



The Chartered Institute of
Public Finance & Accountancy

The Financial Management Code The practicalities of compliance

Regional Webinars

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Context



Pressures include

- Reduction in income
 - Income Compensation Scheme
 - Business Rates and Council tax
 - Specific challenges such as airports
- Increasing Demand
 - Longstanding - Social care
 - Recent - Covid Wardens
- Focus on Sustainability
 - Financial reports
 - NAO



The CIPFA FM Code

- The CIPFA FM Code identifies the risks to financial sustainability and introduces an over arching framework of assurance which builds on existing financial management good practice.
- For the first time it sets out explicit standards of financial management

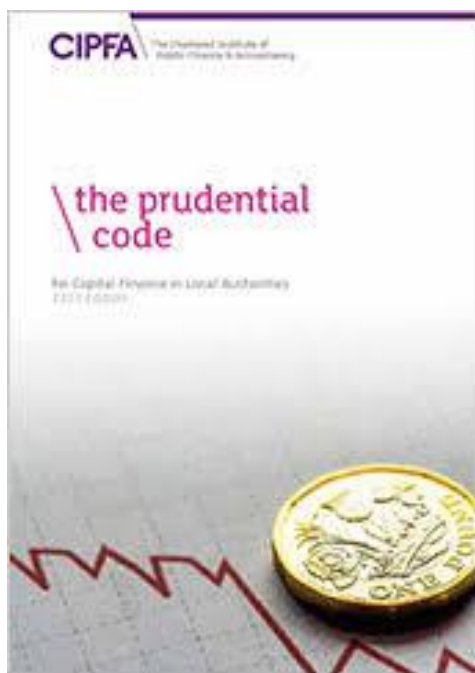


Sustainable Public Finance

- Sustainability is about the capacity to continue operating into the future.
- Financial
- Environmental
- Social
- Accountants embedding sustainability within good financial management practice



The rest of the family



Aims of the FM Code - Building on good practice



Applicability

- Applies to all local authorities including police, fire combined and other authorities
- Recognition of the different structures and legislative framework
- Duty to adhere to the principles of good Financial management
- The FM code translates the principles into standards for a LA to test itself against
- Where compliance with the code is not possible adherence to the principles is appropriate

Redmond Review

- Redmond Recommendations
 - 23 recommendations



The report comments

CIPFA's Financial Management Code is another model that provides a set of standards against which auditors could assess value for money and financial resilience. However, it is too detailed to assess without a considerable amount of additional audit work. Nevertheless, the principles in the Financial Management Code would enhance the consistency of local authority financial management. MHCLG could take the opportunity to give it statutory status when the opportunity arises and require local authorities to report on their compliance with it in their Annual Governance Statement.

Structure of the Code



Principle based

leadership, accountability,
transparency, standards,
assurance and sustainability



