

Meeting of:	Governance and Audit Committee
Date of Meeting:	Monday, 21 July 2025
Relevant Scrutiny Committee:	Resources Scrutiny Committee
Report Title:	Financial Management Code 2024/25 Update
Purpose of Report:	To consider the Council's compliance with the Financial Management Code 2024/25, preparation for 2025/26 and prospects for improvement
Report Owner:	Report of the Executive Leader and Cabinet Member for Performance and Resources
Responsible Officer:	Head of Finance/S151 Officer
Elected Member and Officer Consultation:	Senior Leadership Team have been consulted on the review included in Appendix 1 to this report
Policy Framework:	This is a matter for Executive decision by Cabinet.
<p>Executive Summary:</p> <ul style="list-style-type: none"> The Financial Management Code (FM Code) is a code that has been introduced by CIPFA to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It was prepared for the first time in February 2022 and attached is the update for 2024/25. For 2024/25 there has been further and more extensive independent assessment with the Council's Internal Audit section reviewing a number of elements of the officer self assessment. This will enable a full independent review across a rolling four to five years. Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the code are being satisfied. 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. There have been improvements in year. Budget setting has been enhanced with more meaningful consultation. Equality impact assessments were in place for all efficiency proposals in January 2025 when the budget consultation was launched and there is a clear vision for delivering efficiencies over the medium and longer term. The Council also undertook a Performance Panel Assessment which included consideration of how it manages its resources to deliver its corporate plan objectives. 	

- The updated review has been considered by the Council's Strategic Leadership Team and is being reported to Governance and Audit Committee for comment/recommendations on to Cabinet.
- The Council is required to evidence its assessment of compliance with the Code and identify any areas for further improvement.

Recommendations

1. Governance & Audit Committee is recommended to review the Statement on Compliance with the Financial Management Code and the contents of the review set out in Appendix 1 and forward any comments on to Cabinet

Reasons for Recommendations

1. To ensure that the Council's compliance with the Financial Management Code is considered by Members as part of their collective responsibility for compliance with the Code

1. Background

- 1.1 The Financial Management Code (FM Code) is a code that has been introduced by CIPFA to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 1.2 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."
- 1.3 The FM Code has been introduced because the exceptional financial circumstances faced by local authorities in recent years have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders' confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.
- 1.4 Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the code are being satisfied. 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. It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority is met. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management. CIPFA considers application of the FM Code to be a collective responsibility of each authority's organisational leadership team.

- 1.5** The first full year of compliance with the FM Code was 2021/22 and the Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement annually. In common with more recent practice, the review is being brought to Governance & Audit Committee and Cabinet. The timing of reporting is a little later than in the introductory years in order for it to fully reflect on the most recent financial year. Further, following comment at Governance & Audit Committee in 2023 there has again been some independent verification of elements of the officer self assessment by the Council's Internal Audit section. This has been more extensive than for 2023/24 to ensure that all elements of the self assessment can be independently assessed on a rolling basis across a reasonable timeframe. For 2024/25 Section 2 covering principles C, D and E and Section 4 covering principles J & K were independently assessed.
- 1.6** Appendix 1 sets out the review updated for the 2024/25 and Appendix 2 is the report of the Internal Audit section.
- 1.7** CIPFA states that: the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

2. Key Issues for Consideration

- 2.1** The Code introduces the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks against which all financial management should be judged. CIPFA's view is that all financial management practices should comply with these principles.
- 2.2** The six Principles are set out below:
- 2.3** Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- 2.4** 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.
- 2.5** 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.
- 2.6** Adherence to professional standards is promoted by the leadership team and is evidenced.

- 2.7** 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.
- 2.8** 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.
- 2.9** 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 and their use should therefore reflect this.
- 2.10** A full consideration of the Council's compliance with the Financial Management Code in 2024/25 is set out in Appendix 1 of this report and is summarised below.
- 2.11** **S151 Officer's Statement of Compliance with the Financial Management Code April 2025.**
- 2.12** Having considered the six principles of the Financial Management Code and the Financial Management Standards that underpin these principles the S151 considers that the Council complies well with the Financial Management code with strong prospects for improvement. It is considered that the Council demonstrates excellent collective responsibility to uphold these Financial Management Standards as evidenced in Appendix 1.
- 2.13** The Council's leadership has a strong approach to value for money with use of benchmarking and challenge in its budget setting backed up by robust financial procedures. The Contract Procedure Rules were updated in 2024/25 for the new Procurement Act.
- 2.14** Business Cabinet meets regularly to ensure Members of the Executive are briefed on emerging issues and includes issues of significance to the Financial Management of the Council.
- 2.15** Scrutiny Committees have regular oversight of the Council's Monitoring and Budget Proposals and Corporate Performance and Resources Scrutiny receives the recommendations of Scrutiny as part of the Budget process which is then referred to Cabinet. Appropriate oversight will continue under the new corporate scrutiny arrangements in place for 2025/26.
- 2.16** The S151 Officer is a key member of the Strategic Leadership Team (SLT) and the SLT works well to take collective responsibility of the principles of good financial management. This report in draft format has been considered by the members of the SLT during April 2025.
- 2.17** Governance and Audit Committee provides robust scrutiny of the Council's Financial and Governance issues and this scrutiny continues to operate effectively having been strengthened by the appointment of three additional Lay Members to the Committee in May 2022.
- 2.18** Governance is strong with the adoption of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. During 2024/25 the Council undertook an external assessment through the Panel Performance Assessment introduced by the Local Government & Elections (Wales) Act 2021.

