

The West Midlands Combined Authority's self-assessment against the requirements of the CIPFA Financial Management (FM) Code 2021/2022.

FM Ref	Requirement	Guidance	Self-Assessment	Identified Improvements
1 - The responsibilities of the chief finance officer and leadership team				
A	The leadership team can demonstrate that the services provided by the authority provide value for money.	In order to achieve compliance with the FM Code, consideration of value for money should be an integral feature to the decisions made by the leadership team, especially those relating to the allocation of resources or to the delivery of services.	<p>WMCA has a clear (and recently revised) governance structure, with well-defined responsibilities for each member of its Strategic Leadership Team (SLT). WMCA activity is reviewed and challenged by Overview and Scrutiny Committee (with a sub-committee specifically for transport). Additionally, under the Local Audit and Accountability Act 2014, Grant Thornton, WMCA's external auditors are required to consider whether WMCA has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Grant Thornton's work did not identify any significant weaknesses in WMCA's VFM assessment for 2020/21. Two potential improvement areas were noted in the Auditor's Annual Report, which are reproduced in the identified improvements column.</p> <p>Examples of how WMCA demonstrates value for money compared with the 'four pillars' are as follows:</p> <ul style="list-style-type: none"> • Economy - WMCA has operated within a cash-flat funding position since its inception until a modest increase in the Transport Levy was approved for 2022/23, despite increasing services and introducing new transport concessions for the region. • Efficiency - The structure of WMCA's Board allows for continuous peer review as WMCA works collaboratively with its Member 	<p>1. Officers should consider more explicit reporting of the way financial decisions impact on the performance of the authority.</p> <p>2. Where Audit, Risk & Assurance Committee is required to make decisions that impact upon deadlines, assurance should be sought from members that they are able to be present or will send a substitute so that the meeting will be quorate.</p>

			<p>Authorities. Additionally, savings have been achieved through a mixture of transformation (via the Business Transformation project) and efficiencies (via a Productivity and Efficiencies Board).</p> <ul style="list-style-type: none"> • Effectiveness - WMCA's Corporate Aims and Objectives were developed by our Leadership team after extensive engagement with Member Authorities, based on where WMCA can add to the services already provided by Member Authorities. The Annual Budget was then prepared using the Corporate Aims and Objectives as the guide for all activity, ensuring that WMCA funds are spent effectively across the whole region. • Equity - Equality Impact Assessments are required for all decisions presented to WMCA Board, including the Annual Budget. 	
B	<p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government (2016)</p>	<p>The FM Code requires that the authority complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government. This statement describes the roles and responsibilities of the chief financial officer (CFO). It also sets out how the requirements of legislation and professional standards should be fulfilled by the CFO as they carry out their duties.</p>	<p>WMCA complies with all five principles of FM Code for the role of CFO:</p> <ul style="list-style-type: none"> • Principle 1: The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest. • Principle 2: The CFO in a local authority must be actively involved in, and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the Authority's overall financial strategy. • Principle 3: The CFO in a local authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. 	

			<ul style="list-style-type: none"> • Principle 4: The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose. • Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced. <p>WMCA's CFO, titled the Executive Director of Finance and Business Hub (and s151 Officer), is one of six members of WMCA's SLT, and so is at the heart of WMCA's decision making process. The CFO presents monthly financial and performance reporting to fellow SLT members, as well as regular updates of WMCA's medium-term financial position and the risks or opportunities currently facing WMCA. The CFO also regularly meets with the Mayor, Deputy Mayor and members of WMCA Board, as well as attending WMCA committees in order to ensure that WMCA's financial position is clearly communicated and understood.</p> <p>WMCA's Executive Director of Finance and Business Hub is a fully qualified chartered accountant with over 30 years' experience in the public sector, and leads a fully resourced finance function, with each post held by staff with qualifications and experience commensurate with the requirements of that role.</p>	
2 – Governance and financial management style				
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	To ensure compliance with the FM Code, consideration should be given to the effectiveness of the arrangements in place including: <ul style="list-style-type: none"> - establishing a clear framework for governance and internal control across the authority, including for those entities with which the authority works in partnership - establishing clear arrangements for assurance and accountability - espousing high standards of 	<p>WMCA's Leadership team have established a clear governance and internal control arrangement, with a constitution readily available. A review of WMCA's existing governance arrangements is currently underway.</p> <p>WMCA's Risk Management function and outsourced Internal Audit function both present to WMCA's Audit and Risk Assurance Committee (ARAC) on a regular basis.</p>	3. Standardise internal governance arrangements across all Directorates

