



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **ROLE OF THE CHIEF FINANCIAL OFFICER AND THE TREASURER**

Report of the Chief Fire Officer

**Date:** 25 September 2015

**Purpose of Report:**

To set out for Members the respective roles of the Head of Finance and the independent Treasurer and how these two officers work together to achieve compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) best practice paper on the role of the Chief Financial Officer.

The report also sets out the financial principles and the delegation profiles in relation to finance.

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## 1. BACKGROUND

- 1.1 The recent restructure of the Strategic Management Team and the appointment of a new independent Treasurer creates an opportunity for the Fire Authority to review its compliance with CIPFA's guidelines for the Chief Financial Officer and to refresh the existing financial principles and delegation profiles document to fit the new structure.
- 1.2 CIPFA set out their view of the role and responsibilities of the Chief Financial Officer. Nottinghamshire and City of Nottingham Fire and Rescue Authority has both a Head of Finance and an independent Treasurer who between them hold all of the responsibilities set out in CIPFA's standard. It is therefore important for the good financial governance of the Authority that the roles of these two officers are understood and that they comply with the most recent CIPFA statement on the role of the Chief Financial Officer. This is to ensure not only compliance with the CIPFA standard but also to ensure legal compliance under various statutes.
- 1.2 This paper sets out the responsibilities and obligations of the Authority in respect of financial governance and goes on to describe how these are met under the current governance structure.
- 1.3 Appendix A sets out the financial principles and delegation profiles of the Authority

## 2. REPORT

### Regulatory Framework

- 2.1 The role and responsibility of the Treasurer has been developed by case law in England and Wales and most notably in the case of the Attorney General v De Winton 1906 where it was established that the Treasurer is not merely a servant of the Authority, but holds a fiduciary responsibility to local taxpayers. This creates a duty under the law for the Treasurer to always act within the law even if this means acting against the instructions of the Authority itself. This in turn creates a situation where the advice of the Treasurer in relation to financial matters, in so far as they relate to compliance, cannot be ignored or over ruled.
- 2.2 The Treasurer then is placed in a position where s/he must ensure compliance with the regulatory framework which includes:

Section 151 of the Local Government Act 1972 – England and Wales 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”.

“proper administration” requires a wide consideration of all aspects of local authority financial management and should include:

compliance with the statutory requirements for accounting and internal audit

ensuring the Authority’s (and ultimately its members’) responsibility for securing proper administration of its financial affairs (Lloyd v McMahon (1982) AC 625)

proper exercise of a wide range of delegated powers both formal and informal (Provident Mutual Life Assurance Association v Derby City Council (1981) 1 WCR 173)

responsibility for managing the financial affairs of the local authority in all its dealings

recognition of the fiduciary responsibility owed to local taxpayers (Attorney General v De Winton (1906) 2 CH 106).

2.2 This view is strengthened by Section 113 of the Local Government Finance Act 1988 which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

2.3 Section 114 of the Local Government Finance Act 1988 – England and Wales requires a report to all the Authority’s members to be made by the S151 Officer, in consultation with the Council’s Monitoring Officer, if there is, or is likely to be unlawful expenditure or an unbalanced budget.

2.4 The introduction Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Chief Finance Officer (Treasurer for Fire Authority) as defined in that subsection to report certain matters to the Authority.

2.5 Serious consequences could follow making such a report and this note recommends sound procedures and consultation particularly with the authority’s Clerk, if that person is not the Monitoring Officer (in addition to consultation with the Chief Fire Officer and the Monitoring Officer as required by law) prior to making the report.

2.6 The duty of the Treasurer to report is triggered if s/he believes that a decision involves (or would involve) unlawful expenditure or:

a course of action is unlawful and is likely to cause a loss or deficiency

or;

an entry of account is unlawful.

In those circumstances the Treasurer is required to make a report to the Authority and send a copy to every member and the external auditor. The

course of conduct which led to the report must not be pursued until the full Authority has considered the report. The Authority must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take.