- 2.19** Communication with the S151 and Leader, Director of Corporate Resources and Chief Executive as members of the Budget Working Group has been weekly throughout the budget setting process and ensures that this group has good understanding of the development of the budget for 2025/26.
- 2.20** The SLT have had full involvement in the 2025/26 budget preparation process and the Medium Term Financial Plan and Capital Programme proposals. SLT have received regular updates on the budget progress alongside dedicated time on cost pressures, savings and reserves.
- 2.21** Wider sessions have also been held with Heads of Service and Cabinet Members at key times during the budget setting process along with a session in the autumn to brief Council staff on the budget challenges and explore options to address the budgetary issues and ways to support staff through this process. A briefing for head teachers was also held during this period.
- 2.22** There have improvements to financial sustainability. For 204/25 consultation on budget proposals was strengthened with equality impact assessment in place for all efficiency proposals. Additionally, the final budget report was enhanced with a clearer vision and approach for delivering efficiencies over the medium and longer term.
- 2.23** The Draft Budget for Consultation and Draft Capital Programme have been subject to review and recommendation by all Scrutiny Committees and there were a number of sessions in the autumn and new year with the School's Budget Forum.
- 2.24** The areas of further development identified in Appendix 1 will be progressed in the coming year and will inform the next assessment of the Council's performance against The Code. The independent review by Internal Audit identified the need to record progress against the action plan and this recommendation has been accepted.
- 2.25** **Next Steps**
- 2.26** It is recommended that Governance & Audit Committee note the contents of this report and Appendix 1 and forward any comments on to Cabinet prior to approval of the statement.
- 2.27** The Action Plan will be updated to reflect the Internal Audit recommendations.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** A key measure of the Financial Management Code is that 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.
- 3.2** The Council's approach to Financial Management reflect the 5 ways of working which are:

- Looking to the long term - The Council prepares a Medium Term Financial Plan and 10 year Capital Strategy and takes a strategic approach to ensure services are sustainable and that future needs and demand for services is understood.
- Taking an integrated approach - The Council's builds financial sustainability and resilience through partnership working.
- Involving the population in decisions – As part of the budget proposal process there has been engagement with residents, customers and partners.
- Working in a collaborative way – The Council recognises that more can be achieved and better services can be provided by collaboration and it encourages this as a way of working in the future.
- Understanding the root cause of issues and preventing them – The budget and monitoring processes are proactive and allows an understanding of the financial position so that issues can be tackled at the source.

4. Climate Change and Nature Implications

- 4.1** The Council is building consideration of the Climate and Nature implications into the revenue and capital budget preparation process. It is also integrating consideration of Environmental, Social and Governance principles into its Capital and Treasury Management decisions. This is an area for further development in future years as the Council progresses towards the Net Zero 2030.

5. Resources and Legal Considerations

Financial

- 5.1** The Council's compliance with the Financial Management Code demonstrates that Council understands and demonstrates the collective responsibility to deliver good financial management across the organisation. The benefits of good financial management are set out in the 6 principles.
- i. Organisational leadership**
Benefits - Financial management underpins and is aligned with the strategic direction of the organisation. Financial management is embedded into organisational culture and this ensures that the organisation's resources and budget setting is aligned with the strategic direction of the organisation.
 - ii. Accountability**
Benefits - Financial planning reflects scenarios based on most accurate data that the organisation has available and is aligned with the council's risk management. Decisions are based on timely accurate supporting data and full analysis through business cases that consider whole life costs.

- iii. 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.
Benefits – Members and Officers are aware of their collective responsibility for good financial management and this understanding plays a central role in decision making.
- iv. Adherence to professional standards is promoted by the leadership team and is evidenced.
Benefits – Financial Management utilises best practice and up to date guidance from across the sector
- v. 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.
Benefits – Senior Leadership Team and Members receive assurance on Good Financial Management and the overall control environment of the Council.
- vi. 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.
Benefits – Sustainable decisions are enabled by good financial management and helps the Council to deliver prudent use of public resources, deliver the Council's commitments under Wellbeing of Future Generations and Project Zero.

Employment

- 5.2** The Section 151 Officer is a Statutory Post and as set out in the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.
 - The Chief Financial Officer (CFO) is a member of the Strategic Leadership Team (SLT) and attends Cabinet and Full Council.
- 5.3** The CFO post holder is fully qualified and fulfils the CPD requirements associated with their professional qualification.

