
To: Renfrewshire Integration Joint Board Audit, Risk and Scrutiny Committee

On: 23 June 2023

Report by: Chief Finance Officer

Heading: CIPFA Financial Management Code

1. Purpose

- 1.1. The purpose of this report is to update the IJB Audit, Risk and Scrutiny Committee on the recent self-assessment process undertaken by the Chief Finance Officer against the CIPFA Financial Management Code.
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2. Recommendation

It is recommended that the IJB Audit, Risk & Scrutiny Committee:

- Note the requirements of the CIPFA Financial Management Code; and
 - Note the assessment of compliance for the IJB and the developments recommended for progression.
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3. Background

- 3.1. The current challenging fiscal landscape has placed the finances of public sector bodies under additional intense pressure. Where finance in local government bodies works well there is often a common understanding and ownership of issues supported by good financial management. Good financial management is an essential element of good governance and longer-term service planning which are critical in ensuring financial sustainability.
- 3.2. CIPFA published their Financial Management Code in 2019. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 3.3. Further detail about this is outlined in the section below.
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4. The Financial Management Code

- 4.1. The Financial Management Code is a series of financial management standards which set out the professional standards required to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers and customers. As these are minimum standards, CIPFA's judgement is that compliance with them is obligatory for an organisation to meet its statutory responsibility for sound financial administration. In addition, CIPFA members, which includes the current Chief Finance Officer must comply with it as one of their professional obligations.

- 4.2. The Code recognises the diversity of the organisations which exist in the public sector and is therefore not prescriptive. It is for each organisation to determine what is right for them in order to comply.
- 4.3. The underlying principles which inform the Code are outlined below:
- 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 that 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, including political scrutiny and the results of external audit, internal audit and inspection.
 - The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 4.4. As part of our local work to review our Financial Regulations and the Local Code of Corporate Governance and Sources for Assurance, both subject to discussion within separate reports at today's meeting, it was felt appropriate and timely for this self-assessment process to also be undertaken and reported on.
- 4.5. Following the completion of the self-assessment process, it is the view of the Chief Finance Officer that the IJB is compliant with the Financial Management Code .Appendix 1 of this report provides further detail in support of this and also highlights some areas for development which will be progressed in the coming months as outlined.

Implications of the Report

1. **Financial** – none
 2. **HR & Organisational Development** – none
 3. **Strategic Plan and Community Planning** – none
 4. **Wider Strategic Alignment** – none
 5. **Legal** – none
 6. **Property/Assets** – none
 7. **Information Technology** – none
 8. **Equality & Human Rights** – none
 9. **Fairer Scotland Duty** – none
 10. **Health & Safety** – none
 11. **Procurement** – none
 12. **Risk** – Failure to comply with the Financial Management Code would be considered as a breach of the IJBs statutory responsibilities for sound financial administration.
 13. **Privacy Impact** – none.
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List of Background Papers – none

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CIPFA Financial Management Code**Self-Assessment and Action Plan**

FM Ref	Requirement	What we are currently doing	Areas for Development
1. The responsibilities of the Chief Finance Officer and Senior Management Team			
A	The leadership team can demonstrate that the services provided by the IJB provide value for money	<ul style="list-style-type: none"> • The IJB has the following in place to ensure best value:- <ul style="list-style-type: none"> • Regular reports to the IJB in relation to financial performance • Reports to the IJB which seek approval are clear and can include, where appropriate:- <ul style="list-style-type: none"> ○ Options available including a value for money assessment ○ Implications for service users, patients and/or carers ○ Results and outputs from consultations ○ Equality Impact Assessments (EQIAs) ○ Financial and resource requirements and how these will be funded including the source ○ Any contribution to current and future saving plans in line with our aspirations set out in the Strategic Plan and our associated Sustainable Futures Programme • External inspection reports for services such as care services are reported to the IJB Audit, Risk and Scrutiny Committee to ensure appropriate oversight. A verbal update (from the Chair of the IJB Audit, Risk and Scrutiny Committee) of each meeting is also presented at the next available IJB meeting to ensure their awareness of the areas being considered. • The IJB receives performance reports at each meeting, and a statutory Annual Performance Report (APR) is also produced in line with legislation. 	