		<p>governance and internal control in its own activities</p> <ul style="list-style-type: none"> - creating, maintaining and nurturing a culture in which governance and internal control are embedded into the way in which the authority works. 	<p>Advice / peer review is also sought from external partners, e.g. review of the Business Transformation programme.</p> <p>Leaders continually consult with Portfolio leads from WMCA Board and constructively challenge each other at Leadership meetings. The Nolan Principles are reflected in WMCA's values of Be Collaborative, Be Innovative, Be Driven, Be Inclusive, which are included in all role profiles.</p> <p>In the Auditor's Annual Report, WMCA's External Auditors state that 'All processes have been designed to ensure that legislative and regulatory standards are met. Reviews by officers and Internal Audit have not identified any weaknesses. The Authority has recently adopted a new Code of Conduct, which outlines the standards expected of the Mayor and members. Within the Code are the required policies on gifts and hospitality and registers of interest. We have not identified any breaches in standards or regulation during the course of our audit work'.</p>	
D	<p>The authority applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".</p>	<p>To ensure compliance with the FM Code, whatever form of governance arrangements are in place across the authority, the authority should assess its governance structures against the principles contained in the framework by:</p> <ul style="list-style-type: none"> - reviewing its existing governance arrangements - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring the ongoing effectiveness of this local code - reporting publicly on an annual basis its compliance with the authority's local code of governance 	<p>The Authority demonstrates compliance with the seven core principles of good governance as set out in the 2016 CIPFA/SOLACE Delivering Good Governance in Local Government Framework as demonstrated in the Annual Governance Statement, issued each year.</p> <p>The statement is updated following the end of each financial year and includes an Annual Internal Audit opinion on the effectiveness of the internal control environment and systems of internal control. The document looks back retrospectively over the past year and identifies where the WMCA has demonstrated good governance and looks ahead to areas where focus should be given in relation to governance matters in the coming year.</p>	

		and how the authority has monitored the effectiveness of its governance arrangements, together with how it plans to improve these arrangements in the future.	The Annual Governance Statement is presented to the ARAC for approval, in conjunction with the Financial Statements, and is publicly available on the WMCA website.	
E	The Financial Management style of the Council supports financial sustainability	Achieving financial sustainability requires the authority to have the capacity, the capability and the confidence to plan for the long term and to focus on the achievement of longer-term objectives, rather than to exist simply from year to year.	<p>Clear leadership was demonstrated by the Executive Director of Finance and Business Hub and colleagues in the Senior Leadership Team during the 2022/23 Budget and Annual Business Plan process in ensuring that WMCA's business planning and financial planning processes were completely integrated for the first time, reflecting WMCA's Corporate Aims and Objectives as approved by WMCA Board in November 2021.</p> <p>The last two years has seen significant investment in the Finance and Business Hub, which has increased as part of a strategic restructure to ensure it is well placed to support the growth and complexity of WMCA. This includes a Business Partnering model providing strategic Finance support within operational areas.</p> <p>Another recent development is to combine the Financial Planning team and the Finance Business Partners into one team to further strengthen the strategic forward look for the organisation.</p>	
3 – Medium to long-term financial management				
F	The authority has carried out a credible and transparent financial resilience assessment.	The FM Code sets out that if the authority has not tested and demonstrated its long-term financial resilience, then its financial sustainability remains an open question. The FM Code requires, therefore, that the authority assesses critically its finance resilience	<p>WMCA acknowledges that its long-term financial sustainability has not yet been demonstrated, and so an experienced Financial Planning team work under the guidance of WMCA's Finance Leadership team, to review and refine the medium term financial plan (MTFP) in order to provide a robust and fully understood financial position, which has been arrived at objectively.</p> <p>WMCA's financial position is regularly presented to the Finance Directors of our Member Authorities,</p>	4. The development of database reporting to give users access to combined financial and performance reporting, following implementation of the Finance Planning and Analysis (FP&A) module of WMCA's accounting system.

