

Joint Audit and Standards Committee

5 July 2021

Report of Treasurer and Head of Commercial Services

Compliance with the CIPFA Financial Management Code

1. The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities including policing bodies. When preparing the Annual Governance Statement local authorities and policing bodies are required to assess their compliance with the code.
2. In undertaking this assessment, the Treasurer and Head of Commercial Services have
 - a. Considered the Financial Management Capability Review undertaken by CIPFA and progress made in implementing the agreed improvement plan.
 - b. Undertaken an assessment of the current position in a format developed and used elsewhere in policing.Both documents are attached as Appendices to this report.
3. In April and May 2020 CIPFA conducted a Financial Management Capability Review at West Mercia Police. This included a review of the financial resilience of the organisation and the quality of its financial management.
4. In the Financial Resilience review CIPFA found
 - a. A sustainable financial position to 2022-23 dependent on savings
 - b. The MTFP covers a relatively short term period (3 years including the current financial year rather than the expected 5 years)
 - c. There is a below average dependency on central government funding.
 - d. West Mercia's dependency on central government funding is below average for UK police forces at 58% compared to an average of 65%
 - e. There is a significant overall reduction in reserves through to 2022/23
 - f. West Mercia maintains a healthy level of General Reserves.

5. In its Financial Management Review, using CIPFA's five-star rating system, West Mercia was rated overall as two-stars, although it was at the higher end of the range. It scored highly in the management dimensions of "Delivering Accountability" and "Leadership" but its main area of weakness is the "People" dimension. Whilst its financial management style is strongest in "Delivering Accountability" (which is most closely related to the traditional role of finance), it is weakest in "Enabling Transformation" (consistent with many other organisations). A current snapshot of West Mercia's ratings is provided below.

CURRENT SNAPSHOT Financial Management Style	Management Dimensions			
	Leadership	People	Processes	Stakeholders
	***	*	***	****
	*	*	***	****
Enabling Transformation	**	*	*	****
Overall Rating	**			

6. CIPFA made several recommendations. West Mercia Police agreed an improvement plan. Progress has been made in implementing actions within the plan, including
- Development of professional training (CIPFA) for members of staff
 - Development of training programmes to support business partnering, budgeting and forecasting for both Finance staff and budget holders (undertaken in April and May 2021)
 - Development of Priority Based Budgeting and Planning (with work underway in all services, Stage 1 (of 4) completed and a timetable agreed in line with budget preparation and precept setting deadlines)

Progress has been affected by the COVID pandemic not least due to travel restrictions and working from home arrangements and also by continued need to provide services to Warwickshire Police until September 2021 rather than March 2021 as originally agreed.

In addition when preparing the 2021/22 budget, the Medium Term Financial Plan was extended to cover 5 years and a review of Reserves took place which led to more funds being held in earmarked reserves and less in general reserve, though the combined amount held in Reserves was largely unaltered. This addresses weaknesses identified in the report.

7. The Treasurer and the Head of Commercial Services have undertaken an assessment in May 2021 using a format circulated by PACCTs. Whereas the OPCC and West Mercia Police comply with many areas of the Code, the following weaknesses have been identified
- Scenario Planning

- b. Options appraisal and business case preparation
- c. Literacy of budget managers
- d. Value for Money
- e. Identification and management of financial risks
- f. Leadership in respect of governance and internal control

Following the CIPFA Review, improvements have been made in 2020/21 but there is more work to be done. Further actions are identified in the self-assessment.

8. The Joint Audit and Standards Committee is recommended to consider the report, note the improvements made and support the action plan.

Liz Hall/Richard Muirhead

8 June 2021