		<ul style="list-style-type: none"> • The IJB continues to develop a culture of continuous improvement underpinned by the aspirations set out in our Strategic Plan and the intrinsic links to our Sustainable Futures programme which develops and monitors the IJB's transformation agenda to identify service improvements, savings and ensuring best value. • An annual external audit process is undertaken to ensure best value is delivered for the IJB. The most recent audit concluded that the IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value (IJB External Annual Audit Report 2021-22, Section 3). 	
B	The IJB complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government (2016)	<ul style="list-style-type: none"> • The CFO is a core member of the HSCP's Senior Management Team. • The CFO is actively involved in all material business decisions and offers sound advice, direction, challenge and influence on decisions made. This is evidenced through the CFO's attendance and participation at key business meetings such as the IJB, IJB Audit, Risk & Scrutiny Committee, Senior Management Team, Sustainable Futures Programme Board, as well as key partner organisation meetings as required. In addition, the CFO is an active member in a range of individual transformation programme boards to support major programmes of work both within the HSCP as well as the two parent organisations to ensure connectedness to the key strategic considerations of the IJB • The CFO champions the promotion and delivery of good financial management. This is reflected in the management structure within the organisation and the 	

		<p>reporting of financial performance to all key management groups. The existing finance division within the HSCP has well established reporting arrangements across the spectrum of services that the HSCP covers as well as the appropriate linkages to the parent organisations internal finance functions.</p> <ul style="list-style-type: none"> • There is a strong forum for a strategic overview of financial management through the SMT with regular monthly reports brought forward to highlight the key areas of success, challenge and demand led pressures affecting the organisation. 	
		<ul style="list-style-type: none"> • The IJBs Financial Regulations clearly outline the role and responsibilities of the Chief Officer, Chief Finance Officer and all budget holders in relation to financial management arrangements across the organisation. • The CFO is a professionally qualified accountant with significant experience as a CFO. The finance team is also suitably resourced and experienced in support of the CFO undertaking their role with effective links to the two parent organisations. There are well established local training and development programmes to support the continuous learning development and resilience of the team as well as a culture of encouraging self-development and progression through individual personal development opportunities. 	

2. Governance and Financial Management Style

C	<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<ul style="list-style-type: none">• The IJB and Senior Management Team have a commitment to deliver our vision as well as the key outcomes and deliverables set out in the Strategic Plan• Behaviours are underpinned by the IJB's Code of Conduct• Employees also adhere to the respective Codes of Conduct for the parent organisations which are applicable to all staff employed.• The importance of governance and internal controls is reflected in the Financial Regulations where clear responsibilities are defined.• In addition to the above, we work collaboratively with the parent organisations to ensure that internal control submissions are completed through the year-end processes.• An annual internal audit process is undertaken to assess the HSCP's compliance with governance arrangements as per the IJB's Local Code of Corporate Governance and Sources of Assurance.• In addition to the above, further governance compliance and internal control reviews are undertaken by the CFO and the SMT as part of the respective assessments by both partner bodies and is part of the annual assurance for both internal and external auditors processes.	
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		<ul style="list-style-type: none"> • Internal audit reviews provide assurance on a range of internal controls and are detailed in the annual audit plan. The outcome of these is reported to IJB's Audit, Risk and Scrutiny Committee with actions identified where required and progress in delivering actions monitored through the same. • The IJB is subject to an External Audit assessment to ensure arrangements are appropriate and operate effectively. The most recent audit concluded that there were no issues with arrangements in place, with feedback confirming that the IJB has appropriate governance arrangements in place to support the scrutiny of decisions by the Board (IJB External Annual Audit Report 2021-22, Section 3).. 	
D	The IJB applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".	<ul style="list-style-type: none"> • Through the IJB's Local Code of Corporate Governance and Sources of Assurance, it has adopted governance arrangements consistent where appropriate with the six principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". These systems of internal control are designed to manage risks to a reasonable level based on a risk based approach. • The internal audit process to review the above each year outlines how the IJB has complied with its Local Code. • In addition, the IJB's Annual Governance Statement is used as a mechanism to flag any new significant governance concerns. 	<ul style="list-style-type: none"> • Discussions with NHS Greater Glasgow and Clyde will continue to seek final allocations prior to the IJB budget setting, where this can be done.

