



CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

CIPFA FINANCIAL MANAGEMENT CODE – 2025/26

Purpose of the Report

1. The purpose of this report is to inform the Committee of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2025/26.

Background

2. Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management code (the Code). This is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
3. The Code is based on a series of principles 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 their financial circumstances.
4. The Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The Code incorporates CIPFA's existing requirements on local government so as to provide a comprehensive picture of financial management in an authority.
5. Each local authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.
6. The Code does not prescribe the financial management processes that local authorities should adopt. Instead it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is

proportionate to the risks to the authority's financial sustainability posed by the pressures of scarce resources and rising demands on services. The Code identifies these risks to financial sustainability and introduces an overarching framework of assurance which builds on existing best practice.

7. 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 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.
8. The last assessment, looking back at 2022/23, was presented to the Committee in January 2024.

CIPFA Financial Management Code – Assessment

9. The Code does not specify the frequency, or the financial year compliance should be reported. Some authorities report on compliance retrospectively at the end of the financial year. However, others report at the start of each financial year based on the latest Medium Term Financial Strategy and the position at the time. The Council has taken the latter approach for the latest assessment. This allows reporting of the Council's most up to date position and of any improvements, where needed.
10. The self-assessment of the Council's compliance with the requirements of the Code, and areas for further development, are detailed in Appendix A. The assessment is as at May 2025. The assessment includes an update on progress against recommendations made throughout the year by the external auditor, reported as Appendix B.
11. The assessment shows that the County Council meets the requirements of the Financial Management Code.
12. The Internal Audit Service has undertaken a high level review of the 2025/26 assessment and concluded that there are no other issues to report. Reference is also made to the adoption of the Code and the identified areas for development in the Annual Governance Statement (AGS).

Equality Implications

13. There are no discernible equality implications arising from the recommendations in this report.

Human Right Implications

14. There are no human rights implications arising from the recommendations in this report.

Recommendation

15. The Committee is asked to note this report.

Background Papers

Report to the Corporate Governance Committee 26 January 2024, CIPFA Financial Management Code 2022/23.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7410&Ver=4>

Circulation under the Local Issues Alert Procedure

None

Appendix

Appendix A - Financial Management Code, self-assessment 2025/26

Appendix B – External Audit Recommendations, progress update

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