Legal (Including Equalities)

- 5.4** The Council is required to demonstrate that it complies with the CIPFA Financial Management Code.
- 5.5** 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. Background Papers

Appendix 1



Vale of Glamorgan Council Financial Management Code – April 2025

The Financial Management Code (FM Code) is a code that has been introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA) to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

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.”

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. There is much good practice across the sector, but the failures of a small number threatens stakeholders’ confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely.

In recent years an increasing number of English Authorities have been witnessed submitting Section 114 notices. Whilst in England the Department Housing, Communities and Local Government has publicly stated that it will not allow Local Authorities to fail, an increasing number of authorities are requiring rescue packages and financial interventions. In Wales the Local Authority landscape is quite different and it is good practice for the Council to document how good financial management is embedded in the governance structures and collective behaviours across the Council.

Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the Chief Finance Officer (CFO) which at the Vale of Glamorgan is the Head of Finance/Section 151 Officer and their professional colleagues in the Strategic Leadership Team (SLT). It is for all colleagues in the SLT to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the Section 151 Officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management. CIPFA considers application of the FM Code to be a collective responsibility of each authority’s organisational leadership team.

The Council is required to evidence its assessment of compliance with the code and identify any areas for further improvement.

The Code introduces the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks against which all financial management should be judged. CIPFA’s view is that all financial management practices should comply with these principles.

The 6 Principles are set out below:

1. **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
2. **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.
3. 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.

4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. 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.
6. 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.

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 and their use should therefore reflect this.

CIPFA states that the manner in which compliance with the FM Code is demonstrated will be proportionate to the circumstances of each local authority. Importantly, however, contextualising the FM Code cannot be done according only to the size of the authority but also according to the complexity and risks in its financial arrangements and service delivery arrangements.

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

Assessment - Partly Comply

Evidence of Compliance with Standard

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.

- All Cabinet and Scrutiny reports consider the financial impact of the recommendations and are reviewed as part of the clearance process by key members of the SLT.
- The quarterly performance report includes consideration of the Council uses its resources to achieve the Council's wellbeing objectives.
- The SLT has been involved throughout the preparation of the budget with dedicated workshops reviewing all cost pressures, savings proposals and reserves taking collective responsibility for developing proposals for a balanced budget aligned with the Council's corporate objectives.
- Budget setting is informed by extensive benchmarking of service costs against all Welsh counties.
- The Council prepares a balanced budget with assessment of cost pressures and likely pay awards and other inflationary pressures each year.
- New Part 6 duties introduced by the Local Government & Elections Act have required the Council to demonstrate Value for Money so performance reporting and the new Annual Self-Assessment approach have drawn further linkages with the Corporate Governance

Statement and value for money has been used as the framework for the Annual Self-Assessment Report.

- The Council produces a fully funded five year capital programme as part of the annual budget process, schemes include a mix of asset renewal and service enhancement and development schemes. A ten year capital strategy underpins this programme.
- Contract management and local procurement arrangements are regularly reviewed as part of the Internal Audit Work Programme.
- All contracts over £75,000 must go through a formal approval process. These arrangements have been strengthened with a more comprehensive form to complete and is aligned with the rest of Ardal to enable the category managers to work to a consistent approach across all partners. There is also a quotation record in place for services to hold locally for lower value activity.
- A register of contracts was historically maintained in Accountancy. An extensive exercise has been undertaken with a full contract register being compiled and now held by the Procurement team and as a subset there is now a Forward Plan too which has been used to produce the first Pipeline to be published as part of the requirements of the Procurement Act 2023. Forms are in place on the Council's StaffNet as well as the Ardal site for officers to update both the contract register and the Forward Plan.
- Procurement Act 2023 and the Procurement (Wales) Regulations came into force from 24th February. The Council's Contract Procedures have been updated to reflect the changes and there's been awareness raising and training to support the changes.
- Social Value was a key component of the revised Procurement Policy & Strategy in 2022 and the CPRs were updated to require Social Value to be 10% of the quality assessments in above threshold tenders. However, the Council didn't have a system to record and monitor. This is now in place with a new system Thrive being used across the Ardal partnership, Cardiff had previously used Social Value Portal for this purpose..
- Initial processes have been developed to identify IFRS16 transactions, however further work to be undertaken to embed identification of schemes and formal consideration of Value for money.
- Committee reports provide members with information relating to the impact of decisions on Climate and Nature Emergency alongside matters of finance, employment and legal consideration.

Areas for further development

- Further consideration of Social Value will be required as part of future consideration of the Value for Money of schemes and the new Procurement Strategy.
- Work required to embed identification of IFRS 16 transactions and demonstrate a more formal VFM and sign off process to these types of arrangements.
- Cost pressure identified for procurement role to facilitate a move to a more cluster orientated approach for procurement in schools.

