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**To: Finance and Corporate Services Scrutiny Board (1)**

**Date: 3 December 2025**

**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 giving due regard to the principles and standards within the code, Local Authorities will be able to demonstrate the foundations for strong financial sustainability. Scrutiny Board 1 approved in 2024 that its work programme should include a standing item each year to demonstrate Coventry's compliance with the principles of the FM Code.

### **2 Recommendations**

- 2.1 Members of the Finance and Corporate Services Scrutiny Board (1) are 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 The Council's external auditors Grant Thornton carries out an annual independent 'Value for Money' audit, which includes as one of its elements, a judgement on the Council's financial sustainability, in addition to governance and our arrangements for securing Economy, Efficiency & Effectiveness. This is reported to Audit & Procurement Committee each year most recently in November 2025. CIPFA's FM Code provides guidance for effective and sustainable financial management in local authorities, which creates an opportunity to carry out a self-assessment of the Council's arrangements to provide a further level of assurance that the Council is managing resources effectively, which is particularly important in the current climate. The results of both of these assessments help provide a basis of evidence for inclusion of the Council's Annual Governance Statement (AGS) which is a requirement for inclusion in the approved Statement of Accounts.

- 3.2 The FM 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 colleagues in Leadership Board. Their awareness and compliance with the Code will help strengthen the framework that surrounds financial decision making.
- 3.3 The headings of the CIPFA Financial Management 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 to Finance & Corporate Services Scrutiny Board (1) in 2022 and 2024, a strong direction of travel was reported. On both occasions, 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 has been carried out by officers. This has 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.
- 3.6 Out of the 17 standards, 15 are now considered to be fully met (Green) with 2 remaining as amber indicating that some improvement is required. These are
- 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
- 3.7 Whilst further improvements have been made on each, and are very much a focus for the organization, it is considered appropriate to continue to highlight as requiring further monitoring. As the Council has now caught up with its production of Statements of Accounts, the standard around compliance with the Code of Practice

on LA accounting is considered to have been met, having been a particular focus in the last 2 years.

- 3.8 In overall terms however, the assessment indicates a relatively strong position such that the Council has satisfied CIPFA's requirement to demonstrate compliance with the Code.
- 3.9 It is proposed that the Council's compliance with the FM Code continues to be reviewed annually and reported to Scrutiny Board in November/December each year as part of the Council's annual process to update its Annual Governance Statement process.

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