- 2.7 Likewise the Treasurer must report to the Authority where s/he believes that the Authority's expenditure is likely to exceed available resources. The Authority is prevented from entering into any agreements incurring expenditure until the Authority has considered the report. This provision is intended to assist in the provision of sound legal (and financial) advice to members of the Authority but in the last analysis the duty to make a part VIII report is placed on the Treasurer. The legislation clearly raises issues that could place the Treasurer in conflict with his or her employers.
- 2.8 The consequences of submitting a part VIII report are unlikely to be in the long term interests of the Authority, its officers (or even local government generally) if many have to be made. The need to issue a number of S114 reports would also indicate that there are underlying problems with the overall performance of the Authority. Every action should be taken to avoid conflict by providing timely advice to elected members and where possible offering alternative lawful solutions on financial matters. However, at the end of the day Section 114 imposes a statutory duty on the Treasurer.
- 2.9 The Local Government Act 1972, requires every Authority to "secure that one of their officers has responsibility for the administration of those (financial) affairs". There is no definition of "officer". It is thought that the term "staff" and "officer" in the Local Government Act 1972 and elsewhere, are intended to embrace all employees of local authorities.
- 2.10 The Treasurer and the Chief Financial Officer will also need to be aware of:
- Codes of practice;
  - Codes of professional ethics for individual accounting institutions;
  - International reporting standards;
  - International ethics standards board for accountants

### **CIPFA's Five Principles**

- 2.11 CIPFA have set out five principles that define core activities and behaviours that belong to the role of the Chief Financial Officer
1. The Chief Financial Officer should be a key member of the Leadership Team, helping the organisation to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
  2. The Chief Financial 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 aligned with the organisation's financial strategy

3. The Chief Financial Officer must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
4. To deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose; and
5. The Chief Financial Officer must be professionally qualified and suitably experienced.

### **Principle 1 - as a member of the leadership team**

- 2.12 The Chief Financial Officer must have a direct reporting line to the Chief Executive and not through or via other officers. The Chief Financial Officer should be seen to have equality of status with other members of the team.
- 2.13 Strategic planning needs to be based on an understanding of the external political landscape, the Authority's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Finance translates ambitions and goals across the Authority into a common language, so the Chief Financial Officer must share in the strategy development and implementation responsibilities of the Leadership Team. These include supporting elected representatives under the proper governance arrangements, and the Chief Financial Officer must be in a position to provide unfettered advice to elected representatives to inform their decision making.
- 2.14 As well as having the fundamental concern for probity and control, the Chief Financial Officer must be proactive in managing change and risk, be focussed on outcomes, and help to resource the Authority's plans for change and development in the public services it provides.
- 2.15 Local authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term. Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The overarching long term need to match financial resources to the Authority's purposes and policies, within constraints of affordability, mean that the Chief Financial Officer must contribute actively to corporate decision making.
- 2.16 Public finance is complex and highly regulated, and the Chief Financial Officer must contribute expert technical advice and interpretation. The Chief Financial Officer must act in the public interest, even if necessary against a perceived organisational interest. In local authorities, this professional obligation is given statutory backing, and a fiduciary duty is established in case law. 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 Chief Financial Officer's duties in England and Wales were significantly extended by Section 114 of the 1988 Act which requires a report to all the local authority's members to be made by that officer, in consultation with the Monitoring Officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

- 2.17 As holders of the 'red card', the Chief Financial Officer must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the Authority remains in sound financial health. To ensure that the necessary corrective action is implemented, the Chief Financial Officer must have direct access to the Chief Executive, other Leadership Team members, the Audit Committee and also to external audit.

### **How the Fire Authority complies with the first principle**

- 2.18 CIPFA go on to set out specific requirements for each of principle. These requirements are quite detailed and have been considered in detail.
- 2.19 The job descriptions of both the Head of Finance and the Treasurer have been written to ensure that all of CIPFA's requirements are met and the financial principles and delegation profiles set out where the relative responsibilities and accountabilities lie.

