

## The CIPFA Financial Management Code

### OBJECTIVES

The Chartered Institute of Public Finance and Accountancy 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**

CIPFA considers that application of the Financial Management (FM) Code to be a Professional responsibility of all its members, regardless of their role in the Financial Management process. More specifically, the FM code clarifies CIPFA's understanding of how Chief Financial Officers (CFOs) should satisfy their statutory responsibility for good financial administration.

The code has clear links to a number of value for money characteristics such as good governance at a strategic, financial and operation level, sound management of resources and use of review and options appraisal.

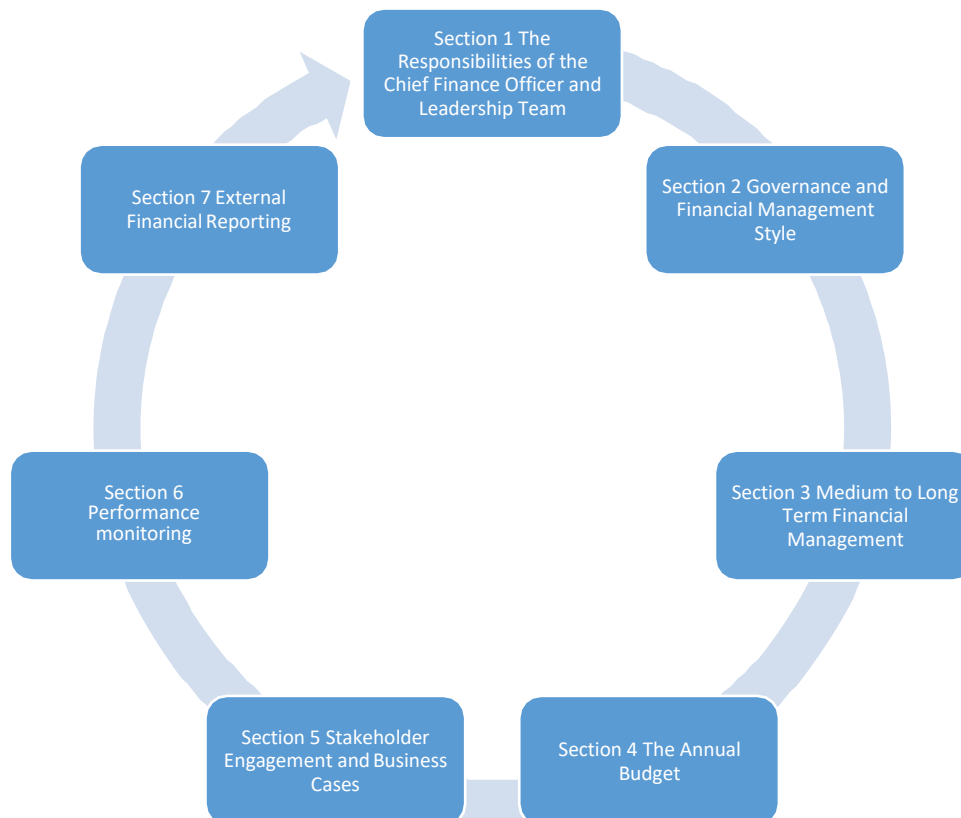
The CIPFA Financial Management standards are presented and explained in Sections 1 to 7 of the FM code.

Sections 1 and 2 address import contextual factors which need to be addressed in the first instance if sound financial management is to be possible. The first deals with the responsibilities of the CFO and Leadership team, the second with the authority's governance and financial management style.

Sections 3 to 7 address the requirements of the financial management cycle.

## 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 19. This list is divided into sections, as shown in the cycle below.



## 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)
	<b>Section 1 The Responsibilities of the Chief Finance Officer and Leadership Team</b>			
<b>A</b>	<b>The leadership team is able to demonstrate that the services provided by the authority provide value for money.</b>			
	KPIs	M	Strategy & Resources (S&R) committee quarterly. Included in Statement of Accounts (SOA) annually.	Currently being revised by Heads of Service
	Value for Money External audit opinion	H	Annually as part of the External Audit & reported to governance committee where audit recommendations are received.	
<b>B</b>	<b>The authority complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Finance Officer in Local Government.</b>			
	The Chief Finance Officer (S151) is the "Director of Resources and Deputy Chief Exec" and is a key member of the Senior Management Team.	H	Weekly Senior Management Team meetings & attendance at council meetings where reports and decisions are taken	

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	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	The Chief Finance Officer must be either actively involved in or consulted on major material business decisions	H	Member of Senior management Team. Consultee on all committee reports & attendance at council meetings and advice provided to members who are making key council decisions.	
	The Chief Finance Officer must lead on the promotion of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively.	H	Members receive financial training. All managers with budgetary responsibility receive training and regular budget monitoring meetings with their Accountants. Regular budget updates through staff briefings and manager forums.	
	The Chief Finance Officer must lead a finance function that is resourced and fit for purpose.	H	A training analysis is undertaken annually through the appraisal process and the majority of the team are either qualified or actively studying for an Accountancy qualification, together with supporting new apprentices and providing time for study. The team has	

