



Coventry City Council

## Briefing note

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**To:** Finance and Corporate Services Scrutiny Board (1)      **Date:** 17 July 2024

**Subject:** CIPFA Financial Management Code

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### **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, Local Authorities will be able to demonstrate the foundations for strong financial sustainability. It is proposed that the Scrutiny Board 1 work programme includes a standing item each year to demonstrate Coventry's achievement of the principles of the FM Code.

### **2 Recommendations**

- 2.1 The Finance and Corporate Services Scrutiny Board (1) is recommended to:
1. Note the contents of the assessment of the Council's level of compliance with the CIPFA Financial Management Code included in Appendix A.
  2. Identify any recommendations for the Cabinet Member (Strategic Finance and Resources) to consider future actions to strengthen further 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 a level of assurance that authorities are managing resources effectively, particularly important in the current climate.
- 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 Code is the collective responsibility of elected members, together with the Chief Executive, Chief Finance Officer and their professional colleagues in the leadership team. Complying with the Code will 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 was 2021/22. As this was during the pandemic period, it was initially expected that the 'direction of travel' was positive. Last reported by Coventry to Finance & Corporate Services Scrutiny Board (1) in 2022, a strong 'direction' was reported. At the time, out of 17 standards, 14 were demonstrated as met (Green) with 3 rated as requiring improvement (amber) as follows:

- The leadership team is able to demonstrate that the services provided by the authority provide value for money
- The authority has carried out a credible and transparent financial resilience assessment
- The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting

3.5 An updated review of the standards by Finance Officers on behalf of the Councils Leadership Team concluded that the City Council continues to be compliant with the vast majority of the standards expected of Local Authorities. This is demonstrated in the table at Appendix A which sets out all the individual standards, and the measures in place to ensure robust standards of financial management. Out of the 17 standards, 14 continue to be fully met (Green) with 3 remaining as amber indicating that improvement is required. These are the same 3 as previously reported (above), and whilst improvements have already been made on each, more are considered required in order to be able to fully demonstrate delivery in full. Leadership Board is well aware of those matters of concern and as such, relevant actions have been identified to address these as well as other continuous improvement requirements to ensure ongoing compliance of other standards.

In overall terms however, the Council has satisfied CIPFA's requirement to demonstrate compliance with the Code.

3.6 It is proposed that the Council's compliance with the FM Code is in future reviewed annually and reported to Scrutiny as part of the Council's annual process to update its Annual Governance Statement process.

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