### **Principle 2 - responsibility for financial strategy**

- 2.20 No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the Chief Financial Officer must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the Authority. Within the overall corporate governance and management structure, the Chief Financial Officer has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the Authority's strategic objectives sustainably.
- 2.21 The Chief Financial Officer must therefore work closely with decision makers to establish a medium to long term strategy that ensures the financial sustainability of the Authority.
- 2.22 The Chief Financial Officer must also develop and manage resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the Chief Financial Officer must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed.
- 2.23 The statutory guidance issued by the Secretary of State under the 2000 Local Government Act (England and Wales) advises that local authorities will need to ensure that the Chief Financial Officer and the Monitoring Officer have access as necessary to meetings and papers and that members must consult

with him/her regularly. The advice continues that the Chief Financial Officer will have an important role in the management of the local authority in particular by:

- Contributing to corporate management in particular to the provision of professional financial advice;
- Maintaining financial administration and stewardship;
- Supporting and advising all members and officers in their respective roles;
- Providing financial information to the media, members of the public and the community.

- 2.24 Authorities must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the Chief Financial Officer to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.
- 2.25 The Chief Financial Officer must be able to advise the Leadership Team directly, including elected representatives, in order to discharge responsibilities in relation to the Authority's financial health and long term viability.
- 2.26 The Chief Financial Officer must also work to develop strong and constructive working relationships with elected members, creating mutual respect and effective communication. Providing information and advice to elected officials as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.
- 2.27 The Local Government Act 2003 and Local Government Scotland Act 2003 emphasise the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. There is also a statutory duty on the Chief Financial Officer to report to the Authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves. This is a public report. In addition, the Secretary of State in England or the National Assembly for Wales have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the Chief Financial Officer.
- 2.28 Chief Financial Officer also has a key role to play in fulfilling the requirements of the statutory duty to keep the Authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

- 2.29 At all levels in the Authority those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.
- 2.30 The Chief Financial Officer has an important role in ensuring necessary financial information and advice is provided to the Leadership Team and decision makers at all levels across the Authority. Meaningful financial analysis and robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.
- 2.31 Although not a specific responsibility of Chief Financial Officers alone, they – along with the Monitoring Officer and Clerk – should be alert to the ‘Wednesbury’ rules which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgement in the case stated that an Authority’s action in exercise of a statutory discretion would only be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if:
- in making its decision it took into account matters which it ought not to take into account,
  - or
  - it did not take into account matters which it should have taken into account,
  - or
  - even if the two previous conditions were satisfied the conclusion was so unreasonable that no reasonable authority could ever come to it.
- 2.32 These principles apply regardless of whether decisions on policy are taken by individual members or collectively. In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are – as a matter of routine – well and clearly documented.

### **How the Fire Authority complies with the second principle**

- 2.33 In addition to the roles set out in the financial principles and delegation profiles documents the Head of Finance is a permanent member of the Strategic Leadership Team and reports directly to the Chief Fire Officer.
- 2.34 The Treasurer works very closely with the Head of Finance and will see every report to elected members. S/he is also available to the leadership team and elected members for consultations on specific matters.



### **Principle 3 - financial management**

- 2.35 The Chief Financial Officer must lead the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- 2.36 Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The Leadership Team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the Chief Financial Officer who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the Authority. The Chief Financial Officer will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the Authority's strategic direction.
- 2.37 Financial management is the business of the whole Authority. When the Leadership Team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create the financially literate and adept Authority. The Chief Financial Officer must actively promote financial literacy throughout the Authority, so that the Leadership Team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.
- 2.38 The Chief Financial Officer has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the Chief Financial Officer's role in the local authority.
- 2.39 With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the Chief Financial Officer will need to take the lead in co-ordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as:
- Enabling the Authority to measure value for money, and making sure that it has the information to review value for money and performance effectively;
  - Advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources;
  - Providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical; and

