

CIPFA FINANCIAL MANAGEMENT CODE

Report 2021/22





» BACKGROUND

The Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019. The first full year of compliance is 2021/22.

The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.

The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management, which is an essential part of ensuring that public sector finances are sustainable.

The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.

Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the senior leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The FM Code builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

» PRINCIPLES OF GOOD FINANCIAL MANAGEMENT

The FM Code establishes an approach based on six principles of good financial management:

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, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.





3. Transparency

At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.

4. Professional Standards

Promoted by the leadership team, with adherence evidenced.

5. Assurance

Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.

6. Long-Term Sustainability

At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

» FINANCIAL MANAGEMENT STANDARDS

The CIPFA Financial Management Code translates these principles of good financial management into 17 standards. These standards are split into seven areas. The standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

The financial management standards are designed to be sufficiently flexible so that they are relevant to the needs of the diverse range of authorities across the local government sector and to the varying circumstances in which these authorities operate and challenges that they face.

The detailed financial management standards set out in the FM code, and how the Authority is meeting these is shown in the table below:





Section	Financial Management Standard	Assessment of Current Position
	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 prove value for money	<p>Value for Money is one of the areas assessed as part of the external audit process. No significant weaknesses have been identified in the 2020/21 work completed to date. No areas of concern were identified in prior year audits. Detailed business cases for large projects are reviewed by SLT, and Members as appropriate.</p> <p>Budget setting papers are presented to Fire Authority in February each year. In year performance is monitored monthly and reported to Members quarterly. Blue light collaboration is a key consideration for all projects and opportunities are utilised whenever possible, with numerous examples available.</p> <p>Appropriate use of national and regional procurement contracts and frameworks can also be demonstrated.</p>
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government 2016</i>	<p>The Head of Finance and Procurement is the Section 151 Officer and Chief Financial Officer. The post forms part of the Senior Leadership Team of the Authority.</p> <p>The post holder has overall responsibility for the finance function, helping to shape and deliver the Medium Term Financial Plan and Strategic Asset Investment Framework.</p> <p>The post holder is a fully qualified accountant with significant experience of Local Government. The wider Finance team contains four other fully qualified accountants, and others who are at varied points of their studies. All officers are offered continued professional development and encouraged to attend technical training.</p> <p>The Authority has contracts in place for specialist financial services to assist the finance team in meeting their statutory requirements - technical accounting, treasury management, financial management and planning and taxation.</p>
	Governance and financial management style	
C	The Leadership team demonstrates in its actions and behaviours	The Authority has an approved scheme of delegation, Finance and Contract



	responsibility for governance and internal control.	<p>regulations in place, which are regularly reviewed.</p> <p>Regular reviews of the Corporate Risk Register are undertaken by SLT.</p> <p>The Authority has in place a formal governance structure that is appropriate to the way in which it operates. This includes relevant committees and reporting lines, terms of references and conduct, including provision for scrutiny of decisions taken. The Authority has in place a formal scheme of delegation, which sets out which individuals or committees are entitled to make which decisions.</p> <p>Internal Audit works to an agreed plan, which is based on a robust analysis of the Authority's governance, risk management and internal control arrangements, the environment within which it operates and the risks and challenges that it faces.</p>
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework (2016)</i>	<p>The Annual Governance Statement is reviewed and approved annually by Members, and details how we meet the core principles of good governance.</p> <p>The internal audit function is provided under a contract with an external provider, ensuring independence and impartiality of reporting.</p>
E	The financial management style of the authority supports financial sustainability	<p>The budget setting papers refreshed and presented to Members annually include a four year Medium Term Financial Plan (MTFP) and a fifteen year Strategic Asset Investment Framework (SAIF). Financial sustainability is a fundamental aspect of both of these documents, and the Authority's wider financial plans and performance.</p> <p>The MTFP includes prudent estimates of funding available and budget growth required over the medium term and appropriate levels of contingencies and reserves required based on an assessment of risks it faces.</p> <p>The longer terms funding implications of the required investment in our assets is detailed in the SAIF. The different phases of the required investment over the time period are identified, and the associated funding sources and challenges.</p>
	Medium to long-term financial management	
F	The authority has carried out a credible and transparent financial resilience assessment	<p>The budget papers outline the key assumptions regarding the revenue and capital budget. In line with the requirement of the Code of Practice these assumptions have been deemed to be prudent.</p> <p>As part of the budget setting process, the level of reserves are reviewed to</p>