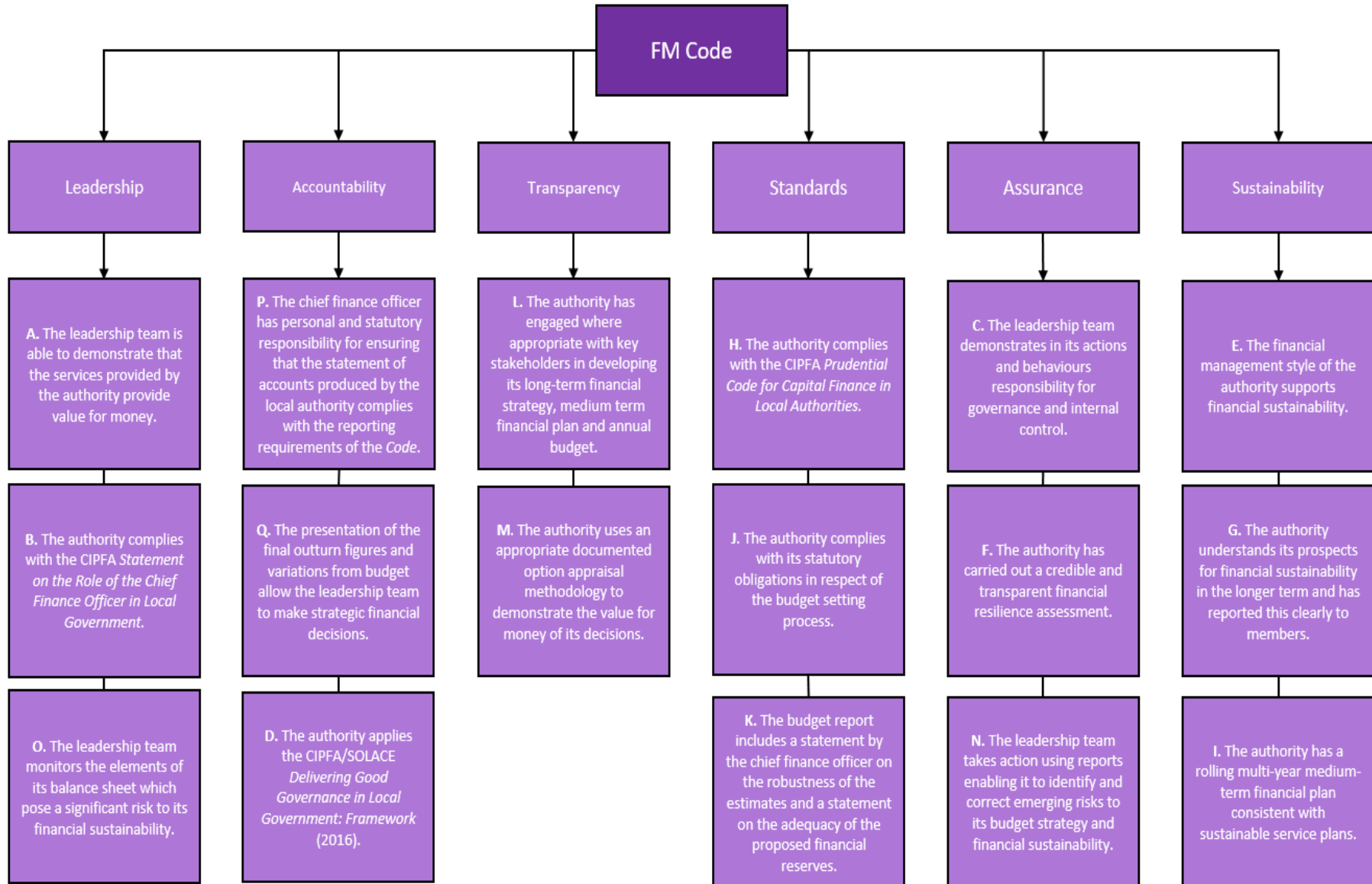
Supporting 17 standards

Each fits under one of the
main 6 principles



Local authorities are required
to demonstrate how they
would comply with the
standards

Evidence the standard
Embed the standard into activity
Use the standard to show
ambition and stretch
Use the standard as a minimum