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Chief Financial Officer (CFO) is a member of the SLT and attends Cabinet and Full Council.
- The CFO or Deputy sits on strategic project boards and steering groups for high level projects such as Sustainable Communities for Learning.
- The CFO post holder is fully qualified and fulfils the CPD requirements associated with their professional qualification.
- The resourcing of the finance function is regularly reviewed and the CFO has regular one to one meetings with management staff within the finance function, a regular Departmental Management Team (DMT) meeting is held.
- The CFO is required to clear Cabinet reports and sign off any Emergency Powers with financial implications.
- The CFO is a key member of the Budget Working Group.
- The Council's Section S151 Officer commenced has a broad range of experience in the role across a number of English Authorities. The CFO reports directly to the Chief Executive on S151 matters.

Section 2 Governance and Financial Management Style

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- The SLT consists of the Chief Executive, five Corporate Directors, the Council's Monitoring Officer, the Council's Section 151 Officer, the Head of Digital and the Head of Human Resources.
- The roles and responsibility of Corporate Officers are defined in agreed job profiles and set out in the Council's Constitution.
- Performance is reviewed on an annual basis in accordance with the Chief Officer Appraisal process. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- The SLT has a standard work programme - which includes a regular report of the Internal Audit programme and findings of Audit Wales work, the budget setting programme, corporate risk management and contract monitoring.
- The SLT team demonstrates collective responsibility for governance and internal control. An extended SLT involving all Heads of Service meets regularly to consider corporate risks and opportunities, including discussions on the collective responsibility for the Council's finances.
- The Governance & Audit Committee receives regular updates on the work programme of the

Internal Audit Service, the opinions given on individual completed audits as well as the Head of Internal Audits Annual Report.

- The effective operation of the Governance & Audit Committee has been further enhanced by the appointment in 2022 of three new lay members to the Committee and changes to the remit of the Committee introduced by the Local Government and Elections Act.
- The Governance & Audit Committee receives regular reports on the Council's Corporate Risks and Risk Management arrangements as well as regular reports from Audit Wales.

Areas for further development

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Delivering Good Governance Framework has been used to structure the Annual Governance Statement since 2016/17 and is reviewed annually as part of producing this document.
- The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA and SOLACE Framework - Delivering Good Governance in Local Government 2016.
- Key officers feed into the production of the Annual Governance Statement which is considered by the SLT before presentation to the Governance & Audit Committee for approval.
- The Annual Self-Assessment Report which was published in Autumn 2024 presents a position statement on the Council's performance retrospectively over the prior year in delivering the Council's priorities as set out in the Annual Delivery Plan aligned to the Corporate Plan. Self-assessment of performance is an important way for the Council to identify the capacity and ability to deliver continuous improvement by identifying areas of strength and those requiring particular focus in coming years.
- During the year, the Council undertook the first Panel Performance Assessment process which is required by the Local Government & Elections (Wales) Act (2021). This assessment considered the way in which the Council manages its resources to deliver the outcomes in the Corporate Plan. The assessment also considered whether the transformational change programme has the potential to deliver service change against the medium-term financial plan. The assessment was positive in confirming both of these aspects of the Council's work. However, it did also identify that the current scrutiny committee arrangements could be improved.
- The Strategic Insight Board has been enhanced and streamlined using a wide range of data sources (including a blend of operational and national research and information) to identify issues and take action. The Board supports the corporate governance arrangements relating to integrated planning activities and reports to SLT and Cabinet.
- The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2024/25 is: "Reasonable Assurance". The opinion states that, based on the work completed by the Regional Internal Audit Shared Service for the financial year, no significant cross-cutting control issues have been identified that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

Areas for further development

- Reflect on the first iterations of the Annual Self-Assessment process and make amendments as required to streamline the process further and make links with the Annual

Governance Statement.

- Consider the structure and operation of the Council's scrutiny committee arrangements.

E: The financial management style of the authority supports financial sustainability.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets.
- A full Medium Term Financial Plan was developed in November 2024 with detailed consideration of cost pressures and consideration of potential funding sources.
- The Draft Budget for Consultation that was brought to Cabinet on 16th January 2025 is a balanced budget with a full list of savings proposals with comprehensive equality impact assessments that were subject to full scrutiny and public consultation prior to submission as part of the final proposals that were brought to Council on 10th March 2025 with some amendments reflecting comments from consultation.
- The Council is able to utilise reserves to support the delivery of ambitious capital schemes and as part of a planned budget strategy whilst maintaining prudent provision in earmarked reserves.
- The reserves of the Council have been reviewed by SLT as part of the preparation of the Final Budget proposals to mitigate some unplanned use in 2024/25, build up reserves where there is significant volatility in costs and effectively align reserves to the key risks of the Council.
- Reserve balances and projections are reported to Council each financial year.
- The Council has an Independent Treasury Management Adviser and adopts a Treasury Management that prioritises the security and liquidity of its investments.
- All Capital Bids are prioritised by directorates and reviewed by the Strategic Insight Board to ensure a coordinated and consistent approach to the distribution of funding including consideration of sustainability issues.
- The cost pressures and capital bids are discussed by senior departmental staff and the service accountant and through dedicated sessions by the SLT and the Executive prior to setting the final budget proposals.
- The budget setting and management process is developed and delivered collaboratively, for example, including Heads of Service in the discussions around proposals and spending controls.

