups to support local communities
- Informal arrangements on an ad-hoc basis with other public or private sector organisations to achieve a specific objective

In all instances there is the need to establish the basis for the partnership by understanding:

- What are the shared objectives (ie what are we seeking to achieve together)
- What is each partner contributing to the partnership and what do they expect to get out of it (ie return on each partners investment)
- What success looks like and how it will be reviewed and lessons learnt identified and implemented
- How the partnership makes decisions, including operational decisions (eg day to day expenditure) and strategic ones (eg whether to continue, expand or end a partnership)

In addition to this for formal partnerships there is a need to establish a formal and clear Governance structure, with appropriate accountabilities and scrutiny. For example partnerships that take the form of a company at SKDC are held to account by Companies Committee, where business plans will be presented and reviewed regularly. Formal partnerships that are not in the form of a company (eg a shared service arrangement) fall within the scope of the relevant overview and scrutiny committee. Each partner in a partnership should have appropriate and clear governance in place within their own organisation.

For informal partnerships formal governance is not essential, but it is recommended that there is some kind of document or terms of reference to the partnership to ensure all partners have clear expectations.

The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	Consider if other major balance sheet items should include regular financial reporting	This is still under review to consider whether there are any changes to the Balance Sheet during any financial year that would have a material impact on the financial position of the Council
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The above summary demonstrates the Council continues to review and assess its current financial and governance arrangements with respect to the Code and is making progress against those areas where there was further compliance and adherence needs. It is suggested that further updates are provided to the Committee in six months' time.

Over the coming period the following actions will be undertaken:

- A review of the Local Code of Corporate Governance
- Development of resilience scenario planning and testing as part of the Medium Term Financial Planning 2022/23 – 2024/25
- Assess implications arising from changes to the Treasury Management Prudential Code (dependent upon the final publication)
- Consider if other major balance sheet items should be included in regular financial reporting
- Develop a partnership register to set out roles, responsibilities, governance and performance
- Review Contract Procedure Rules and Financial Regulations

As set out above these areas will be included in the Annual Governance Statement and progress will continue to be monitored through the Governance and Audit Committee.

2 Consultation and Feedback Received, Including Overview and Scrutiny

2.1 The Committee is invited to comment on the contents of the report.

3 Available Options Considered

3.1 N/a

4 Preferred Option

4.1 The preferred option is set out in the report.

5 Reasons for the Recommendation

5.1 The Code is a new requirement for the Council to adopt and integrate into its operating framework.

6 Next Steps – Communication and Implementation of the Decision

6.1 The Code and the supporting actions will be reported to members following approval.

7 Financial Implications

7.1 There are no specific financial implications arising from this report.

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance & s151 Officer

8 Legal and Governance Implications

8.1 The implementation of the Code strengthens the financial governance arrangements of the Council and is to be welcomed.

Legal Implications reviewed by: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer

9 Equality and Safeguarding Implications

9.1 None identified.

10 Risk and Mitigation

10.1 None identified.

11 Community Safety Implications

11.1 None.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 None.

13 Other Implications (where significant)

13.1 None.

14 Background Papers

14.1 None.

15 Appendices

15.1 Appendix 1 – Financial Management Code Summary