- Ensuring the rigorous financial appraisal and oversight of change programmes, income generation proposals and investment projects, safeguarding public money
- 2.40 The Chief Financial Officer must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the Authority to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the Authority implements appropriate measures to protect its assets from fraud and loss.
- 2.41 The Chief Financial Officer also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. In addition to the Chief Financial Officer's responsibilities to the Authority, a wider role also exists in relation to the general public.
- 2.42 The Authority is regarded as the trustee of local citizens' money, and the Chief Financial Officer has the prime obligation and duty to them to manage the Authority's resources prudently on their behalf as established in the 1906 de Winton case. In effect this means that the Chief Financial Officer has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the Chief Financial Officer's role in local government. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the Chief Financial Officer to report inappropriate financial management as well as wrongdoing.
- 2.43 Section 114 of the 1988 Act requires a report to all the local authority's members to be made by that officer, in consultation with the Monitoring Officer and head of paid service if there is or is likely to be unlawful expenditure or an unbalanced budget. CIPFA's view is that the statutory role of the Chief Financial Officer does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the Authority has an interest.
- 2.44 Accountability for public expenditure is a core requirement for local authorities. They are held accountable by intermediary stakeholders, such as scrutiny groups, service inspectorates and external auditors, and by primary stakeholders: the citizens, service users, funders and taxpayers.
- 2.45 Managing information flows is a key component of the Chief Financial Officer's role as an ambassador for the Authority on financial matters and in building relationships with stakeholders. The Chief Financial Officer must also provide information and advice to those who officially scrutinise and review the

Authority; funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press also expect information.

- 2.46 Internal audit is an important independent internal scrutiny activity. The Chief Financial Officer must support the Authority's internal audit arrangements and ensure that the Finance and Resources Committee (acting as Audit Committee) receives the necessary advice and information, so that both functions can operate effectively.
- 2.47 The role of the Chief Financial Officer in external reporting is to meet the reporting requirements relevant to the Authority and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the Chief Financial Officer maintains a constructive professional relationship with external auditors and inspectors.
- 2.48 The Accounts and Audit Regulations 2003 (England and Wales), impose responsibilities on the Chief Financial Officer relating to accounting records and supporting information, control systems and the statement of accounts. A key feature of the Regulations in England and Wales is the requirement for internal audit. Regulation 6 requires that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control'.

#### **How the Fire Authority complies with the third principle**

- 2.49 The Authority complies fully with this principle in so far as the financial principles and delegation profiles cover all the areas set out by CIPFA.
- 2.50 The only exception is that CIPFA is keen to ensure that elected members are trained in specific financial competencies. Many of the members of the Fire Authority are long serving and well experienced and therefore no formal assessment of training or development requirements has been undertaken. Nevertheless the Chair of Finance and Resources Committee continues to promote training sessions for members which take place throughout the year.

#### **Principle 4 - leading and directing a finance function that is resourced to be fit for purpose**

- 2.51 The Chief Financial Officer in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- 2.52 The organisation of finance functions is changing rapidly. Arrangements may also now include outsourced functions, or services shared between organisations.
- 2.53 Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must

support the Authority's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

- 2.54 The finance function must also have a firm grasp of the Authority's financial position and performance. The Chief Financial Officer must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the Authority's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.
- 2.55 Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their Chief Financial Officer with 'such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (ie: S114) to be performed'.
- 2.56 The Chief Financial Officer must promote financial literacy throughout the Authority, including championing training and development of relevant skills at all levels. However, the Chief Financial Officer has a particular responsibility for learning and development amongst finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.
- 2.57 The Chief Financial Officer must ensure that the Head of Profession role for accountants and finance specialists is properly discharged in order to ensure compliance with regulatory and professional standards.

### **How the Fire Authority complies with the fourth principle**

- 2.58 The job descriptions of both the Head of Finance and the Treasurer have been written to ensure that all of CIPFA's requirements in respect of this principle are met and the financial principles and delegation profiles set out where the relative responsibilities and accountabilities lie.

### **Principle 5 - qualifications and experience**

- 2.59 The Chief Financial Officer in a local authority must be professionally qualified and suitably experienced.
- 2.60 The Chief Financial Officer must be able to demonstrate their own professional standing to exercise financial leadership throughout the Authority. As a member of a professional body, the Chief Financial Officer's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context.

- 2.61 The Chief Financial Officer must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.
- 2.62 The Chief Financial Officer must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The Chief Financial Officer must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.
- 2.63 The officer appointed as the Chief Financial Officer must, by virtue of Section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body.
- 2.64 The statutory role must be performed by an 'officer' of the Authority. Although 'officer' is not defined the legal view is that the terms 'staff' and 'officer' in the Local Government Act 1972 and elsewhere are intended to embrace all employees of local authorities. It is however, permissible for an authority to procure non-statutory financial management services from an individual on the basis of a service contract.
- 2.65 The Chief Financial Officer must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust amongst colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.
- 2.66 The Chief Financial Officer must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment.
- 2.67 The Chief Financial Officer must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the Leadership Team effectively. The Chief Financial Officer must also have a good understanding of the principles of financial management, and personally set a tone for the Authority that finance matters are a key part of everyone's job throughout the Authority.

