Report to:	**Audit Committee**
Date of meeting:	**19 September 2025**
By:	**Chief Finance Officer**
Title:	**CIPFA Financial Management Code**
Purpose:	**To provide the annual overview of Financial Management Code compliance.**

RECOMMENDATION:

Audit Committee is recommended to note the annual overview of Financial Management Code compliance.

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1. Background

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code (FM Code), attached at Appendix 1, sets out the expected standards of financial management for local authorities. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

1.2 Local authorities should be able to demonstrate that they are compliant with the FM Code. While the Code is not statutory, CIPFA would encourage councils to adopt its principles into practice and should be considered as a resource to support improvement internally. There is currently no formal form of assessment of the Code.

1.3 CIPFA is clear that the FM Code should not be considered in isolation and accompanying tools, including the use of objective quantitative measures of financial resilience, should form part of the suite of evidence to demonstrate sound decision-making. The FM Code will be included in the annual assessment of the Corporate Governance Framework and Annual Governance Statement process.

2. Principles, Standards and Compliance

2.1 In determining financial sustainability and sound decision making the Code looks at evidence that demonstrate 6 standards; organisational **leadership** and **accountability**, that financial management is undertaken with **transparency,** the promotion of professional **standards,** sources of **assurance** (including political scrutiny and the results of external audit, internal audit and inspection) and that the long-term **sustainability** of local services is at the heart of all financial management processes, evidenced by the prudent use of public resources.

2.2 Compliance to these standards is then focussed on 7 key areas, which are converted into compliance statements A to Q (see pages 15-16 of the FM Code in Appendix 1). The 7 areas are summarised below:

- **The responsibilities of the Chief Finance Officer –** evidence that the authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government and that the leadership team can demonstrate service Value for Money.
- **Governance and Management –** that the process is understood and that internal controls are in place.
- **Medium to long medium-term financial management** - The authority has carried out a credible and transparent Financial Resilience Assessment, it has a Capital Strategy, it complies with the Prudential Code and it has a multi-year Medium Term Financial Plan (MTFP).
- **The annual budget** - The authority complies with its statutory obligations in respect of the budget setting process and setting a balanced budget.
- **Stakeholder engagement and business cases** - The authority has engaged with key stakeholders in developing its long-term financial strategy, MTFP and annual budget.
- **Performance monitoring** - The authority acts using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.
- **External financial reporting** - The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.

2.3 The evidence to demonstrate compliance to the areas set out above is wide ranging, including but are not limited to: Financial regulations and schemes of delegation; Governance procedures and the roles of the relevant Committees; Training, including member training; The outcomes of internal and external audits, including the annual Value for Money (VfM) audit; The Reconciling Policy, Performance and Resources (RPPR) process, together with the annual Budget Summary, the annual Statement of Accounts and various benchmarking activities carried out by services.

3. Outcomes and next steps

3.1 East Sussex County Council (ESCC)’s self-assessment has been updated in August 2025 and is attached as Appendix 2.

3.2 Overall, the authority can establish that documents, processes, and procedures are in place that provide assurance and evidence that all 6 FM Code standards have been met, by scores of 3 and above. Good practice has been identified in several areas, notably the Council’s compliance with statutory obligations and relevant codes of practice.

3.3 On 17 April 2025, the Council went live with phase 2 of its Oracle implementation. Finance data and functions were migrated from SAP to Oracle in order that financial planning, reporting and monitoring be undertaken in the new system. While there are no material issues with the integrity of the system that would impact the self-assessment, there are some areas where work will continue as the new system is embedded, to ensure that ESCC remains compliant with the code. In particular, the development and maintenance of training materials for managers in Finance, to support new users from go-live and as a resource for new starters.

3.4 On 10 June 2025, the Lead Member for Resources and Climate Change approved the commissioning of CIPFA to undertake a resilience and governance review in relation to the financial challenge faced by the Council. The review is currently being undertaken and the outcome will be reported to Cabinet on 21 October 2025.

3.5 Achieving long term financial sustainability has become increasingly challenging due to ongoing demand and inflationary pressures in social care and a lack of multi-year sustainable funding settlement. However, the self-assessment has demonstrated that the Council is taking all reasonable steps to address the financial challenges through the availability of transparent and timely information for key decision makers, the maintenance of long-term financial plans, and ongoing lobbying and consultation through partner networks.

3.6 The scores (1-5) are summarised in Table 1 below:

Table 1 ESCC compliance assessment score

FM Code 6 standards	**Relevant compliance statement/criteria**	**ESCC Average score 2024**	**ESCC Average score 2025**
Leadership	**A+B+O**	**4.00**	**4.00**
Accountability	**D+P+Q**	**5.00**	**5.00**
Transparency	**L+M**	**3.50**	**3.50**
Adherence to professional standards	**H+J+K**	**5.00**	**5.00**
Sources of Assurance	**C+F+N**	**4.00**	**4.00**
Long Term Sustainability	**E+G+I**	**4.00**	**4.00**

4. Conclusion and Reason for Recommendation

4.1 The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. CIPFA encourages councils to adopt the principles of the Code into practice. Audit Committee is therefore recommended to review and note the content of the report showing compliance with the Code.

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BACKGROUND DOCUMENTS

None