

The CIPFA Financial Management Code: Assessment of Compliance against Consultation Version

OBJECTIVES

The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities.

The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium- and long-term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

Each local authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the CIPFA FM Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team.

PRINCIPLES OF GOOD FINANCIAL MANAGEMENT

The CIPFA FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management a local authority is financially sustainable:

- Organisational **leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
- **Accountability** - based on medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
- 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
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection.

- The long-term **sustainability** of local services is at the heart of all financial management process and is evidenced by prudent use of public resources.

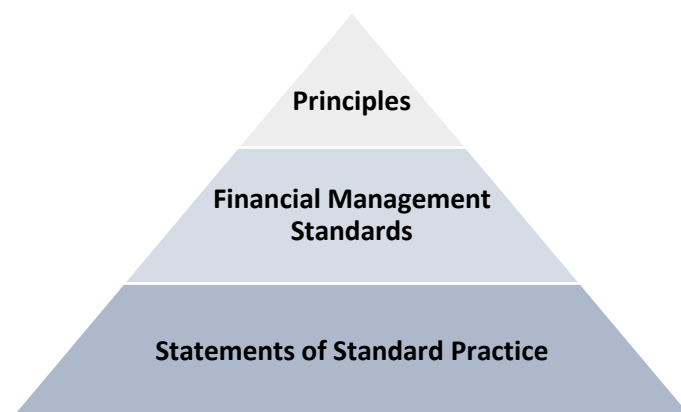
THE STRUCTURE OF THE CODE

To enable authorities to test their conformity with the CIPFA Principles of Good Financial Management, the CIPFA FM Code translates these principles into:

- Financial Management Standards; and
- Statements of Standard Practice.

The principles set out are supported by defined financial management standards, the adherence to which will be by application of statements of standard practice.

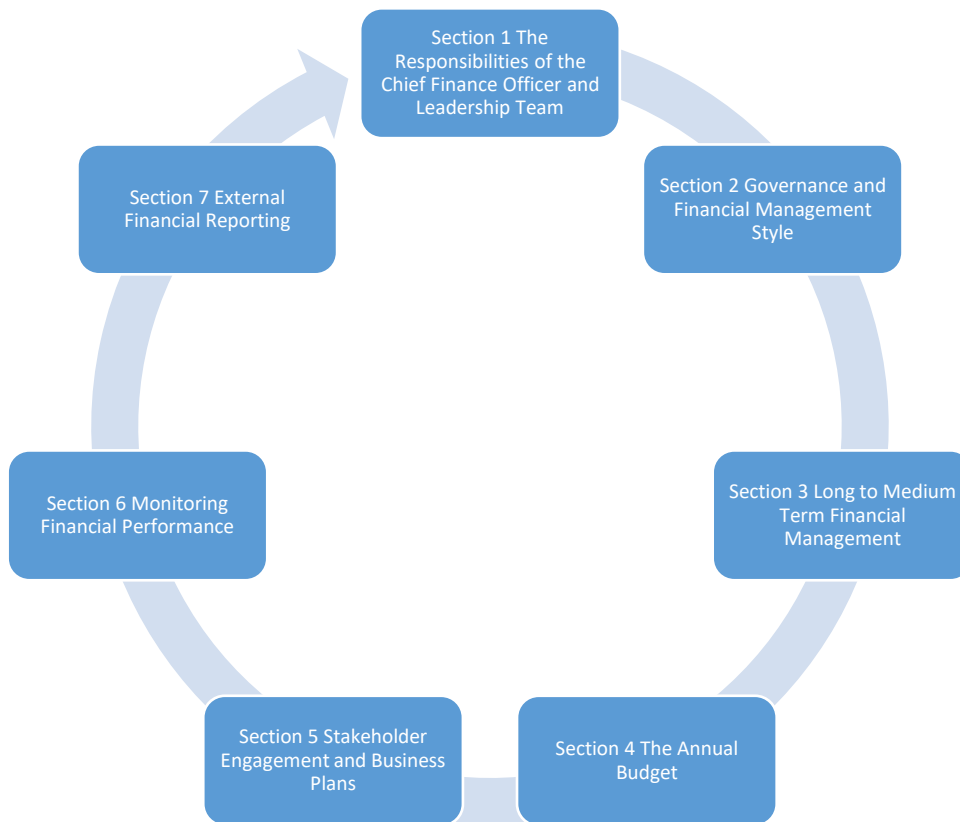
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FINANCIAL MANAGEMENT STANDARDS AND STATEMENTS OF STANDARD PRACTICE

CIPFA expects that compliance with the FM Code will typically be achieved by documenting compliance with the Statements of Standard Practice that underpin each of the Financial Management Standards. The Authority’s current level of compliance and any actions required to achieve full compliance are detailed on pages 4 to 16. This list is divided into sections, each of which forms part of what is referred to in the Code as the ‘Virtuous Management Cycle’:

[The Virtuous Financial Management Cycle [p11], The CIPFA Financial Management Code [Consultation Version] © CIPFA]



A chart showing how each of the Financial Management Standards support the Principles of Good Financial Management is shown on page 17.