### **How the Fire Authority complies with the fifth principle**

- 2.68 The Authority will recruit only appropriately qualified and experienced officers to the roles of Treasurer and Head of Finance.

## **Financial Principles and Delegation Profiles**

2.69 In reading this report it will have become clear that the key to compliance with CIPFA's standard is the way that the independent Treasurer and the Head of Finance work together to cover all of the activities that CIPFA recommend. This is achieved by a set of financial principles and delegation profiles which set out clearly which officer is responsible for which function and how those responsibilities are discharged. This document is given in full at Appendix A to this report.

### **3. FINANCIAL IMPLICATIONS**

There are no specific financial implications within this report save for those which relate to good financial governance.

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising from this report.

### **5. EQUALITIES IMPLICATIONS**

An equality impact assessment has not been undertaken because this report is reporting on matters relating to governance.

### **6. CRIME AND DISORDER IMPLICATIONS**

There are no crime and disorder implications arising from this report.

### **7. LEGAL IMPLICATIONS**

The legal implications have been set out within the report and relate primarily to the Local Government Acts in so far as they require "proper officers" to be appointed with specific responsibilities.

### **8. RISK MANAGEMENT IMPLICATIONS**

The establishment of a robust framework for financial governance is essential to the Authority's compliance with various statutes as well as to the financial stability of the organisation. Good governance will not only minimise risks associated with finances but provide and assurance framework for elected members.

## **9. RECOMMENDATIONS**

It is recommended that Members:

- 9.1 Note the arrangements in place for the compliance with CIPFA's recommendations for the role of the Chief Financial Officer.
- 9.2 Approve and adopt the key financial principles and delegation profiles set out in Appendix A to this report.

## **10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None

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**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM  
FIRE AND RESCUE AUTHORITY**

**KEY FINANCIAL PRINCIPLES**

**Statutory Requirements**

1. Good financial management is paramount, to which some statutory requirements are relevant. Within these, the Treasurer of the Combined Fire and Rescue Authority (FRA) is responsible for ensuring arrangements for the proper administration of the Authority's Financial affairs (Sec. 151 Local Government Act 1972) and has a personal duty to report on unlawful expenditure or action on unbalanced budgets (Sec. 114, Local Government Finance Act 1988).

**Scheme of Financial Management**

2. The formal framework for discharging statutory requirements is through the overall Scheme of Financial Management. This comprises:
  - (i) Statement of Key Financial Principles
  - (ii) Statement of Delegated Responsibilities (Delegation Profiles)
  - (iii) Financial Regulations
  - (iv) Codes of Practice
  - (v) Standing Orders as to Award of Contracts
  - (vi) Approved Local Schemes
3. The Scheme will apply to all activities unless specifically exempted. Exemptions shall only come under alternative schemes, approved by the Treasurer.

**Financial Management Ethos**

4. The overall financial framework will provide managers with freedom and incentives to manage their activities efficiently and effectively, but taking into account the best interests of the FRA as a whole.
5. Financial and management responsibilities will be aligned wherever possible, so that managers are responsible for the financial consequences of their decisions.
6. Systems and procedures will exist to monitor the discharge of financial and management responsibilities. This will include appraisal of performance against financial management/administration accountabilities.



## **Information Advice and Support**

7. The financial advice function will be located within the Finance Section at Service Headquarters.
8. All staff with financial responsibilities should have adequate and appropriate training to enable them to discharge these responsibilities.

## **Systems**

9. The Chief Fire Officer will be responsible for the installation, maintenance and development of the necessary prime systems to provide sound, timely, well presented financial information and advice to budget holders. The prime systems will be the official accepted record of the FRA's transactions and financial position.

Local systems can only be installed with the approval of the Chief Fire Officer.