			<p>allowing for peer review and challenge on all significant assumptions, and the sharing of knowledge as to where / how Member Authorities can collectively improve WMCA's financial position.</p> <p>To seek a long-term funding solution, officers have committed to work with the Mayor and Leaders to develop a long-term, sustainable budget and plan throughout 2022, building on the 2022/23 agreed Aims and Objectives and a sustainable financial plan. Our External Auditors noted that 'this approach is consistent with our detailed work on the 2020/21 arrangements and demonstrates that the Authority is aware of the challenges it faces and is taking appropriate steps to address them'.</p> <p>WMCA does not exhibit the more common signs of financial stress although it is acknowledged that a significant budget gap exists in the medium term, in common with the many local authorities. Instead, it has significant earmarked reserves in order to deliver all committed activity, and a fully costed balanced Budget with no generic efficiency savings included.</p> <p>WMCA's routine financial management follows well-established processes, with monthly in-year reporting completed and reported at a consolidated level to SLT and at a granular level to Budget Holders. Finance Business Partners work with Budget Holders to identify any areas of concern and mitigating actions required in order to address any variations to Budget. Investment into the Finance Planning and Analysis (FP&A) module of WMCA's accounting system, planned for later in 2022/23 will further improve both financial planning capability and financial monitoring information provided to operational staff.</p> <p>WMCA's auditors advise that 'the Authority has historically performed well with a strong record of financial and budgetary management', and</p>	
--	--	--	--	--

			management's assessment of WMCA as a Going Concern is reviewed by External Auditors annually. WMCA's auditors concluded in their Auditor's Annual Report for 2020/21 that 'Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses'.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	The FM Code sets out that, having carried out a finance resilience assessment, the authority should demonstrate how the risks identified have informed the development of its longer term financial strategy. The authority should, furthermore, report the implications of these risks on its future financial sustainability to its leadership team, including its elected members.	<p>WMCA adheres to all requirements to report its Budget, Medium term Financial Plan (MTFP), Capital Strategy, Treasury Strategy and in-year financial position to WMCA Board. WMCA's Treasury Strategy is presented to ARAC ahead of its submission to WMCA Board, and WMCA's Budget proposals are presented to Overview and Scrutiny Committee (OSC) and Transport Delivery Committee (TDC), again, prior to subsequent presentation to WMCA Board, to allow for independent review and challenge.</p> <p>Additionally, WMCA reports its financial position to Finance Directors of its Member Authorities on a regular basis, and at meetings of the Mayor and Member Authority Leaders as and when required, to allow for extended discussion of risks faced by WMCA.</p> <p>Financial models are maintained for significant areas such as WMCA's Investment Programme and the operation of the Metro Network, with extensive scenario planning based on internal and external factors. The scenario deemed to be most likely is then incorporated into the overall financial position.</p>	
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	CIPFA's Prudential Code provides a framework for the self-regulation of the authority's capital financing arrangements. It requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and	WMCA includes its Capital Strategy as part of the annual Budget report for approval by WMCA Board. Alongside the Capital Strategy, WMCA also submits its Treasury Management Strategy as part of the same WMCA Board report, for a complete picture of WMCA's treasury activity.	5. WMCA Capital Strategy report could be strengthened by including expenditure across the full project life, instead of the 5 years currently

		sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning.	Outside of grant awards, WMCA's Capital Investments are predominantly managed as part of WMCA's Investment Programme, which has its own sub-committee reporting to WMCA Board, and whose affordable limit can only be changed with WMCA Board approval.	presented as part of the wider MTFP, and by strengthening the narrative of how the individual projects fit together in order to form a complete programme for the benefit of the whole region.
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	The FM Code does not anticipate that a longer-term financial strategy will – or, indeed, should – provide sufficient detail to allow for it to be translated directly into an annual income and expenditure budget. To bridge this gap, therefore, and to allow the authority to ensure that its annual budget is in alignment with its longer-term financial aims, the FM Code requires the authority to prepare a multi-year medium-term financial plan. Furthermore, this plan should also be consistent with associated service plans for the authority's principal services.	<p>WMCA updates its MTFP each year, and it is reported to WMCA Board throughout the year. The production of the MTFP is a collaboration between WMCA's Financial Planning, Business Planning and Strategy teams, with the wider WMCA organisation involved in discussions about planned activity, which is then translated into a financial position.</p> <p>All planned activity must align with WMCA's Aims and Objectives as agreed by the WMCA Board in November 2021, for the duration of the Mayoral term.</p> <p>The activity and associated financial plans are subject to extensive discussion by Strategic Leadership Team (SLT), and in consultation with the Mayor and Leaders of WMCA's Member Authorities.</p> <p>The first year of the MTFP then becomes the basis for the annual budget setting process, with any growth asks outside of this envelope considered on a case-by-case basis supported by a full business case.</p>	