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			been recently restructured with all posts recruited into and fully resourced. The Finance manager who is deputy chief finance officer is a fully qualified chartered accountant with 10+ years of experience.	
	The Chief Finance Officer must be professionally qualified and experienced and must demonstrate Continued Professional Development (CPD) requirements.	H	Chartered Institute of Public Finance and Accountancy CIPFA annual Continuing Professional Development (CPD) declaration. Fellow member with 15+ years experience. North Devon Council are an accredited employer for Chartered Institute of Public Finance and Accountancy (CIPFA), Association of Chartered Certified Accountants (ACCA) and Association of Accounting Technicians (AAT).	
	The Chief Finance officer should promote and demonstrate the authority has access to high standards of technical financial advice	H	Subscription to: Public Sector Tax Expert (PSTAX), ICHABOD Industries Ltd, Itrent Bureau , LG Futures,	

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			Technical Information Service (TIS) Online, Chartered Institute of Public Finance and Accountancy (CIPFA) publications (guidance codes) And Link asset services (treasury management advice)	
	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	The Chief Finance officer should promote the Management Behavioural Framework in the context of Ethics and Financial Management	H	North Devon Council embedded a new management behavioural framework which includes being: Curious Nurturing Collaborative Achieve results Integrity This now drives appraisals and staff recruitment.	
	The Chief Finance officer must ensure the quarterly and annual reports for Revenue monitoring, treasury management, Medium Term Financial Strategy (MTFS) and capital programme monitoring are followed.	H	Quarterly Performance Reports and Annual budget setting report to Strategy and Resources committee, Policy development committee and Full council.	

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	<p>The Chief Finance officer is responsible for the affordability of the capital programme and Strategy</p>	<p>H</p>	<p>Annual Strategy, Outturn and Mid-year Treasury reports to Strategy and Resources committee, Policy development committee and Full Council. As part of the budget setting and Medium Term Financial Strategy (MTFS) a 10 year capital strategy is also produced for member sign-off.</p>	
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	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	<b>Section 2 Governance and Financial Management Style</b>			
<b>C</b>	<b>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</b>	<b>M</b>	The Council use Devon Audit Partnership for the provision of internal audit. Their reports are reported to Senior Management Team (SMT) and onto the Governance committee quarterly. Annually as part of the production of the Annual governance statement heads of service produce and sign off an assurance statement that confirms they have adhered to strong governance and internal controls within their service areas.	The Annual Governance statement sets out an action plan with recommendations to implement.
<b>D</b>	<b>The authority applies the Chartered Institute of Public Finance and Accountancy (CIPFA) Delivering Good Governance in Local Government: Framework (2016).</b>			
	The authority produces and approves an Annual Governance statement.	H	An assessment against each of the principles within the governance framework is carried out and reported together with the Annual	Review format and layout of Annual Governance Framework.

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			Governance Statement at Governance committee along with the Statement of Accounts (SOAs).	
	The authority has an effective Audit committee	H	The Council has a Governance committee that meets 5 times a year. Annually an assessment of the effectiveness of this committee is carried out with these results reported to the committee by the chief finance officer.	
	The audit committee must review all Internal and External Audit report and consider recommendations	H	Both internal and external audit attend governance committee to present their reports and recommendations. A standing item on the agenda are all previous audit recommendations on a tracker report for a progress update and scrutiny by members.	
<b>E</b>	<b>The financial management style of the authority supports financial sustainability.</b>			
	The organisation has an effective Framework of Financial Accountability, including the political leader, members, Heads of Service, Budget Holders and front line service managers.	H	The Chief Finance Officer (CFO) meets monthly with the lead member. Budget updates and cross party budget workshops held with members. Regular financial updates	

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			provided via staff updates and manager forums. Monthly budget monitoring meetings held between finance team and budget holders. Compliance with Financial regulations and Standing Orders.	
	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	Services produce and work on annual service plans which feed into the budget setting and Medium Term Financial Strategy (MTFS) process	H	Accountants support budget holders and service leads through these processes. The service plans are scrutinised through Senior Management Team (SMT) and Policy Development committee.	
	The Finance team supports Transformation and Strategic projects	H	Accountants attend regular monitoring and project meetings with project managers and Heads of Service, providing financial advice and support where necessary. The council has a programme management team which co-ordinates and manages all of the councils programmes	

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			of which the finance team supports.	
	Service budget holders are responsible for delivering their service efficiently, effectively and within budget.	H	Procurement limits are set through the amended Financial Regulations. Budget holders have responsibility within their job description to manage their budgets effectively and are required where appropriate to request virements of their budgets as required. The Accountants within the finance team will action virements promptly due to purchase orders being unable to be placed on the system without a relevant budget being in place for their controllable items.	