10. The Chief Fire Officer will determine the requirements for all key financial services and systems and must approve the provider of all such services. This will include the specification of standards for service management information systems which interface with financial systems.
11. The Treasurer is to be satisfied that the arrangements for financial systems are adequate to support both section 114 and section 151 responsibilities.
12. Principal Officers and budget holders will be expected to develop wider management systems which will contribute to the effective financial management of their activities. Information from other systems and sources which is used in financial decision making must be made available to the Treasurer as required.

## **Accounts**

13. The out-turn records on which all localised financial activities of the FRA will be called to account (e.g. by the external auditor) will be those maintained by the Chief Fire Officer.
14. It is the responsibility of managers to ensure that there is reconciliation of any approved local accounting records on a regular basis to those maintained by the Chief Fire Officer.

## **Security of Data**

15. Accounting records and supporting documentation must be properly secured.

## **Internal Audit**

16. The Treasurer is responsible for maintaining an effective internal audit of all activities of the Authority.

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM  
FIRE AND RESCUE AUTHORITY**

**DELEGATION PROFILES**

This document does not consider delegations below the level of the three key officers within the service. The relationships between the Chief Fire Officer, the Head of Finance and the Treasurer are key to providing a proper and controlled financial framework for the organisation.

It will be well understood that the Treasurer is a statutory officer of the Fire Authority and the Chief Fire Officer is the head of the paid service and Chief executive officer.

The Chief Fire Officer as will be set out below is effectively responsible for everything that happens within the organisation saving those items which are statutorily reserved for the Treasurer or the Monitoring Officer. In reality of course the Chief will delegate many of these responsibilities to officers within the service and the Head of Finance is the officer to whom he/she will delegate responsibilities in respect of finance. It should be noted however that the Chief Fire Officer will still remain accountable.

The Head of Finance and Treasurer together carry out the role of Chief Financial Officer as set out by CIPFA and this document will serve to add some clarity to that relationship.

At its simplest the division of responsibility between these two officers can be seen as the Treasurer dealing with all matters upon which elected members require assurance whereas the Head of Finance deals with all matters relating to the running of the finances of the organisation on a daily basis. This is of course simplistic but a useful starting point.

Members will seek assurances on matters such as:

- The adequacy of financial systems;
- The robustness of budget estimates;
- The level of reserves and balances;
- Financial implications of various courses of action;
- The robustness of the internal control environment;
- The sustainability of financial plans;
- Compliance with Prudential and other codes;
- The accuracy and adequacy of the financial statements;
- The financial stability of the organisation;
- Legal compliance from a financial perspective.

Members may also seek the assistance of the Treasurer on any other financial matter upon which they require an independent view.

In order for the Treasurer to be able to give a view on any of the above items he/she will require the support and assistance of the Head of Finance but in the final

analysis it is the Treasurer's view that is being sought and he/she remains responsible for that.

The Head of Finance will manage all of the day to day business of running the finance department and the provision of advice to officers and Members as appropriate. The Chief Fire Officer is likely to require advice of a strategic nature and will initially look to the Head of Finance to provide this. However it is implicit within the structure that this is an area where there will be some overlap between the Head of Finance and the Treasurer where the Treasurer may also be called upon to advise on certain matters such as policy development.

Whilst the Head of Finance and the Treasurer will naturally work side by side in a number of areas and will usually reach consensus it is nevertheless important to consider primacy where there is disagreement and the strategic managers within the organisation cannot go unadvised. Disagreements as to law or its application can be quickly resolved by these officers but differences of opinion will not. It is important then to revert back to the position of the Treasurer having largely an external role concerned with the authority in the wider sense, and its members but only a small role in internal policy or strategy. It is important therefore that in "internal matters" the Chief Fire Officer retains primacy through his/her officers and cannot be met with a "red card" from the Treasurer.

The following notes set out how these delegations and relationships will work in a practical way:

## **1. Chief Fire Officer**

The Chief Fire Officer will be responsible for:

- Understanding the nature of reporting needed under section 151 and 114 and the delegation arrangements in place to ensure proper performance;
- Establishing an effective monitoring and reporting framework to enable him to properly hold Principal Officers accountable for the discharge of their responsibilities;
- Positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation;
- Installing, maintaining and development of the necessary prime financial systems;
- Determining the requirements for all key financial services and systems and approving the provider of all such services.