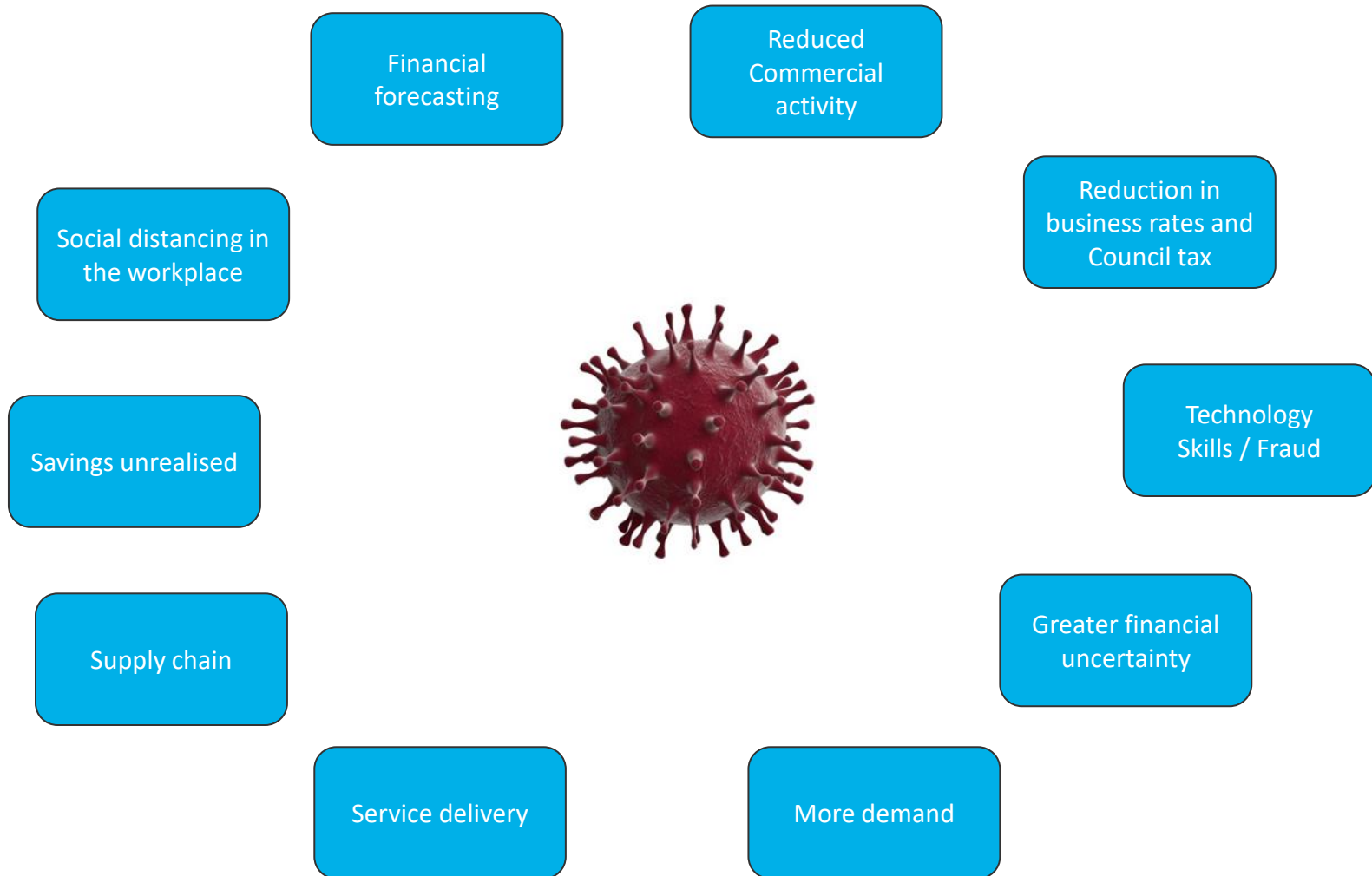


Post Covid Implementation

- Pressure on Local Authorities
- Principles still applicable in a post COVID -19 world
- Challenges greater in
 - Longer term planning
 - Financial resilience



Risks include :



Key Questions- FM Standard A

The leadership team is able to demonstrate that the services provided by the authority provide VfM

- Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?
- Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?
- Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?

In order to achieve compliance with the Code, consideration of VfM should be an integral feature to the decisions made by the leadership team, especially those relating to the allocation of resources or to the delivery of services.

FM Standard A :The leadership team is able to demonstrate that the services provided by the authority provide VfM

- The delivery of VfM will ultimately be dependent on decisions made by elected members. It is the responsibility of the senior officers within the management team to ensure this can be enacted.
- **Robust and timely data needed**
- **Understanding by members of the decision and its impact**
- Statutory responsibility for the FM of the authority rests with the CFO, BUT the CFO is reliant on the actions of the leadership team both collectively and individually as elected members and senior officers.
- **Communication and exploration of options required**

The FM Code looks at economy, efficiency, effectiveness and equity

Ensuring VFM



Efficiency

Efficiency reviews
Benchmarking
Peer review



Effective

Monitoring of
performance data
Service reviews



Equity

User surveys
Ext assessments
Equality impact
assessments
Engagement



Example...



The recent statement of accounts has yet again received a positive value for money opinion from our auditors...



We have established a Business Change team, whose role is to review the principal operating models to determine whether they are working efficiently, effectively and delivering value for money in terms of outcomes achieved.... Monthly reports to the Board give demonstrable assurance, that value for money is obtained.



We have developed a VfM strategy... which regularly reports to the Board and demonstrates we have a clear and consistent understanding of what value for money means.

Possible evidence

- Financial Reports / Stakeholder engagement
- Information disclosed or available to support the annual governance statement and annual report
- Risk registers, committee or board papers including scrutiny and standards boards
- Recommendations from significant weaknesses identified in previous years
- information available from external sources, such as relevant inspectorates, government departments or national bodies
- Interviews
- How could you currently evidence VfM and what would you change?
- Consider your arrangements for ensuring effective oversight and accountability

In summary

- Financial management embedding in the culture
 - What evidence do you have ?
 - How can this be shown ?
 - What do you want to achieve ?
-
- This is the first year so we will learn together