4 – The annual budget				
J	The authority complies with its statutory obligations in respect of the budget setting process.	The FM Code requires the authority to be familiar with its statutory obligations in respect of the budget-setting process, to comply with these requirements, and to be able to demonstrate that it has complied with them.	<p>WMCA follows a robust budget setting process which meets all statutory requirements, as well as the requirements of its own constitution. Specific references are made within WMCA's Budget Report advising on the adequacy of reserves held by WMCA and on the reliability of estimates made as part of the Budget setting process.</p> <p>Additionally, there are specific references to the legal requirements of setting a Mayoral Office budget. Should there ever be a requirement to issue a Section 114 notice, WMCA's Executive Director of Finance and Business Hub is fully aware of her obligations.</p>	
K	The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.	In line with Section 25 of the Local Government Act 2003, the FM Code requires the authority's section 151 officer (for authorities in England and Wales) to report alongside the annual budget, when it is submitted for approval, on the robustness of the estimates and the adequacy of reserves allowed for in the budget proposals.	<p>WMCA's Budget report clearly outlines the nature of the estimates made within the proposed Budget, and highlights risk areas where it has not been possible to include estimates for areas which are outside of WMCA control, for example, the West Midland Pension Fund Investment performance.</p> <p>The report also clearly outlines the level of general reserves held by WMCA and why WMCA's Executive Director of Finance and Business Hub considers these to be adequate for the organisation.</p>	
5 – Stakeholder engagement and business cases				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	The FM Code requires the authority to engage, where appropriate, with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget. In complying with this element of the FM Code, there are a number of things to consider, namely: <ul style="list-style-type: none"> - how to identify key stakeholders - how to engage effectively with these stakeholders 	Due to the nature of WMCA, there is a continuous engagement between WMCA and its key stakeholders. As the contributors of Transport Levy and Membership Fees, WMCA's Member Authorities hold significant interest and influence in WMCA's financial plans. As each Member Authority is represented on WMCA's Board, they are routinely engaged in all aspects of WMCA's activity, on a formal basis as well as more informal meetings between the Mayor and Member Authority Leaders.	

		- how to use the results of this engagement wisely.	<p>WMCA's Executive Director of Finance and Business Hub maintains regular contact with peers at each Member Authority, and also presents updates on WMCA's financial position and plans at all relevant WMCA committees.</p> <p>WMCA also maintains close contact with its wholly owned subsidiaries, and monitors the projects being delivered by each of these companies.</p>	
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Option appraisal is about making informed choices and better decisions. Nowhere is making good decisions more important than within authorities of all types, as the choices they make dictate how public funds are spent and impact on how people live their lives. Consequently, a robust approach to undertaking option appraisals is crucial to securing value for money.	<p>WMCA's external auditors advise that 'WMCA has a single assurance framework (SAF) in place, which is regularly reviewed and published on its website. This sets out the systems, processes and protocols in place to ensure good governance. Officers and members have worked hard to ensure that sufficient and appropriate information is available to enable decisions to be taken in an informed manner. This has developed as the Authority has become more established. Decisions are framed within the overall context of the SAF. The SAF focuses on the information provided to members of the Investment Board before decisions are taken and specifies the level of detail needed at each stage of the business case and approval process'.</p> <p>The Programme Assurance & Appraisal team have led the implementation of the Single Assurance Framework (SAF) across WMCA Project Portfolios/Directorates which will enable WMCA to increase its project/programme management capability. The team leads key processes for ensuring accountability, probity, transparency and legal compliance, and for ensuring value for money is achieved across its investments.</p>	