## **2. FRA Treasurer**

The FRA Treasurer shall discharge the responsibilities identified under Section 151 and 114 of the Local Government Act 1972 specifically related to:

- Proper financial officer functions;

- Unlawful or unbudgeted expenditure.

Discharge will be effected through the Head of Finance but responsibility will be retained for:

- Dealing with exceptional items;
- Reporting as appropriate to the Chief Fire Officer;
- Raising significant issues of underperformance;
- Reporting to the FRA as appropriate on any items upon which he/she has a statutory duty to report.

The Treasurer will:

- Ensure that a robust monitoring and reporting framework is in place to ensure the proper discharge of his/her S. 151 functions;
- Receive reports from the Head of Finance;
- Positively promote a culture of probity and sound financial discipline and control as requirements of the organisation.

### **3. Head of Finance**

The Head of Finance will act as “client agent” for the Chief Fire Officer over his responsibilities in respect of the following areas :

- Installing, maintaining and developing financial systems;
- Establishing an effective monitoring and reporting framework.

The Head of Finance will also act as Client Agent for the Treasurer over his/her Section 151 and 114 responsibilities.

The Client Agent will be responsible for:

- Setting adequate standards, protocols for budgeting, accounting, systems, and reporting and to establish a framework of monitoring to ensure these requirements are met;
- Positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation;
- Maintaining high standards of financial stewardship of public money;
- Positively promoting Value for Money;
- The review and approval of departmental schemes of delegation;
- Advising officers on the issues and circumstances in which reporting is needed (on both “direct finance and head of profession” matters);
- Accepting routine reports from Finance Staff and other Managers;

- The introduction and maintenance of a structured scheme of financial training;
- Entering into such transactions and arrangements that are necessary for compliance with the Fire Authority's Treasury Management policy such that this remains in compliance with the Prudential Code;
- Reporting on an exception basis to the Treasurer.

In addition the Head of Finance shall be responsible for the following statutory and non-statutory functions:

### **Statutory**

- Maintain accurate accounting records throughout the year;
- Prepare final accounts on a "true and fair" basis, in compliance with Accounting Code of Practice and instructions from the Treasurer;
- Complete government returns on out-turn information;
- Ensure safe and efficient arrangements exist for the payment of staff and suppliers and the collection and banking of income;
- Provide precept information to Council Tax collecting authorities in accordance with agreed timescales;
- provide information to external auditors.

### **Corporate (FRA Level)**

- Attend agenda meetings, meetings of Committees, meetings of the FRA, as appropriate, representing the Chief Fire Officer;
- Provide budget monitoring reports on a regular basis, both to the Treasurer and to the Chief Fire Officer for presentation to the FRA and/or appropriate committees;
- Prepare budget reports for the Chief Fire Officer to present to the FRA or committees.
- Prepare final accounts reports for the Treasurer to present to the FRA;
- Provide financial advice and information requested by Members, the Chief Fire Officer and the Treasurer;
- Ensure the inclusion of relevant Financial Implications on all reports to the Authority;

- Support the operation of all financial systems and provide advice on their improvement;
- Ensure the framework for collecting accounting and budgeting information is properly maintained;
- Ensure that the financial consequences of all proposed variations in policies and priorities are considered and evaluated, and reported to the Chief Fire Officer and, where appropriate, the Treasurer;
- Complete all grant claims in a timely and accurate manner;
- Complete statistical returns and provide financial information for performance indicators;
- Take an active role in the training and development of staff with financial responsibilities.
- Informing the Treasurer at the earliest opportunity if any significant problems seem likely to arise in a department's finances.

#### **Departmental (Service Level)**

- Provide financial advice to the Chief Fire Officer and other staff in the organisation, including the financial aspects of the business planning process;
- Provide monitoring information on a regular basis to assist budget holders to control their budgets;
- To be consulted on all financial matters before decisions are taken. This will exclude the day to day management of devolved budgets over which budget holders have discretion;
- To ensure that any authorised departmental financial systems are compatible with and reconciled to corporate financial systems;
- To ensure that regular and timely reconciliations take place within all financial records, either by departmental arrangements or by use of external providers;
- To issue guidance to ensure that accounting records and supporting documentation kept outside the finance section are properly secured, and periodically monitor the situation on the retention of records.