Assessment of Compliance with Statements of Standard Practice

| | Section/Financial Management Standard/Statement of Standard Practice | Level of Compliance (H/M/L) | Current Treatment | Further Action (if required) |
|----------|---|-----------------------------|---|---|
| | Section 1 The Responsibilities of the Chief Finance Officer | | | |
| A | The leadership team demonstrates that the services provided by the authority provide value for money. | N/A | Compliance is demonstrated by the application of other Standards and Statements in the FM Code | |
| B | The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government | H | | |
| B1 | The Chief Finance Officer in a public service organisation is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest. | H | The Director of Finance and Assets is a key member of the Senior Management Team involved in developing and implementing strategy. | |
| B2 | The Chief Finance Officer 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 alignment with the organisation’s financial strategy. | H | All material decisions that require the approval of senior officers or Members must have first been considered by the Director of Finance and Assets. | |
| B3 | The Chief Finance Officer must lead the promotion and delivery by the whole organisation of good financial management so | M | Good financial management is promoted throughout | Undertake a review of the skillsets of officers and elected members |

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| | that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Chief Finance Officer should regularly review the skillsets of elected members and all officers with budget/financial management responsibility and ensure appropriate support is provided. | | the Authority through regular communication. All managers with budgetary responsibility receive training and regular one-to-one meetings with a member of the Finance team. | and offer further training where required. |
| B4 | The Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose The Chief Finance Officer should regularly review the skillsets of all finance staff with senior budget/financial management responsibility and ensure ongoing appropriate support is provided. The ratio of qualified staff as a proportion of total finance staff ensures that the finance function has the necessary financial competence. | H | The Finance function is adequately resourced and fit for purpose. A training needs analysis is undertaken annually for all Finance staff. The majority of the team are either qualified or actively studying for a qualification. | |
| B5 | The Chief Finance Officer must be professionally qualified and suitably experienced. The Chief Finance Officer must be able to demonstrate adherence to professional CPD requirements on an annual basis. | H | The Director of Finance and Assets is a Fellow of CIPFA with over fifteen years of experience in local government finance. CPD is demonstrated as part of their membership obligations. | |

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| B6 | <p>The Chief Finance Officer should promote the highest standards of ethical behaviour in the conduct of financial management.</p> <p>Professionally qualified staff should evidence an ongoing commitment to the principles of objectivity, integrity professional behaviour, professional competence, dues care and confidentiality.</p> | M | Professionally qualified staff are required to adhere to the ethical standards of their professional bodies. | Review how to promote ethical financial management throughout the organisation. |
| B7 | <p>To enable financially informed decision making: The Chief Finance Officer should be able to provide the leadership team with sound advice on the key principles of local government finance; and The Chief Finance Officer should be able to demonstrate a sound system which ensures the authority has access to high standards of technical financial advice.</p> | H | <p>The Director of Finance and Assets is an integral part of the leadership team and provides sound advice as part of this role.</p> <p>The authority also has access to technical advice through external contracts for funding, taxation, audit and pensions, as well as a forum within the Fire Finance Network to discuss national issues.</p> | |
| B8 | <p>The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.</p> | H | The affordability of the capital strategy is an integral part of the medium-term financial plan. | |
| B9 | <p>The chief finance officer must establish the reporting and monitoring processes, and integrate the treasury management indicators into the overall financial planning process.</p> | H | There is an established process for reporting and monitoring. | |

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| | | | Treasury Indicators are approved alongside the budget each year. | |
| B10 | The Chief Finance Officer of Local Government Pension Scheme (LGPS) administering authorities satisfies the requirements of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013 edition). | N/A | The LGPS is administered by Buckinghamshire Council. | |
| Section 2 Governance and Management Style | | | | |
| C | The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. | H | Internal controls are tested annually as part of the work of Internal Audit, with the most recent audit providing substantial assurance (the highest rating). | |
| D | The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) | H | | |
| D1 | The authority maintains an effective audit committee | H | The Authority has an Overview and Audit Committee that meets at least three times per year. | |
| D2 | The audit committee receives and monitors the implementation of internal and external audit recommendations. When threats to the financial sustainability of the authority are identified by auditors the audit committee should ensure that the recommendations are communicated to | H | An update on the progress of recommendations arising from audit reports is a standing agenda item for the | |

