

Warwickshire Joint Audit and Standards Committee Report Summary

Meeting Date: 6th July 2021

Subject: CIPFA's Financial Management (FM) Code

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Purpose of the Report:

To provide an update on progress by Warwickshire to comply with the Financial Management (FM) Code

Recommendation:

The committee are asked to note the contents of the report and the update given regarding actions taken to date, to demonstrate that Warwickshire are complying with the FM code.

Background:

- 1.1 CIPFA's FM Code provides guidance for effective and sustainable financial management in local authorities and also applies to Fire Authorities, Police forces and Police and Crime Commissioners. It is intended to provide assurance that such bodies are managing resources effectively and that they can demonstrate that the processes that they have in place provide for good financial management practices.
- 1.2 Previous verbal updates have been provided to the Committee either at informal pre-meet sessions or by the work required as part of the 2020-21 external audit and value for money assessments, but this paper is intended to provide more detailed information on the approach and assessments that have been undertaken to provide assurances regarding our compliance and work on meeting the requirements.

Executive summary:

- 1.3 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.
- 1.4 Complying with the standards set out in the FM Code is the collective responsibility of the PCC, the Chief Constable, the Treasurer and the Director of Finance in addition to their professional colleagues in their respective

Chief Officer teams. Complying with the FM Code with help strengthen the framework that surrounds financial decision making.

- 1.5 The broad principles of the CIPFA FM Standards in the Code which bodies 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
- 1.6 The code was first released during 2019. During 2020-21 bodies are expected to demonstrate that they have undertaken an assessment of themselves against elements of the code, and demonstrate that they are working towards complying with the FM code by the 31st March 2021.
- 1.7 The first full year of compliance to the Code is 2021/22. However, CIPFA has reviewed this in light of the COVID-19 pandemic and the unprecedented impact it has had on local authorities, fire and police. In the light of this review CIPFA has concluded that whilst the first full year of compliance should remain as 2021-22, it should be 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, based on the challenges and priorities for individual forces and PCC's, and the assessment may include more of an explanation of any gaps and actions, and how these will be addressed.
- 1.8 The JASC terms of reference require the Committee to provide advice to the PCC and Chief Constable in relation to the following issues:
 - Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
 - Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the Office of the Police and Crime Commissioner (OPCC) and the Police Force.
 - Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 1.9 The Committee also has responsibilities within its terms of reference for financial reporting and the FM code underpins all of this activity.
- 1.10 Warwickshire signed up to CIPFA's Achieving Financial Excellence in Policing (AFEP), sponsored by NPCC and PACCTS, programme two years ago. The AFEP programme supports achieving and sustaining finance excellence in policing, building on national capacity and providing local support. CIPFA is committed to supporting and facilitating national collaboration for force and PCC finance teams across the UK, to support reform and shape exemplary financial health throughout the sector.

- 1.11 As part of the AFEP programme the Force engaged CIPFA to undertake an independent Financial Management Capability Review (FMCR) to assess the financial management and sustainability within the Force. The report was published in July 2020, which is attached for information. The assessment found the force to be rated three stars (out of a maximum of five stars) and an action plan was developed to address the issues raised.
- 1.12 The FMCR is consistent to the FM Code and provides both an independent criteria based assessment and road map for improvement, which in turn provides the PCC, Chief Constable and members of JASC assurance of the adequacy of the financial management operating in the Force and the sustainability of the Force.
- 1.13 Progress on achieving the actions raised in the review document, is discussed with the Treasurer, but also on occasion at Force Governance Board meetings. In Force the FMCR and progress on actions is presented to COM and Executive Board. The Director of Finance will provide a verbal update on progress to the JASC.
- 1.14 It is considered that the independent report, subsequent FMR assessment, and action plan updates will provide sufficient assurance on the direction of travel for Warwickshire Police. Consideration will be given of any additional work required using the CIPFA self-assessment FM code toolkit, which will be updated and monitor continued compliance during the course of 2021-22.