		ensure they are robust, in light of the assessment of financial risks that the Authority is exposed to. The Authority's Reserves Policy outlines resources that have been set aside to enable the Authority to set a robust MTFs, based on possible risks identified.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	<p>The MFTP is based on a four year period and is presented to Members as part of the budget setting papers annually. These clearly detail Council Tax revenue expectations, usage of reserves and the associated assumptions made and possible risks.</p> <p>The Authority's Reserve Policy is also presented as part of the budget setting papers and demonstrates the planned prudent retention of reserves to manage risks over the medium term.</p> <p>The SAIF details the different phases over the fifteen year period, those that have been funded and those that require an appropriate source of funding to be identified.</p>
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	<p>Management of the Authority's debt is governed by the Treasury Management Strategy and Prudential Indicators which aim to ensure the Authority's capital expenditure plans are prudent, affordable and sustainable.</p> <p>The Authority's Finance team work closely with the appointed Treasury Advisors, utilising their expert knowledge to formulate borrowing an investment plans based on the latest financial advice.</p> <p>The Authority's Treasury Management Strategy and Prudential Indicators comply with the requirements of the Prudential Code and are presented to Members as part of the budget setting papers. Half yearly and year end Treasury Reports are presented to Members detailing performance.</p>
I	The authority has a rolling, multi-year medium-term financial plan consistent with sustainable service plans.	<p>The Authority's Medium Term Financial Plan is based on a four year period with indicative budget allocations for future years which underpins annual service planning for departments. This is updated annually, and presented to Members as part of the budget setting papers.</p> <p>Updates on the latest information and assumptions in respect of funding, costs and risks are provided as required.</p>
	The annual budget	
J	The authority complies with its statutory obligations in respect of	The Authority sets a balanced budget and complies with the requirement in



	the budget setting process	relation to the S151 Officer statement (s25) on the robustness of the budget and the adequacy of reserves.
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	The Authority sets a balanced budget and complies with the requirement in relation to the S151 Officer statement (s25) on the robustness of the budget and the adequacy of reserves.
	Stakeholder engagement and business cases	
L	The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	Member briefing sessions are held in the build up to the annual budget setting meeting each February, detailing key issues and implications. Wider stakeholder engagement with members of the public is completed via an annual Council Tax consultation, where residents are encouraged to give their views on proposed changes. Consultations are also regularly held on key projects, with stakeholder engagement desired.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Detailed business cases for large projects are reviewed by SLT, and approved by Members. The identification of options and their appraisal are a key part of this, with value for money a key consideration for any projects approved.
	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.	Regular reviews of the Corporate Risk Register are undertaken by SLT. Emerging and growing risks are subject to challenge, with preventative measures implemented wherever possible. The financial impact of such risks will be quantified and addressed as part of the monthly budget monitoring process, which is presented to Members quarterly. If such risks demand action in the form of additional budget allocations, then this will be addressed in year by SLT where appropriate or as part of the following years budget setting process.
O	The Leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	The Authority have specific earmarked reserves and maintains an appropriate General Fund balance to mitigate the main financial risks should they ever crystallise.



		<p>Daily cash flow monitoring and forecasting is maintained, with aged debts managed and chased accordingly.</p> <p>Regular reviews of reserve levels and planned usage are completed by the Section 151 officer, and Treasury performance reports are presented to Members bi-annually to update on investment and debt levels.</p>
	External financial reporting	
P	<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.</p>	<p>The Statement of Accounts is prepared on an annual basis in accordance with the Accounts and Audit Regulations 2015, and the Code of Practice on Local Authority Accounting in the United Kingdom (the local authority accounting Code). The CFO personally certifies the annual Statement of Accounts indicating their personal and statutory responsibility.</p> <p>The Authority's leadership team and the CFO are aware of the CFO's responsibilities in terms of the preparation of the annual financial statements and the finance team produce an annual closing timetable, circulated to all staff, to ensure that the Authority meets its obligations in regard to the production of its financial statements.</p> <p>The Authority has consistently received an unqualified audit opinion from the external auditors.</p>
Q	<p>The presentation of the final outturn figures and variations from budget allows the Leadership team to make strategic financial decisions</p>	<p>The outturn report at the end of each financial year identifies variances from budget allocations and is supported by appropriate explanations outlining the reasons why. These supplement the in-year monitoring reports presented to Members quarterly.</p> <p>The outturn report is presented and reviewed by both SLT and Members, with the associated bottom line impact on the wider Reserves position of the Authority considered and approved.</p> <p>The Statement of Accounts includes a reconciliation to the Comprehensive Income and Expenditure Statement that shows the link between the statutory accounts and the Authority's management account reporting format.</p>

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