

Audit and Risk Committee

26 September 2022

Report title	CIPFA Financial Management Code – Action Plan Update	
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Originating service	Strategic Finance	
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Report to be/has been considered by		

Recommendations for noting:

The Audit and Risk Committee is asked to note:

1. The update on the Councils compliance with the CIPFA Financial Management Code – Action Plan.

1.0 Purpose

- 1.1 On 20 June 2022, Audit and Risk Committee received an update on the Councils self-assessment against the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management Code (FM Code) and any future actions required to improve and / or ensure full compliance with the code.
- 1.2 This report now provides an update on the progress towards the further actions outlined in the assessment, in particular those RAG rated as amber.

2.0 Background

- 2.1 The CIPFA Financial Management Code 2019 (FM Code), introduced by CIPFA, is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It sets out for the first time, the standards of financial management for local authorities. The FM Code helps identify the risks to financial sustainability and introduces an overarching framework of assurance which builds on existing financial management good practice.
- 2.2 The FM Code is a principle-based approach, it does not prescribe the financial management processes that local authorities should adopt, however, it requires that local authorities demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances.
- 2.3 Good financial management is proportionate to the risks of the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services. The FM Code identifies these risks to financial sustainability and introduces an overarching framework of assurance which builds on existing best practice but for the first time sets explicit standards of financial management.
- 2.4 The underlying principles have been designed to focus on an approach that will assist in determining whether, in applying the standards of financial management, a local authority is financially sustainable. The six key principles are:
 - Organisational **leadership** – demonstrating a clear strategic direction based on 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

2.5 Local authorities must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team.

2.6 Local authorities are required to demonstrate they are working towards the FM Code with the first full year of compliance in 2021-2022.

3.0 Update on the Financial Management Code

- 3.1 A review was undertaken against each Financial Management Standards, with each standard being RAG rated. The initial assessment was reported to Committee on 21 June 2021, with an update reported back on 20 June 2022, outlining further actions that were being undertaken specially around those standards RAG rated as amber.
- 3.2 In summary the findings of the self-assessment undertaken in June 2021 and June 2022 against the 17 Financial Management Standards were as follows:

RAG Rating	Progress Report	Number of Financial Management Standards
Green	Compliance is being demonstrated	14
Amber	Minor to moderate improvements are required to demonstrate compliance	3
Red	Moderate to significant improvements are required to demonstrate compliance	0

- 3.3 The result of the self-assessment indicated an overall rating of Green, which reflects that compliance is being demonstrated.
- 3.4 An Action Plan has been developed outlining how the further actions will be undertaken, specifically against those standards RAG rated as amber. The Action Plan is shown in Appendix 1 and also includes an update on progress towards the further actions, along with timescales for delivery.
- 3.5 A further full review will be undertaken and report back to Committee at a future meeting.

4.0 Financial implications

- 4.1 There are no direct financial implications arising from this report. However, the FM Code provides the Council with an important tool to support the assessment of financial sustainability.

[AS/14092022/D]

5.0 Legal implications

- 5.1 Whilst compliance with the code is not a statutory duty in itself, failure to comply could be viewed as not meeting existing statutory duties.

[DP/15092022/A]

6.0 Equalities implications

- 6.1 Whilst there are no direct financial implications arising from the recommendations of this report, the Medium Term Financial Strategy is governed by the Council Plan and Relighting Our City priorities, which itself are guided by consultation and equality analysis; and thereby aid the Council its ability to meet its equality objectives.

7.0 All other Implications

There are no other implications

8.0 Appendices

- 8.1 Appendix 1: CIPFA Financial Management Code – Action Plan