



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 8 December 2022

BY: Chief Finance Officer

SUBJECT: CIPFA – Financial Management Code 2021/22

1 PURPOSE

- 1.1 To ask the IJB to agree to adoption of the CIPFA – Financial Management Code guidance in so far as it applies to the operations of the IJB.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to:
- i. Note the consideration and recommendation to the IJB of this Code from its Audit & Risk Committee; and
 - ii. Agree to the adoption of the Code.

3 BACKGROUND

- 3.1 The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities. The IJB is governed by the Local Authority regulations.
- 3.2 A summary of the Code and the principles are:-
1. Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 2. **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.

3. 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.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. 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.
6. 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.

3.3 During December 2021 and March 2022 the IJBs Audit & Risk Committee considered the Code and how the Code would pertain to the IJB specifically. The Audit & Risk Committee therefore are recommending to the IJB to support the adoption of the Code in as far as it relates to the IJB.

4 ENGAGEMENT

4.1 The IJB makes its papers and reports available on the internet.

5 POLICY IMPLICATIONS

5.1 This paper is covered within the policies already agreed by the IJB.

6 INTEGRATED IMPACT ASSESSMENT

6.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper.

7 RESOURCE IMPLICATIONS

7.1 Financial – there are none.

7.2 Personnel – there are none.

8 BACKGROUND PAPERS

8.1 Audit & Risk Committee 15th March 2022 - CIPFA – Financial Management Code 2021/22

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DATE	December 2022

Appendix 1 – Consideration of the CIPFA FM Code and its application to the IJB

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Section	Standard	IJB	Assurance
1: The responsibilities of the Chief Finance Officer and Leadership Team	A: The leadership team is able to demonstrate that the services provided by the authority provide value for money	Yes, through the Strategic Plan and the Directions	IJB minutes, SPG minutes, Strategic Plan and Directions.
	B: The authority complies with the CIPFA 'Statement on the Role of the Chief Officer in Local Government'	Yes	Part of the Annual Audit process.
2: Governance and financial management style	C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	The IJB is a board and not an operational unit. It doesn't have a management team as such. The IJB has its own governance but operational internal control matters are a subject for the partners.	
	D: The authority applies the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (2016)'	The IJB has its own governance processes. Where the framework pertains – these are part of the IJB's own regulations	

	E: The financial management style of the authority supports financial sustainability	Yes	Financial sustainability is addressed in the short term as part of the budget setting process. In the longer term the IJB is continuing to develop its multi-year balance financial plan to support the Strategic plan. The IJB also has published its financial strategy
3: Long to medium-term financial management	F: The authority has carried out a credible and transparent financial resilience assessment	Yes	Finance Reports to the IJB and IJB budget setting process
	G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	Yes	Finance reports to the IJB and IJB budgets setting process
	H: The authority complies with the CIPFA 'Prudential Code for Capital Finance in Local Authorities'	Not applicable – the IJB has no capital resources.	
	I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Yes, the IJB is developing a financial plan to support the delivery of its Strategic Plan	

4: The annual budget	J: The authority complies with its statutory obligations in respect of the budget setting process	Yes, the IJB sets an indicative budget before the start of the financial year	IJB Budget setting paper to March Board
	K: The budget report includes a statement by the chief finance officer in the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	Yes	IJB Budget setting paper to March Board
5: Stakeholder engagement and business plans	L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Yes, this is part of the consultation and development of the IJB's Strategic Plan	Strategic Plan consultations/ SPG minutes
	M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	Yes.	SPG/ Strategic Plan
6: Monitoring financial performance	N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	No. The operational delivery of the IJB's budget is a matter for its partners. The IJB receives updates on the financial position of its partners. That said, additional directions and	

		revisions to the Strategic Plan can be used if the financial issues are serious and threatening to the delivery of the Strategic Plan	
	O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	In theory, however the IJB's balance sheet does not have any assets, loans or doubtful debtors that pose a risk to the IJB.	
7: External financial reporting	P: The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom'	Yes	Annual accounts and annual audit report.
	Q: The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	Yes. Part of the annual budget setting process and the development of the financial plan. The Strategic Plan is the basis of future financial decisions.	IJB budget setting papers in March