E	The Financial Management style of the IJB supports financial sustainability	<ul style="list-style-type: none"> • The IJB's financial management style has been established to be describable as 'enabling transformation' using the CIPFA Financial Management hierarchy Model. Through the focussed work in recent years and the formation of our Sustainable Futures Programme, the IJB is committed to supporting the delivery of efficiencies that can be realised through service improvement and development. • The IJB has a range of frameworks and controls in place to manage its financial affairs including: <ul style="list-style-type: none"> ○ Financial Regulations ○ Financial regulations and standing orders of both Partner Bodies ○ Medium Term Financial Plan ○ Reserve Strategy • The Senior Management Team has a collaborative approach to developing financial strategies for financial sustainability and this can be evidenced in the way the budget and medium term financial outlook are updated each year with active participation and support from all services. This work is led by the CFO with support from our Finance, Planning and Improvement Manager to ensure that there remains a constant focus on this as part of our Sustainable Futures programme efforts. • The Finance Team support all services in developing financial strategies and reporting as well as acting as a centralised point of support, and direction advising staff on all finance matters. Operational teams are also supported by the finance team who, in addition, are able to provide training to operational staff to support their financial skills to assist them with managing the budgets and financial performance within their span of control. 	<ul style="list-style-type: none"> • Given the scale of the financial challenge, a review of the Scheme of Delegation will be undertaken to ensure levels are still appropriate in light of the financial pressures being faced. This work has already commenced.
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3. Medium to Long-term Financial Management			
F	The IJB has carried out a credible and transparent financial resilience assessment	<ul style="list-style-type: none"> • The Medium Term Financial Plan considers the sustainability of the IJB over the medium term, including an assessment of funding, cost and demand pressures and the risks over the medium term. This includes a review of reserves. • The Medium Term Financial Plan includes sensitivity analysis which identifies the implications if planning assumptions change and what the impact of this would be for the financial position of the IJB. • The IJB has an established Reserves Policy which forms part of the Financial Regulations and is a key part of the IJB's corporate governance arrangements. 	<ul style="list-style-type: none"> • The outturn report which will be presented to the IJB in June will include an update on the reserves position including a recommendation to increase the level of general reserves by the year-end underspend which will assist in giving the IJB a greater level of financial sustainability.

G	<p>The IJB understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	<ul style="list-style-type: none"> • The IJB's Annual Budget, Annual Accounts, Medium Term Financial Plan and Risk Register reflect the main risks in relation to sustainability. These are subject to regular review, as appropriate, to ensure these remain robust and relevant for the IJB. The frequency of these reports are annually to the IJB, with the exception of the Risk Register for which an update is provided at each meeting of the IJB's Audit, Risk and Scrutiny Committee. • The Medium Term Financial Plan assesses both cost and demand pressures as well as forecasts for funding and uses this to develop a financial strategy over the medium term to address these risks. This is used by the CFO and the Senior Management Team to support the development of plans which aim to deliver financial balance over the longer term as part of wider service improvement and redesign efforts. These longer term areas of focus are monitored through the Sustainable Futures programme. • Development Sessions with IJB members are provided as part of the annual budget process and these include an overview of the longer term financial sustainability and risks based on the Medium Term Financial Plan. In addition, this is updated and reported to the IJB on an annual basis through the annual delegated budget update report. 	
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H	The IJB complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	<ul style="list-style-type: none"> • This is not relevant as the IJB does not have capital programmes or borrowing powers, however, the CFO has strategic responsibility for delegated property assets from the parent organisations and acts as the senior link into both with regards to matters of property and capital to ensure an effective interface with the IJB. 	
I	The IJB has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	<ul style="list-style-type: none"> • The IJB has a Medium Term Financial Plan which is reviewed and updated annually and presented to the IJB for approval in support of delivering the IJB's Strategic Plan given the intrinsic links. • The Medium Term Financial Plan is underpinned by a range of other strategies including commissioning and market facilitation strategies, workforce planning, property, ICT and digital strategies which also support delivery of the IJB's Strategic Plan. • The Medium Term Financial Plan is reflective of all significant demand and cost pressures being experienced both at a local and national level. The plan also considers the strategy for responding to these challenges. • The Medium Term Financial Plan includes sensitivity analysis which identifies the implications if planning assumptions change and what the impact of this would be for the financial position of the IJB. 	

4. The Annual Budget

J	The IJB complies with its statutory obligations in respect of the budget setting process.	<ul style="list-style-type: none">• The IJB is fully aware of the need to set a balanced budget as established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. The need to meet this requirement is set out within the annual budget report.• A balanced budget was agreed by the IJB on 22/03/2023 for 2023/24.	
K	The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.	<ul style="list-style-type: none">• Not applicable. The requirement for a CFO statement in relation to this is a specific legislative requirement in England and Wales, but not in Scotland. If there was a requirement to do so then this would be included within the budget report.• The 2023/24 Budget report includes a statement from the CFO on the implications of the budgets on general reserves and the adequacy of these reserves in relation to the financial risks which face the IJB.• This report also highlights where there are risks linked to financial estimates. An example of this in 2023/24 is the uplift to the NCHC contract where the negotiations had not been concluded when the IJB considered the budget.• The Medium Term Financial Plan includes sensitivity analysis which demonstrates the implications if estimates differ from assumptions and the potential impact this could have on IJB finances.	