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| | the leadership team and that the committee are informed of the effectiveness of the leadership team’s response. | | Overview and Audit Committee. All audit reports and recommendations are considered by the Senior Management Team. | |
| D3 | The authority has a PSIAS conformant internal audit function | H | The internal audit function is provided by Buckinghamshire Council and is compliant with PSIAS. | |
| E | The Financial Management Style of the authority supports financial sustainability | M | | |
| E1 | The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the political leaders, elected members to directors, finance officers and front line service managers. | H | Financial Regulations and Instructions provide a clear and understandable framework for accountability. | |
| E2 | Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance. | M | Finance act as effective business partners, working closely with cost centre managers. | Integrate performance and financial information with a focus on monitoring and achieving continuous improvement. |
| E3 | Enabling transformation: the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes | L | While Finance have input into strategic and operational plans, this is not necessarily | Implement a Programme Management Office and review internal |

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| | | | always at an early enough stage to support and enable transformation. | governance arrangements that underpin this. |
| E4 | Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions. | H | Budgets and financial approval limits are clearly delegated to cost centre managers. Meetings are held monthly with cost centre managers to ensure implications of decisions are understood and that managers are responsible for those decisions. | |
| E5 | The financial management of the authority has been critically evaluated | H | Internal Audit reviews core financial controls on an annual basis and has also undertaken an audit of financial planning and budget monitoring and forecasting, both of which received substantial assurance. | |
| Section 3: Long to Medium Term Financial Management | | | | |
| F | The authority has carried out a credible and transparent Financial Resilience Assessment. | H | | |

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| F1 | Financial resilience is tested against best and worst case scenarios which cover a wide range of financial demographic and social challenges. | H | Financial resilience is tested against various scenarios within the Financial Strategy | |
| F2 | The authority uses independent objective quantitative measures to assess the risks to its financial sustainability. | H | Key objective measures are used to assess financial stability and risks. | |
| F3 | Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners. | M | Key partners are evaluated before entry into formal arrangements. | Key partners should be reviewed to ensure they maintain the same high standards of conduct with regard to financial administration and corporate governance that apply throughout the Authority and they contribute to the achievement of the Authority's objectives. |
| G | The authority has a Long Term Financial Strategy for financial sustainability. | H | This is covered within the Financial Strategy | |
| H | The authority has a capital strategy aligned to its long term financial strategy | H | | |
| H1 | The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium - Long Term Financial Strategy | H | A condition survey is carried out on a regular basis by external consultants, which provides a total cost | |

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| | The plan should evidence rigorous assessment of asset portfolio in relation to service delivery. | | and prioritisation to inform the Property Strategy and MTFP. Regular reviews of station/fleet numbers and locations are undertaken to assess the asset portfolio against service requirements. | |
| H2 | The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action. | H | Information regarding whole-life cost of assets is maintained within the Redkite system | |
| I | The authority complies with the CIPFA Prudential Code | H | Compliance is reported annually to the Fire Authority | |
| J | The authority has a rolling multi-year Medium Term Financial Plan | H | The MTFP is approved by the Fire Authority annually | |
| K | The authority has sustainable service plans that are consistent with its long term financial strategy and the medium term financial plan. | M | | |
| K1 | The Medium Term Financial Plan should make reference to other organisational plans (e.g. workforce planning) and performance measures to demonstrate an alignment between service and financial planning. | M | Whilst other plans (e.g. workforce planning) are central to the MTFP, this link isn't explicit in published documents. | Included references to other plans within future MTFP papers. |

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| K2 | The authority has benchmarked the performance of its services against appropriate comparators. | H | The Authority uses CIPFA benchmarking services to consider performance against other fire and rescue services. | |
| K3 | To inform the Leadership Team’s decisions the authority has a single document tracking progress in the delivery of planned savings over the period of the Medium Term Financial Plan. | M | The service has reported progress against its Efficiency Plan, but this was retrospective rather than on-going. Delivery of savings is included with the budget monitoring report, but these only consider the current financial year. | Include a more detailed savings tracker that covers the medium-term with the budget monitoring reports. |
| K4 | The authority publishes it plans for the use of reserves over the over the period of the Medium Term Financial Plan The level of reserves at 31st March in any one year should not be fall below the level previously agreed. The authority should demonstrate adherence to the most recent guidance on reserves from CIPFA’s Local Authority Accounting Panel | H | The Authority has an approved Reserves Strategy that details plans for reserves over the period of the MTFP. This plan is compliant with CIPFA guidance. | |
| Section 4: The Annual Budget | | | | |
| L | The authority complies with its statutory obligations in respect of the budget setting process | H | All statutory obligations are fulfilled with the annual MTFP paper. | |