Areas for further development

- Reflect on the budget setting process and document for the next year.

Section 3: Long to medium-term financial management

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

Assessment - Fully Comply

Evidence of Compliance with Standard

A Financial Sustainability Assessment was prepared by Audit Wales and is considered by SLT, Cabinet, Corporate Performance & Resources Scrutiny Committee and Governance & Audit Committee. The findings are incorporated as part of the Budget setting process and the closure of accounts process.

The most recent financial sustainability assessment concluded that:

- The Council is in a healthy financial position and has a sustainable financial approach over the medium term, with a planned use of earmarked reserves although faces some significant funding challenges in respect of Social Care, Schools and Homelessness in line with the National trends reported by other LAs.
- The Council has a healthy level of reserves and its plans to use them are generally sustainable despite some unplanned use in 2023/24 and 2024/25.
- The Council has a mixed track record of identifying and delivering savings to support its financial sustainability but has made good progress in 2024/25 including some catch up on outstanding 2023/24 savings. The Council has identified a mix of tactical and transformational savings proposals as part of the 2025/26 budget process.
- The Council has a strong liquidity position meaning it can meet its financial obligations as they fall due for repayment.

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- Financial Sustainability is regularly assessed by Audit Wales.
- The Council's long term sustainability is considered as part of the preparation of the Capital Strategy, Medium Term Financial Plan and Treasury Management Strategy.
- The long term implications of proposals are considered as part of each report taken to Committee and is required by statute under the obligations of the Wellbeing of Future Generations Act.
- In order to comply with the requirements of the Prudential Code the Council must assess the long term implications of Treasury decisions.

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

Assessment – Fully Comply

Evidence of Compliance with Standard

- The Council applies the requirements of the Prudential Code to its Treasury Management and Capital Strategy.
- The Accountancy and Treasury Management function attend regular training events as required by their professional body and MIFID II registration.
- The Council is also in receipt of regular updates and advice from the Council's independent Treasury Management advisers on the application of the Prudential Code and additional guidance issued by WG, PWLB and CIPFA.
- Members also receive annual and induction Treasury Management training which will cover aspects of the Prudential code.
- Members will be requested to complete a self assessment questionnaire to assess their skills and any gaps in their knowledge prior to the Treasury Management training to enable additional training to be provided as required.

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

Assessment – Fully Comply

Evidence of Compliance with Standard

- The Council has an up to date Medium Term Financial Plan which is reviewed annually and referred back to as part of the Budget Strategy, Budget for Consultation and Final budget proposals. Development of the 2025/26 to 2029/30 Medium Term Financial Plan was in parallel with the work on the new Corporate Plan Vale 2030 and the Reshaping Programme.
- The Medium Term Financial Plan has been strengthened to evidence financial sustainability with the report to Council in March setting out the broad efficiency programme across the five year time horizon.
- The Medium Term Financial Plan considers a number of scenarios to improve the robustness of the planning assumptions.
- The Council's Medium Term Financial Plan clearly links to the priorities outlined in the Corporate Plan and the proposals of the Capital Strategy to ensure they are financially viable and that the MTFP is closely aligned with the business planning cycle.
- Each of the Council's Directorate Plans contain information relating to the use of resources to support service delivery in terms of contribution to Vale 2030, the budget available to do so and savings to be delivered alongside a consideration of risks within each area of the organisation.
- Directorate Plans are informed by areas of improvement identified from the Directorate Self-Assessment process which considers performance in a range of areas, including financial resources aligned with the medium-term financial plan.

Section 4: The annual budget

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

Assessment – Fully Comply

Evidence of Compliance with Standard

- For the financial year 2025/26 the Council will meet its statutory deadlines for setting a balanced budget and setting the level of Council Tax by 11th March 2025. These were also met in 2024/25.
- The Council meets its statutory deadlines in respect of setting the schools' budget. These were also met for the 2024/25 budget.
- The Council met its statutory deadlines for 2025/26 for approving the Treasury Management PIs and a MRP Policy by 31st March 2025. These were also met in 2024/25.
- The Council prepares a Capital Strategy, Treasury Management Strategy and Medium Term Financial Plan.

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.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The robustness of estimates and adequacy of reserves are confirmed as part of the Final Budget Proposals 2025/26 which were reported to Cabinet on 6th March 2025 and to Full Council on 10th March 2025.
- The Final Budget Proposals 2025/26 reported to Cabinet on 6th March 2025 include confirmation of the robustness of estimates and adequacy of reserves.
- Reserves are reported to Council as part of the Budget Strategy and Final budget proposals and Closing Report, the monitoring of reserves is also included in the regular monitoring reports that are taken to Scrutiny Committees quarterly.

