

Clarification on compliance with Financial Management Code to reflect COVID pressures

The COVID-19 crisis has seen local authorities placed under extreme pressure to respond to the needs of their communities by providing services and support to an unprecedented extent. While initially we had hoped this would be a short-term requirement, we now accept it is a longer-term need.

During this period, governments and regulators have modified statutory timetables and other regulatory requirements to acknowledge the challenges of current requirements. Understanding these pressures, the CIPFA Financial Management and Governance Panel has considered these changes against workload, reprioritisation and resource issues facing local authority staff.

The objective of the Financial Management (FM) Code was to enhance standards of financial management across the sector and this aim is still fully supported by the profession. CIPFA considers good financial management to be even more essential during the current challenge, but we acknowledge the additional extraordinary burdens being faced by local authorities. Therefore, CIPFA has reflected on the extent to which it is appropriate to introduce a new FM Code at the current time.

Much of the existing Code requirements are based on statutory responsibilities, the timescales for which CIPFA is not able to influence. The Code does, however, allow for both flexibility and a proportionate approach:

“The manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority.”

and that:

“Financial management standards are to be guided by proportionality.”

CIPFA has concluded that while the first full year of compliance can remain as 2021/2022, it can do so within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel.

We consider that commentary within the annual governance statement may be used to demonstrate local decisions and will provide additional guidance.

This updated financial management guidance does not negate the requirements to comply with current legislative and associated existing CIPFA Codes.

CIPFA has been encouraged by the progress being made towards compliance with the Financial Management Code and would encourage local authorities to continue to progress with their plans for implementation and ensure that they have the information, processes and systems in place.