		<ul style="list-style-type: none"> The IJB has a reserve policy which is based on national recommended practice. The Medium Term Financial Plan, the budget report and the IJB outturn report provide information on levels of general reserves and whether they are sufficient to ensure ongoing sustainability. These reports include actions where these are required to improve the position. 	
5. Stakeholder Engagement and Business Cases			
L	The IJB has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	<ul style="list-style-type: none"> The IJB undertakes comprehensive engagement with all stakeholders when it develops its Strategic Plan which determines the strategic priorities which the IJB sets out to deliver over the medium term. This engagement, led through our well established Strategic Planning Group (SPG), provides stakeholders with an opportunity to have their say on what their priorities are and this is used to shape the Strategic Plan, which is then used in determining the budget both annually and over the medium term. The IJB engages with key and relevant stakeholders in developing its annual budget. This can be in relation to specific budget proposals, for example where stakeholders are part of the development of transformation plans and also where the impact of savings require detailed EQIAs and therefore consultation with stakeholders. 	

		<ul style="list-style-type: none"> • Core stakeholders are well represented on the IJB and are able to participate in the discussion as plans are developed and presented to the IJB both in terms of the annual budget and the medium term financial plan. As well as formal reporting via the IJB, this engagement and participation is a core part of our IJB development sessions with IJB members as the budget develops. • In preparing the annual budget each year, the Chief Officer and CFO engage fully with both parent organisations to ensure that pressures are fully understood as well as the implications of changes to funding for services. 	
M	The IJB uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	<ul style="list-style-type: none"> • As part of the annual budget process consideration is given to options for savings. This process includes a detailed assessment of impacts on service users, patients, carers as well as any operational delivery and financial risks. Where relevant this will also include a consideration of options and a recommendation in relation to the preferred option. • Option appraisal is also used as part of capital planning for the IJB when making investment decisions. This is well documented and business case and options appraisal follow project management methodology in line with the processes established by both the Council and Health Board. • Options appraisals are also used, where relevant, as part of transformation activity being led through our Sustainable Futures programme. These are well 	

		documented and, where relevant, and are reported to the IJB with a clear assessment and recommendation for the IJB to consider and, in line with best practice, all options appraisals include both qualitative and quantitative assessments for consideration.	
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.	<ul style="list-style-type: none"> • The Medium Term Financial Plan is prepared in conjunction with respective Heads of Service who are asked to identify any emerging risks for consideration as part of the annual budget strategy and the medium term financial outlook. • This discussion is also used to identify specific pieces of work required to mitigate risks moving forward and to agree actions to deliver on this. • Financial performance reports are presented routinely to a variety of leadership groups including the SMT and the IJB which identify major areas of variations from budget plans. These are discussed and remediation identified where required to bring income or expenditure back in line with expectations. • Regular detailed budget management meetings take place around areas of significant pressure and this includes analysis of historic trends and forecasting of future trends. These meetings also review the impact of actions taken to reduce expenditure to understand the impact being achieved and play an active part in our Sustainable Futures efforts. 	

		<ul style="list-style-type: none"> Financial forecasting is undertaken every period to understand changes to in-year budget plans and the impact on financial sustainability. This is reported formally to the IJB and provides the IJB with an opportunity to agree a financial strategy to resolve issues in-year as appropriate. Through our established risk management arrangements, representatives from core areas review risk on a regular basis and this is recorded on the risk register. This is reviewed and reported regularly to the SMT and IJB's Audit, Risk and Scrutiny Committee to ensure oversight and governance. This is also used to highlight emerging risks including those which would impact on the budget. 	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	<ul style="list-style-type: none"> Regular reports are produced in relation to the balance sheet showing the movement in balances. This is reviewed by the finance team to ensure that historical balances are reviewed and debtor and creditor balances remain under constant review. A more detailed report is provided in respect of reserves, detailing all draw down of reserves. Financial reports include an update to the IJB on the level of reserves drawn down and or contribution to reserves. The use of reserves is also further referenced routinely in the budget report, outturn report, annual accounts and the medium term financial plan. 	

7. External Financial Reporting

P	<p>The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local IJB comply with the Code of Practice on Local IJB Accounting in the United Kingdom.</p>	<ul style="list-style-type: none">• The CFO is responsible for the preparation of the IJB's Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and by the deadlines set in legislation. These responsibilities are set out in the Statement of Responsibilities included in the annual accounts, which is signed by the CFO.• The CFO oversees the production of the accounts and ensures those completing them gave access to the Code of Practice and are trained and offered professional guidance as required.• These responsibilities are also included in the CFO's job description.• The IJB has met all of its statutory reporting deadlines for the submission of draft accounts to the external auditor each year, including during the COVID-19 pandemic when deadlines were extended owing to the response efforts.	
Q	<p>The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.</p>	<ul style="list-style-type: none">• The IJB's financial outturn for year-end is presented to the IJB along with a comprehensive analysis of variations to budget and the drivers of any such variation.• Information from the final outturn is used strategically to inform future budget-setting exercises for future financial years.	