



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

CIPFA FINANCIAL MANAGEMENT CODE

Report of the Chief Fire Officer

Date: 02 July 2021

Purpose of Report:

To inform Members of the contents of the Financial Management Code.

Recommendations:

It is recommended that Members:

- Note the contents of this report.
- Agree to accept an update report on progress made against the CIPFA Financial Management Code in April 2022.

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1. BACKGROUND

- 1.1 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.
- 1.2 The FM Code provides guidance for good and sustainable financial management in local authorities, giving assurance that authorities are managing resources effectively.
- 1.3 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.
- 1.4 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.
- 1.5 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 leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.
- 1.6 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.
- 1.7 By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements.

2. REPORT

FINANCIAL MANAGEMENT CODE

- 2.1 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.

2.2 Explicit standards of financial management are also set out by the FM Code. These are the minimum standards which have to be complied with in order for the Service to demonstrate its compliance with the FM Code. The standards articulate the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics. Whilst compliance with the standards is mandatory, the FM Code does not prescribe how they should be achieved. The standards are summarised in Appendix A.

2.3 The Service has internally reviewed its current processes, procedures and governance arrangements, to understand where it is already compliant with the FM Code standards and to identify any areas of non-compliance or where compliance is weak. Each Standard has been graded:

Grade	Level of Compliance
Green	Compliant
Amber	Can be improved
Red	Significant Non-Compliance

2.4 The internal review has rated 6 areas to be amber and the remaining 11 areas green. There were no areas of significant non-compliance. Details of the actions required can be found in Appendix A. All actions should be completed by 31 March 2022 when a further report will be brought to this Committee.

2.5 Internal Audit have been requested to undertake an audit of the Authority against the FM Code and progress against the improvements identified in the

internal review. The outcome of this will also be reported to Finance and Resources Committee.

3. FINANCIAL IMPLICATIONS

This report relates to financial governance and should have no direct financial impact.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

The requirements of the FM Code will be built into the Service's code of Conduct. Any development requirements will be identified, and appropriate training provided.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this is a report relating to the Authority's governance rather than new or amended policy.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

Whilst compliance with the code is not a statutory duty in itself, failure to comply could be viewed as not meeting existing statutory duties.

8. RISK MANAGEMENT IMPLICATIONS

The purpose of the FM Code is to help mitigate future financial risk and ensure that the Service remains a going concern.

9. COLLABORATION IMPLICATIONS

None.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Note the contents of this report;

10.2 Agree to accept an update report on progress made against the CIPFA Financial Management Code in April 2022.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER

FINANCIAL MANAGEMENT CODE STANDARDS

Section	Standards	Internal Rating (Green / Amber / Red)	Action Required	Deadline
1	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 provides value for money.	Amber	Annual Value for Money report to be built into Medium Term Financial Strategy	December '21
B	The Authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	Green		
2	Governance and Financial Management Style			
C	The Leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	Amber	Governance Documentation to be built into new website. Make policies available at single point on Sharepoint. Revised Code of Conduct to be approved by Policy and Strategy Committee. Automated reminder to staff to ensure compliance with Register of Interests.	March '22. March '22 March '22
D	The Authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	Green		
E	The Financial Management Style of the authority supports financial sustainability.	Green		
3	Long to Medium Term Financial Management.			
F	The Authority has carried out a credible and transparent Financial Resilience Assessment.	Green		

Section	Standards	Internal Rating (Green / Amber / Red)	Action Required	Deadline
G	The Authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members.	Amber	Strengthen link between Medium Term Financial Strategy (MTFS) and Strategic Plan. Consider additional scenario Planning in MTFS.	December '21 December '21
H	The Authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Green		
I	The Authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans.	Amber	Develop Corporate Asset Management Plan	December '21
4	The Annual Budget			
J	The Authority complies with its statutory obligations in respect of the budget setting process.	Green		
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.	Green		
5	Stakeholder Engagement and Business Plans			
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	Amber	Include budget information in Strategic Plan consultation.	February '22
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Green		
6	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.	Green		

Section	Standards	Internal Rating (Green / Amber / Red)	Action Required	Deadline
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	Amber	Develop Corporate Asset Management Plan	December '22
7	External Financial Reporting			
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.	Green		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	Green		

Total Amber: 6

Total Green: 11