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| M | The budget report includes an assessment of its consistency with the current medium term financial plan and long term financial strategy. | M | | |
| M1 | The annual report proposing the budget includes an analysis of the success/failures in achieving the spending plans of the previous year and of departures from the planned use of reserves and balances. | M | Whilst these are considered in other reports they are not part of the budget setting report. | Include these aspects in the annual budget setting report. |
| N | The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves. | H | This is included within the annual budget setting report. | |
| | Section 5: Stakeholder Engagement and Businesses Cases | | | |
| O | The authority has engaged with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget. | H | The long-term strategy is informed by the Public Safety Plan, which is consulted upon widely. It has also been through the internal governance process. | |
| P | The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions | H | | |
| P1 | Option appraisal complies with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (Annex C to CIPFA FM Code) | M | Option appraisal complies with the principles, but this is not formally documented. | Ensure process makes explicit reference to these principles. |

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| P2 | The accounting treatment of material decisions is considered and demonstrated as part of the formal option appraisal process. | H | The accounting treatment and impact is determined at the time of the decision. | |
| Q | The authority applies the principles contained in the CIPFA Service Reporting Code of Practice and utilises appropriate costing techniques in the development of business cases | H | SeRCoP principles are utilised consistently. | |
| Section 6: Performance Monitoring | | | | |
| R | The authority takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability. | M | | |
| R1 | Timely time financial and performance information is available to managers via the appropriate systems. The systems are engineered to provide relevant data at a sufficiently accurate level. The organisation ensures that information is appropriately tailored and streamlined to avoid the risk of 'data overload'. | H | Managers are able to access information on demand. Reports have been developed with budget holders to provide them with the correct level of information. | |
| R2 | All Financial monitoring reports include: <ul style="list-style-type: none"> • The name of the budget holder responsible for the information presented • Accruals based financial information • Include the approved budget against which monitoring is taking place. • A forecast for the remainder of the budget period, • Service performance information and | M | Monitoring reports don't include other performance information. | Agree what other performance information may be required and include in monthly monitoring reports. |

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| | - is shown, for instance by reconciliations, to be consistent with the aggregate position for the authority. | | | |
| R3 | <p>Financial monitoring reports for high risk budgets are:</p> <ul style="list-style-type: none"> Scrutinised by the leadership team of the organisation on (as a minimum) monthly basis. <p>Financial monitoring reports for steady state/low risk budgets are:</p> <ul style="list-style-type: none"> Received by budget holders on a monthly basis Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team. | M | The leadership team only consider budgets on a quarterly basis. | Distribute monthly monitoring reports, including a focus on high-risk budgets, to the Formal Senior Management Board on a monthly basis. |
| R4 | The authority has arrangements which allow annual service budgets to be recalibrated in response to unforeseen developments. | H | In-year budget realignments can be approved by either the Director of Finance and Assets, Senior Management Team or Executive Committee (depending on value) | |
| R5 | At the financial monitoring period end the leadership team receives a set of financial statements with forecast outturn for the year ahead | M | These are currently only received by the leadership team on a quarterly basis | Monthly reports are already produced. These are to be consolidated and circulated to the monthly Formal Senior Management Board meetings (see also R3). |
| R6 | There are appropriate arrangements in place for reporting and managing the financial performance of each of the organisation’s delivery partnerships and collaborative arrangements. | H | Thames Valley collaborative arrangements are overseen by Officer | |

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| | | | and Member steering groups and/or committees. Partnerships are reported to the Overview and Audit Committee annually. | |
| R7 | There are appropriate arrangements in place for the project management and cost control of capital projects. | H | Capital projects are monitored on a monthly basis. | |
| S | The authority monitors the elements of its balance sheet which pose a significant risk to its financial stability | H | | |
| S1 | Unplanned and planned use of reserves are reported [quarterly] to the management team of the organisation and to Council. | M | Movements in reserves are reported quarterly, although the report does not explicitly distinguish between planned and unplanned movements in reserves. | The budget monitoring report should make explicit the distinction between planned and unplanned movements in reserves. |
| S2 | Management accounts include either a full balance sheet or an appropriate level of balance sheet information to meet business needs and evidence of monitoring of material items | H | Management accounts include reserves, and where relevant, stock balances. | |
| Section 7 External Financial Reporting | | | | |
| T | 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. | H | The annual accounts are reviewed and signed by the Director of Finance and Assets | |

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|---|---|-----------------------------|---|------------------------------|
| U | The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions. | H | An annual report is presented that informs strategic decision making. | |

Mapping of CIPFA summarised Financial Management Standards onto CIPFA Principles of Good Financial Management

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