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.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.
- In 2022 the Council published its Public Participation Strategy and launched the Participate Programme. This programme seeks to increase the reach of involvement, engagement and consultation activities, enhance our involvement of seldom heard voices and provide a clear link to the role of elected members in representing the views of residents.
- During the last two years a number of high-profile public engagement and consultation exercises were undertaken which have informed the Council's refreshed Medium Term Financial Strategy. These include the Let's Talk About Life in the Vale residents' survey with over 4,000 responses, consultation on the Annual Self-Assessment (confirming relevance of the Council's Wellbeing Objectives and indicating areas for improvement), and engagement on the new Corporate Plan (Vale 2030). These findings were reflected in the Council's annual self-assessment and the final Annual Delivery Plan for 2024/25. Linkages have been made with the Financial Strategy.
- The Council carries out a consultation with local residents as part of the annual budget cycle and this is reported as part of the Final budget proposals. As part of the preparation for the 2024/25 budget, the Council carried out a four week consultation that opened on 20th January and ran until 15th February. The budget will also be informed by the results of other consultations that have been carried out during 2023/24; most notable was the Life in the Survey which sought to better understand what residents need from the Council and the output from this fed into the Budget for Consultation in January.
- Regular consultation with Schools Budget Forum is an integral part of the annual cycle and this includes a meeting with the Leader, Chief Executive and CFO as part of the annual budget cycle.
- Directorates feed into the budget process by submitting cost pressures, savings proposals and capital bids. These are discussed in annual meetings with Directors, Heads of Service and the Budget Working Group and in detail by the Strategic Leadership Team.

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Council recognises that informed decision making is a fundamental part of good governance.
- Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options.
- In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders.
- The Capital Bids process is a two-stage process where the long list of capital bids is shortlisted by Strategic Insight Board and then full capital bids are completed for the shortlisted bids. Capital bids in excess of £300k require a Business Case to be completed. Business cases are also completed for revenue projects which are categorised as high risk.
- The Project management toolkit documents an option appraisal methodology with examples and will be updated in 2024/25 to support the next phase of the Council's savings programme and corporate objectives. The Council has an extensive review of SharePoint underway and the Toolkit will be one of the first areas of provision to be moved across increasing visibility and accessibility.
- Full Business cases for the Sustainable Communities for Learning Programme are submitted following the Five Case Model framework.
- The Council has recently updated the Business Plan for Waste Management to reflect the budget position and further review a number of scenarios in the context of a volatile market, a changing delivery model and a number of capital bids including the fleet parking bid.

Financial Management Standards - 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.

Assessment - Fully Comply

Evidence of Compliance with Standard

- SLT has a rolling work programme and is regularly updated on the Council's revenue and capital budget positions, contract management issues and the progress of the Internal and External Audit Work Programme.
- The Head of Internal Audit has regular meetings with the Head of Finance.
- A quarterly strategic risk review is undertaken and reported to Governance & Audit Committee and Cabinet, and corporate risk is referenced in the quarterly performance reports to all scrutiny committees.
- The Chief Executive and CFO are key participants in the Budget Working Group process.

- The SLT have been involved through regular discussion and dedicated workshops in the review of Cost Pressures, Savings and Reserves.
- A Savings tracker has been developed to monitor and support the delivery of savings during 2024/25, this will continue to be utilised in 2025/26.

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- A Corporate Asset Management Strategy is prepared by Property Services and Estates.
- Major schemes and projects are managed via a dedicated project board of senior officers.
- The Council is currently working to update the Carbon Management Strategy for the Council, reflecting the Project Zero Challenge Plan and the Council's decarbonisation targets.
- Financial impact is assessed as part of all Cabinet and Council decisions.
- The Pension liability is assessed triennially and the S151 Officer liaises with Cardiff and Vale Pension Fund and AON, the actuary, before setting a contribution rate that recovers the pension deficit in a prudent and sustainable manner.
- The Council has engaged an independent Treasury Management adviser to give the Council advice on the Council's borrowing and investments.

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.

Assessment - Fully Comply

Evidence of Compliance with Standard

- The Section 151 Officer reviews the Council's annual Statement of Accounts and complies with the responsibilities as set out.
- The Statement of Accounts is signed by the Section 151 Officer.
- The Section 151 Officer considers the level of assurance provided by Head of Internal Audit as part of their regular meetings and the regular reports to Governance and Audit Committee on the audit programme.

- Regular meetings are held between key members of the Senior Finance Team and the Council's External Auditors Audit Wales to monitor the progress of the accounts and any emerging issues.

