



To: Finance and Corporate Services Scrutiny Board (1)

Date: 19th January 2022

Subject: CIPFA Financial Management Code

1 Purpose of the Note

- 1.1 The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code authorities will be able to demonstrate their financial sustainability. The Scrutiny Board 1 work programme includes an item to examine Coventry's progress towards meeting the FM Code principles.

2 Recommendations

Members of Scrutiny Board are recommended to:

- 2.1 Note the contents of the assessment of the "direction of travel" compliance with the CIPFA Financial Management Code included in Appendix A.
- 2.2 Identify any recommendations for the Cabinet Member (Strategic Finance and Resources) to consider future actions to strengthen the Council's compliance with the Code.

3 Information/Background

- 3.1 CIPFA's Financial Management Code (FM Code) provides guidance for effective and sustainable financial management in local authorities, helping to provide assurance that authorities are managing resources effectively.
- 3.2 The Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. It identifies risks to financial sustainability and introduces a framework of assurance. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team. Complying with the FM Code with help strengthen the framework that surrounds financial decision making.
- 3.3 The broad headings of the CIPFA FM Standards in the Code which local authorities should comply with are:
- Responsibilities of the CFO and Leadership Team
 - Governance and Financial Management Style
 - Long to Medium Term Financial Management
 - The Annual Budget
 - Stakeholder Engagement and Business Plans
 - Monitoring Financial Performance
 - External Financial Reporting
- 3.4 The first full year of compliance to the Code is 2021/22. However, CIPFA has reviewed this in light of the COVID-19 and concluded that 'whilst 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 that adherence to some parts of the Code will demonstrate a direction of travel'.

- 3.5 The Council's Senior Leadership Team has assessed the Council's compliance against the Code and given each criteria a risk rating. This is shown in the table at Appendix A. This demonstrates that the Council is already meeting the large majority of the Code standards, with three areas rated as amber. Actions have been identified to address this element as well as some minor actions to improve performance against other areas. Overall, the Council has satisfied CIPFA's requirement to demonstrate a direction of travel towards full compliance of the Code during 2021/22.
- 3.6 It is proposed that the Council's compliance with the FM Code is review annually as part of the Council's annual process to update its Annual Governance Statement process.

Name Paul Jennings
Job Title Finance Manager (Corporate Finance)
Contact Details 024 7697 7228 paul.jennings@coventry.gov.uk