

Report title

Review of Compliance with the CIPFA
Financial Management Code

Accountable Director

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**Report to be/has been
considered by**

Recommendation for noting:

The Audit and Risk Committee is asked to note:

1. The Councils review of compliance with the CIPFA Financial Management Code.

1.0 Purpose

- 1.1 This report sets out the outcome the self-assessment of the Council's compliance with the CIPFA Financial Management Code and future actions required to be undertaken to improve and/ or ensure full compliance.

2.0 Background

- 2.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) has introduced a new code, the Financial Management Code 2019 (FM Code).
- 2.2 The FM Code 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.
- 2.3 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.
- 2.4 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.
- 2.5 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

- 2.6 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.
- 2.7 Local authorities are required to demonstrate they are working towards the FM Code with the first full year of compliance in 2021-2022.
- 2.8 The purpose of the FM Code is to establish the principles in a format that matches the financial management cycle and supports governance in local authorities.
- 2.9 An initial self-assessment of the Authority's current standing against each of the Financial Management Standards was carried out and has been reviewed by the Section 151 Officer using a RAG rating approach. In summary the findings of the current self-assessment against the 17 Financial Management Standards are 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

- 2.10 The result of the self-assessment indicates an overall rating of Green and reflects that compliance is being demonstrated.
- 2.11 The full assessment against the Financial Management Standard is at Appendix 1

3.0 Financial implications

- 3.1 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/11062021H]

4.0 Legal implications

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

[TC/11062021/A]

5.0 Equalities implications

5.1 There are no direct equalities implications arising from this report.

6.0 All other Implications

There are no other implications

7.0 Appendices

7.1 Appendix 1: Self-Assessment CIPFA Financial Management Code