

ITEM 5**PAPER NO. WRWA 20-04****WESTERN RIVERSIDE WASTE AUTHORITY**

MEETING	23 rd January 2020
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 2788) 15 th January 2020
SUBJECT	Report of the Treasurer on Authority's compliance with the CIPFA Code of Financial Management
CONTENTS	Page 1 Executive Summary and Background Page 2 Recommendations Pages 3-5 Appendix - Summary table of CIPFA financial management standards
STATUS	Open-circulation of this paper is not restricted.
BACKGROUND PAPERS	CIPFA Code of Financial Management - October 2019.

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EXECUTIVE SUMMARY AND BACKGROUND

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Code of financial management in October 2019. The Code has no statutory basis but all local authorities, including single purpose authorities such as the Authority, are being encouraged to adopt the Code from April 2020.
2. The Code is based on six principles: Leadership, Accountability, Transparency, Standards, Assurance and Sustainability. These are then measured through seventeen financial management standards.

APPLICABILITY OF THE CODE TO THE AUTHORITY

3. The Code has been devised as a response to the recent adverse publicity concerning some local authorities and the potential for their financial failure. To quote: “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. For the first time the FM Code sets out the standards of financial management for local authorities. Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional Code. The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future.”
4. As a single purpose, not directly elected levying authority, the financial and governance basis of the Authority is in many ways different to that of other Local Authority’s including its own constituent councils but the underlying six principles of the Code and the seventeen financial management standards can be readily applied. The seventeen financial management standards are summarised in Appendix 1, together with the management team’s assessment as to how these standards are met.
5. The Code sets these standards as a minimum to be achieved. The Management team’s assessment is that the Authority meets all 17 standards.

RECOMMENDATIONS

6. The Authority is recommended to:
- (a) note the report and accept the Management team's assessment of compliance with the CIPFA Financial Management Code; and
 - (b) otherwise receive this report for information
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Western Riverside Waste Authority
Administration Office
Smugglers Way
LONDON SW18 1JS

CHRIS BUSS
Treasurer

15th January 2020

SUMMARY TABLE OF CIPFA FINANCIAL MANAGEMENT STANDARDS

CIPFA Financial Management Standards

Section 1: The responsibilities of the chief finance officer and leadership team

- A) The leadership team is able to demonstrate that the services provided by the authority provide value for money.**

The Authority's primary expenditure is on its long term Waste Management Services Agreement (WMSA) with Cory Environmental Limited (trading as Cory Riverside Energy) which was procured through market testing. The Authority regularly examines ways of seeking financial and operational benefit from the WMSA. Other services are regularly re-procured. Support services will be subject to discussion with constituent councils in 2020/21

- B) The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.**

The Chief Finance officer (Treasurer) is a member of the management team and is suitably experienced.

Section 2: Governance and financial management style

- C) The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.**

The Authority's management teams meets monthly and keeps a running record of actions, largely with regard to the WMSA. They are fully aware of the need for internal control. In particular the need for separation of duties even within a small staff group.

- D) The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).**

The Framework is applied.

- E) The financial management style of the authority supports financial sustainability.**

Although the Authority has the ability in law to pass through all costs to the constituent councils it is mindful of the difficulty to them if these costs are above the level which they can raise council tax, it therefore seeks to minimise short term fluctuations from variables such as electricity value by the use of reserves to even out increases.

Section 3: Long to medium-term financial management

F) The authority has carried out a credible and transparent financial resilience assessment.

The CIPFA Financial resilience assessment is not appropriate for a single purpose authority. However, through its budgeting process, the Authority does review its reserves strategy to ensure that costs are maintained at a level that are affordable.

G) The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

The Authority produces a three year projection of future costs which is publicly reported to members.

H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Authority complies with the code.

I) The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

The Authority has a three year plan which matches the operational plan.

Section 4: The annual budget

J) The authority complies with its statutory obligations in respect of the budget setting process.

Yes, the budget is set by the statutory deadline.

K) The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

Yes, the statements are included in the budget report.

Section 5: Stakeholder engagement and business plans

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 Authority consults with the constituent councils who are its key stakeholders when developing its short and long term budget strategies

M) The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

The Authority has no one size fits all methodology to demonstrate value for money. When contract decisions are being recommended, appropriate legal, financial and technical advice will be supplied to the Authority, where necessary by external advisors, to support the decision making process. An example of this was the assessment of the proposed redevelopment of Cringle Dock.

Section 6: Monitoring financial performance

N) The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

The Key ongoing risks to the Authority are inflation , electricity prices, waste levels, recycle prices and contamination levels these are regularly monitored. Emerging risks will be from possible changes in law or issues with the WMSA. These risks are monitored .

O) The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

The Treasurer and Deputy Treasurer advise of any adverse movements on the balance sheet. In the Authority's case examples would be a significant run down in reserves or unexpected high expenditure .

Section 7: External financial reporting

P) The chief finance officer 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 in the United Kingdom.

The Authority's Treasurer, as its chief finance officer, is personally responsible for signing off the accounts

Q) The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

Decisions are made by the Authority based on recommendations received from the leadership team.