

WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE

28 MARCH 2022

Title:

FINANCIAL MANAGEMENT CODE

Portfolio Holder: Cllr Mark Merryweather, Portfolio Holder for Finance, Assets and Commercial Services

Director of Service: Graeme Clark, Strategic Director and Chief Financial Officer

Key decision: Yes

Access: Public

1. Purpose and summary

- 1.1 The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities. Each local authority must demonstrate that the requirements of the code are being satisfied.
- 1.2 Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team. This report updates the committee on progress and sets out proposed actions to strengthen compliance.

2. Recommendation

That the Audit Committee note the progress on the Financial Management Code and endorse the Action Plan set out in this report.

3. Reason for the recommendation

To ensure Waverley is compliant with the FM Code and so demonstrate the standard of financial management to be expected of a local authority

4. Background

- 4.1 The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- Financially manage the short, medium and long-term finances of a local

authority

- Manage financial resilience to meet unforeseen demands on services
 - Manage unexpected shocks in their financial circumstances
- 4.2 The FM Code is based on principles rather than prescription. This code incorporates their existing requirements on local government so as to provide a comprehensive picture of financial management in the authority.
- 4.3 The FM Code does not prescribe the financial management processes that local authorities should adopt. Instead, this code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances.
- 4.4 Good financial management needs to be proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services
- Organisational leadership – demonstrating a clear strategic direction based on a 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.
- 4.5 Each of the above principles are translated into a set of financial management standards, listed as A-Q. These cover the core components of a sound framework of financial governance. These are listed in Appendix A To enable authorities to test their conformity with the CIPFA Principles of Good Financial Management, the FM Code translates these principles into financial management standards. These financial management standards will have different practical applications according to the different circumstances of each authority.

Waverley's Implementation and Compliance Plan

- 4.6 Waverley's self-assessment and action plan are drawn from CIPFA's comprehensive Financial Management Code guidance notes which identify a series of key questions against each financial management standard (appendix C). The action plan is set out below and will be reviewed annually. The position against each key question will be monitored throughout the year, supported by evidence and summarized with a RAG rating. This will be reported to Management Board, Audit Committee and Executive

5. Relationship to the Corporate Strategy and Service Plan

- 5.1 The FMCode is supported by the statutory requirement of all local authorities to have sound financial management.

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

There are no direct resource implications.

6.2 Risk management

Reviewing the Council's policies will support management and mitigation of financial risk.

6.3 Legal

There are no direct legal implications. Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

There are no direct implications

7. Consultation and engagement

7.1 Management Board and the Audit Committee have been briefed on the FM Code during 2021. This engagement will continue in future years as set out in the Action Plan.

8. **Other options considered**

8.1 None.

9. **Governance journey**

9.1 Audit Committee March 2022 and Executive May 2022

Annexes:

Annexe A – Table of FM Standards

Annexe B – Action Plan

Annexe C – Key questions from guidance and officer self-assessment

Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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