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

Assessment - Fully Comply

Evidence of Compliance with Standard

- The SLT review their budget areas' outturn figures at SLT (and the Council's position as a whole) as part of the closure of accounts process.
- The Closure of Accounts reports are reviewed by key members of the Senior Leadership team before they are reported to Cabinet.
- Monitoring reports for revenue and capital are regularly taken to Senior Leadership Team, Scrutiny Committee and Cabinet.

Progress on Action Plan for Improvement 2024/25

Description of Task	Progress	Further Steps Required
Reflect on the budget setting process and document for the next year.	Improvements identified for 2025/26 budget setting and documented as part of Budget Strategy. Key has been improvements to sustainability, most notably broad approach to the transformation programme and residual efficiencies required over the medium term.	No further steps required for 2024/25 action. Further improvements identified as part of 2025/26 Action Plan.
Review the approach to supporting schools with a deficit budget – consider benchmarking and external challenge	School deficits were reduced in year and a number of strategies identified to support schools including resource to support cluster procurement and challenge against budgets to the top ten schools with deficits in 2025/26.	Will be an ongoing challenge.
Review Capital Bids to reflect current funding challenges	Long list and short list approach implemented for 2025/26 budget process.	None.

Action Plan for Improvement 2025/26

Description of Task	Target Date	Further Steps Required
Social Value – publish streamlined framework in revised Procurement Policy & Strategy and revise threshold in Contract Procedure Rules. Promote use of Thrive system through category managers.	31 March 2026	Deliver further social value benefits for the Council and its residents.
Embed identification of IFRS 16 transactions and demonstrate a more formal VFM and sign off process to these types of arrangements.	September 2025	
Schools' procurement officer – appoint and support joined up contracting arrangement across schools.	Appoint by June 2025 Processes in place by Autumn Term 2025	Develop a model for collaborative purchasing that results in greater buying power and reduced costs, contributing to reduced school deficits.
Review the Council's Scrutiny Committee arrangements	Start of the new Civic Year	More constructive challenge of decision making and performance.
Annual Self Assessment – streamline the process further and link in with Annual Governance Statement	31 October 2025	Review the approach following reporting to Members.
Further review of Budget setting – area where continuous improvement is sought. Presentation of gross income and expenditure as well as net and continue to improve residents' awareness.	31 March 2026	Greater awareness and understanding of officers, members and residents

Professional, Approachable, Independent

Internal Audit Report




FINANCIAL MANAGEMENT CODE 2025/26

Report Issue Date	27 th June 2025
Report Authors	Courtney Phillips – Graduate Auditor Joan Davies – Audit Manager
Report Distribution	Gemma Jones - Operational Manager, Accountancy Matt Bowmer - Head of Finance, Section 151 Officer

**REGIONAL INTERNAL AUDIT SERVICE /
GWASANAETH ARCHWILIO MEWNOL RHANBARTHOL**



AUDIT OPINION	RECOMMENDATION SUMMARY	
	High Priority	0
	Medium Priority	0
	Low Priority	1
	Total	1
<p style="text-align: center;">Substantial Assurance</p> <p style="text-align: center;">A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>		
STRENGTHS & AREAS FOR IMPROVEMENT		
<p>During the audit a number of strengths and areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> • The information included within the Council's Self-Assessment on Compliance with the Financial Management Code for Section 2 - "<i>Governance and Financial Management Style</i>" (parts C, D & E) and Section 4 - "<i>The Annual Budget</i>" (part K) was accurate and verifiable. • The statements made within the Council's Self-Assessment, to support compliance with the Financial Management Code were relevant to the Code and supporting guidance i.e., Delivering Good Governance in Local Government. • Two actions previously identified to improve the Council's compliance to the Code were implemented during 2024/25, with no further action required. • Where actions previously identified for improvement were not fully addressed, these were carried forward to 2025/26. <p>The following issue was identified during the audit which needs to be addressed:</p> <ul style="list-style-type: none"> • The Local Authority did not notify Welsh Ministers of the proposed school budget by the statutory deadline of February 14th, 2025. This was not reflected within the Council's Self-Assessment on Compliance to the Code. 		

DISTRIBUTION LIST	
Gemma Jones	Operational Manager - Accountancy
Matt Bowmer	Head of Finance, Section 151 Officer

1. INTRODUCTION & BACKGROUND

An audit of the Financial Management Code has been undertaken in accordance with the RIAS 2025/26 Internal Audit Plan.

This report sets out the findings of the audit and provides an opinion on the adequacy and effectiveness of internal control, governance and risk management arrangements in place. Where controls are not present or operating satisfactorily, recommendations have been made to allow Management to improve internal control, governance and risk management to ensure the achievement of objectives.

The Financial Management Code published by CIPFA in 2019, aims to support good practice in financial management and assist local authorities in demonstrating their financial sustainability. Local authorities are required to demonstrate that the requirements of the code are satisfied and the processes they have in place satisfy the principles of good financial management. 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.

The Council has produced annual reports detailing their compliance with the Financial Management Code since 2022.

2. OBJECTIVES & SCOPE OF THE AUDIT

The purpose of the audit is to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management arrangements in respect of the Financial Management Code.