6 – Monitoring financial performance

N	<p>The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<p>In order for the leadership team to have access to the information it needs to identify emerging risks, the authority needs to ensure that its leadership team:</p> <ul style="list-style-type: none"> - receives reports about the right things - receives reports at the right time - receives reports in the right format - takes action in respect of any issues identified 	<p>WMCA's SLT receive reports on a monthly basis regarding WMCA's financial position, with a member of the Finance team attending the SLT meeting to present the key points and to answer any questions. SLT meet every week, enabling any urgent decisions or updates on WMCA's MTFP / Budget to be presented to SLT at short notice without having to adhere to the same cadence as monthly reporting.</p> <p>Alongside the financial position, SLT also receive updates on the percentage completion of milestones which demonstrate progress against WMCA's Aims and Objectives for the year.</p> <p>In their Auditors' Annual Report for 2020/21, WMCA's Auditors concluded that 'the Authority reports a huge range of information to members, and this is well structured and in an appropriate level of detail. Performance is reported via a structured reporting framework, with information provided against the objectives of the Authority. Similarly, financial information is provided via a structured reporting timetable, again with detail on progress against budgets and challenges in the medium term. However, this information is provided in separate reports, and there is little explicit commentary on the links between cost and performance information. Improving these links can assist in monitoring, transparency and decision-making'.</p>	<p>6. The format of reports presented to SLT is under continuous review, and they are expected to evolve as WMCA continues to implement integrated database reporting.</p>
O	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<p>The CIPFA publication Balance Sheet Management in the Public Services: A Framework for Good Practice (2017) outlines a number of elements of good practice for balance sheet management from a governance perspective. These are as follows:</p> <ol style="list-style-type: none"> 1. In organisational culture, appropriate emphasis is placed on 	<p>WMC has a strong balance sheet, with substantial cash levels and significant earmarked reserves to support committed expenditure. The Balance Sheet is reviewed by Finance SLT and reported externally to WMCA Board as part of regular in-year monitoring of financial performance. WMCA's earmarked reserves are reviewed in detail by WMCA's Executive Director of Finance and Business Hub each month.</p>	

		<p>balance sheet management activities and considerations.</p> <p>2. Balance sheet management requirements are addressed coherently and comprehensively across all relevant strategies and plans.</p> <p>3. Balance sheet management responsibilities are identified and assigned to appropriate people.</p> <p>4. The authority's decision-making framework is effective and requires appropriate consideration of balance sheet implications.</p> <p>5. Appropriate levels of assurance are provided over all aspects of balance sheet management.</p> <p>6. Financial and operational risk management activity pays due regard to balance sheet drivers and impacts.</p>	<p>The Balance Sheet is fully analysed every month with any identified issues resolved within the same period. All key aspects of the balance sheet are compiled into Financial Controls pack and scrutinised at the monthly Financial Controls meeting before onward distribution to the Executive Director of Finance and Business Hub.</p> <p>Specific information on key risks regarding Treasury are presented to both WMCA Board and ARAC throughout the year.</p>	
P	<p>The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	<p>The authority, its management and the CFO both in its financial statements and the narrative reports that accompany them must provide the user with the links between the consumption of resources and the value that has been created.</p>	<p>WMCA's Executive Director of Finance and Business Hub is clear on her responsibility to ensure that Statutory Accounts are prepared in line with all relevant standards and in accordance with all relevant deadlines. WMCA has received unqualified audit opinions throughout its existence and filed audited accounts in line with all required deadlines.</p>	<p>7. WMCA will continue to work closely with our External Auditors in order to improve the quality of working papers and ensure compliance with the latest standards.</p>

Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	It is key to ensure that the authority and its leadership understand how effectively its resources have been utilised during the year, including a process which explains how material variances from initial and revised budgets to the outturn reported in the financial statements have arisen and been managed.	Revenue and Capital positions are presented internally to SLT every month and externally to WMCA Board on a bi-monthly basis. This reporting contains variance commentary year-to-date compared with Budget. Each quarter a re-forecast is completed and compared with current year Budget. Explanations are provided for variances to Budget, alongside any implications for future years.	
---	---	---	---	--