	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	<b>Section 3: Medium to Long Term Financial Management</b>			
<b>F</b>	<b>The authority has carried out a credible and transparent financial resilience assessment.</b>			
	Value for Money External audit opinion	H	Annually as part of the External Audit & reported to governance committee where audit recommendations are received.	
	Financial review of companies for large capital projects and contracts	H	Assessment of company Account by Accountants. Independent Credit rating. Contract have performance bonds and Parent company guarantees where appropriate.	
	Medium Term Financial Strategy (MTFS) revised Annually as part of the budget setting process and monitored/refreshed during the year.	H	Critical analysis of different scenarios considered when populating Medium Term Financial Strategy (MTFS) with final version being of a prudent nature. It is also refreshed during year. (Budget workshops and ad-hoc refreshes)	
<b>G</b>	<b>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</b>	H	This is covered within the Medium Term Financial Strategy (MTFS) reviews and Strategy approved annually along with the	

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			10 year capital strategy.	
<b>H</b>	<b>The authority complies with the Chartered Institute of Public Finance and Accountancy CIPFA Prudential Code for Capital Finance in Local Authorities.</b>	H	Included within the Capital Strategy and accompanies the treasury strategy annually, Mid-year treasury review report and Annual outturn treasury report.	
<b>I</b>	<b>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</b>	H	Critical analysis of different scenarios considered when populating Medium Term Financial Strategy (MTFS) with final version being of a prudent nature. It is also refreshed during year. (Budget workshops and ad-hoc refreshes). Service plans are approved by Senior Management Team (SMT) in December, scrutinised by Policy committee in January and feeds into the budgetary framework.	

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	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	<b>Section 4: The Annual Budget</b>			
<b>J</b>	<b>The authority complies with its statutory obligations in respect of the budget setting process.</b>	H	All statutory obligations are fulfilled within the Annual Budget report, Medium Term Financial Strategy (MTFS) and the Annual Council Tax resolution and report.	
<b>K</b>	<b>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.</b>	H	This is included in the Annual budget report.	

	Section/Financial Management Standard/Statement of Standard Practice	Level of Compliance (H/M/L)	Current Treatment	Further Action (if required)
	<b>Section 5: Stakeholder Engagement and Businesses Cases</b>			
<b>L</b>	<b>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</b>	H	<p>Early workshops with members are conducted to consider budget gap savings (Sept/Oct), ideas and details for these workshops are discussed and costed with Chief Finance Officer, Chief executive and lead members, these then feed into the reports (including Revenue Budget, capital programme and Medium Term Financial Strategy (MTFS), Treasury Management Strategy and 10 year capital strategy) that go to Strategy and Resources and Full Council.</p> <p>Business support and financial plans for the forth coming year are shared with local businesses in advance of setting the budget through a workshop</p>	



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			held in February. There is also a budget update to the Parish forum which includes all the parish Councils.	
<b>M</b>	<b>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</b>	H	Where appropriate "Option Appraisals" form the basis of the information included in the "Financial implications" of reports that go to Strategy and Resources committee. These are scrutinised by the S151 Officer as part of the consultation process.	

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	<b>Section 6: Performance Monitoring</b>			
<b>N</b>	<b>The authority takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</b>			
	Timely financial and performance information is available to managers.	M	All budget holders and managers have look only access to their budgets on the core financial system. Monthly budget reports are distributed to budget holders on the 3rd of each month, they show, Actuals, Budget and Variances, they are sufficiently detailed to enable the budget holder to identify trends, patterns and variances which are then discussed with the Accountants on a monthly basis and reported to Senior management Team monthly and Strategy and Resources quarterly. Managers have access to the Performance management system to review performance information.	Review of Key Performance Indicators (KPIs) and refresher training on use of core financial systems.

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	The authority has arrangements which allow Annual service budgets to be recalibrated in response to unforeseen developments.	H	In year budget re-alignments can be approved by budget holders, Heads of Service and Chief Financial Officer dependant on value. Also as part of the quarterly performance reporting budgets are re-aligned and consideration of reserve movements factored in.	
	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
<b>O</b>	<b>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</b>	H	Quarterly Surpluses and Deficits are considered and appropriate contributions to/from reserves are put forward for consideration by Strategy and Resources. Liquidity is managed through our daily cash flow, debt management processes and creditor payment runs. The reporting to Senior Management Team (SMT) includes the above elements.	

	<b>Section/Financial Management Standard/Statement of Standard Practice</b>	<b>Level of Compliance (H/M/L)</b>	<b>Current Treatment</b>	<b>Further Action (if required)</b>
	<b>Section 7 External Financial Reporting</b>			
<b>P</b>	<b>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.</b>	H	The annual accounts are reviewed and signed by the Leader of the council and Chief Financial Officer confirming this compliance.	
<b>Q</b>	<b>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</b>	H	The final Outturn is taken through Senior Management Team (SMT) then onto Strategy and resources, Policy Development and Full Council. The Chief Financial Officer presents the Statement of Accounts to Governance committee, the narrative report sets out how the outturn is dealt with.	