Audit testing was undertaken in respect of financial years 2023/24 & 2024/25.

The internal control, governance and risk management arrangements have been evaluated against the following audit objectives:

- Review the self-assessment of compliance to the code and provide recommendations where appropriate to the following:
 - Section 2 - Governance and Financial Management Style,
 - Section 4 - The Annual Budget
- Verify the actions taken to address areas of improvement previously identified within the 2023/24 Statement of Compliance update.

3. AUDIT APPROACH

Fieldwork took place following agreement of the audit objectives.

A draft report has been prepared and provided to Management for review and comment with an opportunity given for discussion or clarification.

The final report will incorporate Management comments together with a Management Action Plan for the implementation of recommendations.

The Governance & Audit Committee will be advised of the outcome of the audit and may receive a copy of the Final Report.

Management will be contacted and asked to provide feedback on the status of each agreed recommendation, once the target date for implementation has been reached.

Any audits concluded with no assurance or limited assurance opinion will be subject to a follow up audit.

4. ACKNOWLEDGMENTS

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

The work undertaken in performing this audit has been conducted in conformance with the Global Internal Audit Standards.

The findings and opinion contained within this report are based on sample testing undertaken. Absolute assurance regarding the internal control, governance and risk management arrangements cannot be provided given the limited time to undertake the audit. Responsibility for internal control, governance, risk management and the prevention and detection of fraud lies with Management and the organisation.

Any enquires regarding the disclosure or re-issue of this document to third parties should be sent to the Head of the Regional Internal Audit Service via awathan@valeofglamorgan.gov.uk

FINDINGS & RECOMMENDATIONS

COMPLIANCE WITH THE FINANCIAL MANAGEMENT CODE

Control Objective:

To determine if the information reported in the Financial Management Code is accurate, relevant and evidence can be provided to support statements made.

The Auditor sampled Section 2 (C, D & E) & Section 4 (J & K) of the Council's 2024/25 Self-Assessment on Compliance to the Code, to determine if statements made by the Council to evidence Compliance with the Financial Management Code were accurate and could be supported.

Strengths:

Section 2 of the Financial Management Code requires that the leadership team demonstrates in its actions and behaviours responsibility for governance and internal control, the authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework and the financial management style of the authority supports financial sustainability.

- All statements made within the Local Authority's Draft 2024/25 Self-Assessment Report on Compliance with the Financial Management Code for Section 2(C, D & E) were found to be accurate, verifiable and relevant.

Section 4(K) of the Financial Management Code requires that 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.

- All statements included by the Council within the 2024/25 Self-Assessment on Compliance to the Code to support compliance with this section of the code were accurate, relevant and verifiable.

Ref. & Priority	Finding / Weakness	Risk	Recommendation
1.1 Low	<p>To demonstrate compliance with Section 4J of the Financial Management Code the Council asserts in its Self-Assessment on Compliance with the Code that statutory deadlines for setting the schools' budget were met.</p> <p>Although schools were informed of their budgets by March 31ST 2025, in line with requirements, the Local Authority did not notify Welsh Ministers of the proposed school budget by the statutory deadline of February 14th 2025. This notification was completed on February 24th 2025.</p> <p>The Local Authority submitted a request to Welsh Government to consider extending the submission deadline, as Local Authority budgets are not finalised by the current deadline.</p>	<p>Non-compliance with the School Funding Regulations; Lack of transparency within the Council's Self-Assessment on Compliance to the Financial Management Code.</p>	<p>Consideration is given to amending the Council's Self-Assessment on Compliance to the Financial Management Code 2024/25 to reflect that the Local Authority did not meet its statutory deadline in respect of notifying the Welsh Ministers of its proposed schools budget.</p>

ACTIONS TAKEN AGAINST AREAS IDENTIFIED FOR IMPROVEMENT**Control Objective:**

To determine if areas identified for improvement reported in the Council's Self-Assessment on Compliance with the Financial Management Code 2023/24 have been addressed.

Strengths:

The following two actions previously identified within the 2024/25 Action Plan to further develop the Council's Compliance to the Financial Management Code were implemented during the year, with evidence available to verify actions taken:

- Reflect on the budget setting process and document for the next year
- Review capital bids to reflect current funding challenges

Where actions previously identified for improvement were not fully implemented during 2024/25, these are correctly carried forward and included within the Action Plan for 2025/26.

DEFINITIONS

AUDIT ASSURANCE CATEGORY CODE	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

RECOMMENDATION CATEGORISATION	
Risk may be viewed as the chance, or probability, one or more of the systems of governance, risk management or internal control being ineffective. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results. The criticality of each recommendation is as follows:	
High Priority	Action that is considered imperative to ensure that the organisation is not exposed to high risks.
Medium Priority	Action that is considered necessary to avoid exposure to significant risks.
Low Priority	Action that is considered desirable and should result in enhanced control.