

# Audit and Performance Committee Report

<b>Date:</b>	16 February 2022
<b>Classification:</b>	General Release
<b>Title:</b>	CIPFA Financial Management (FM) Code Compliance
<b>Wards Affected:</b>	All
<b>City for All Summary</b>	The FM Code emphasises a clear strategic direction in which good financial management practice is embedded in the organisational culture thereby supporting the Council in achieving its City for All objectives.
<b>Financial Summary:</b>	This report is to inform the Committee of the Council's self-assessment of compliance with the CIPFA Financial Management (FM) Code.
<b>Report of:</b>	Gerald Almeroth, Executive Director – Finance & Resources

## 1. Executive Summary

- 1.1. The FM Code is the first professional code for general financial management in local authorities. This was issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2019 after extensive engagement with the sector and other stakeholders. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 1.2. The Code sets out the principles by which local authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve.

1.3. Compliance with the FM Code is the collective responsibility of elected members, the Chief Finance Officer (CFO) and their professional colleagues in the executive leadership team. All local authorities are required to demonstrate full compliance with the Code before the end of the current financial year 2021/22.

## 2. Recommendations

2.1. That Audit and Performance Committee agree the conclusions drawn from the Council's assessment against the new CIPFA Financial Management Code as outlined in Appendix 1.

2.2. That Audit and Performance Committee receive annual updates on the suggested improvements that can be taken as outlined in the Appendix 1.

## 3. Background

3.1. The six underlying principles that inform the FM Code have been designed to focus on robust financial management as a way of achieving both short-term financial resilience and long-term financial sustainability. The principles are as follows:

- i. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- ii. **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- iii. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- iv. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- v. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
- vi. 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.

3.2. Within these principles there are 17 standards (A to Q) for local authorities to follow. Appendix 1 shows a self-assessment of compliance against each of these standards.

#### **4. Conclusion**

- 4.1. An assessment has been performed against each of the criteria laid out within the Code, detailed in Appendix 1.
- 4.2. It is the opinion of the Chief Financial Officer that the Council is financially resilient and delivers value for money, whilst recognising there are always areas for improvement and that the Council will continue to review its financial management arrangements.

#### **5. Financial Implications**

- 5.1. Financial implications are contained in the body of this report.

#### **6. Legal Implications**

- 6.1. There are no legal implications arising from this report.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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#### **BACKGROUND PAPERS:**

*Appendix 1: Assessment of Compliance with the CIPFA FM Code*