



Meeting of East Renfrewshire Health and Social Care Partnership	Performance and Audit Committee
Held on	26 June 2023
Agenda Item	13
Title	CIPFA Financial Management Code
<p>Summary</p> <p>To update the Performance and Audit Committee on the CIPFA Financial Management Code as it applies to all local government bodies, including Integration Joint Boards (IJB) and to provide a self-assessment for compliance.</p>	
Presented by	Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
<p>Action Required</p> <p>The Performance and Audit Committee is asked to:</p> <ul style="list-style-type: none"> • note the requirements of the code • note and comment on the self-assessment compliance and actions to support development and improvement 	

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EAST RENFREWSHIRE INTEGRATION JOINT BOARD

PERFORMANCE AND AUDIT COMMITTEE

26 June 2023

Report by Chief Financial Officer

CIPFA FINANCIAL MANAGEMENT CODE

PURPOSE OF REPORT

1. The purpose of this report is to update the Performance and Audit Committee on the CIPFA Financial Management Code as it applies to all local government bodies, including Integration Joint Boards (IJB) and to provide a self-assessment for compliance and any areas for development and improvement.
2. CIPFA is the Chartered Institute of Public Finance & Accountancy and is one of several professional accountancy bodies in the United Kingdom.

RECOMMENDATION

3. The Performance and Audit Committee is asked to note the report.
 - note the requirements of the code
 - note and comment on the self-assessment compliance and actions to support development and improvement

BACKGROUND

4. The financial challenges we are facing in 2023/24 and beyond are not unique to the IJB and our local position reflects the national financial outlook. The budget set for 2023/24 is predicated on the delivery of significant savings whilst reserves are diminishing. Good financial management is fundamental to support the ongoing sustainability challenges for East Renfrewshire IJB.
5. CIPFA has published a Financial Management Code which is designed to support good practice in financial management and to assist local authority bodies in demonstrating their financial sustainability.

REPORT

6. The Financial Management Code is a series of financial management standards which set out the professional standards needed if an IJB is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers and customers.
7. Since these are minimum standards CIPFA's judgement is that compliance with them is obligatory if an IJB is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with this as one of their professional obligations.

8. The Code recognises the range and diversity of organisations within the public sector and that it cannot be prescriptive; it is for each organisation to determine what is right for them in order to comply.
9. There are six principles against which IJB's financial management practices should be assessed. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, the IJB is financially sustainable.
 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 that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 3. 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.
 4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
 5. 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.
 6. 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.
10. The self-assessment at Appendix 1 sets out the series of questions (A to Q) that we will benchmark against, details what we are currently doing and identifies areas for development.

CONCLUSIONS

11. The IJB is compliant with the Financial Management Code and the self-assessment at Appendix 1 evidences this. The assessment also shows areas where development will improve our or enhance our performance.
12. Appendix 3 shows where each question maps to across the six principles listed above.

RECOMMENDATIONS

13. The Performance and Audit Committee is asked to:
 - note the requirements of the code
 - note and comment on the self-assessment compliance and actions to support development and improvement note the report.

REPORT AUTHOR AND PERSON TO CONTACT

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16 June 2023

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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 leadership team			
A	The leadership is able to 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 and the Performance & Audit Committee (PAC) in relation to financial performance • Quarterly performance reports to PAC show progress against the 9 national outcomes • The IJB has a Reserves Policy and application and creation of reserves is clearly set out in finance reports. • All reports to the IJB and / or PAC requiring decisions are clear and include, where relevant:- <ul style="list-style-type: none"> ○ Options available ○ Implications for people ○ Equality impacts ○ Financial and legal implications ○ Risk ○ Results of consultations if required ○ Identification of risk and mitigations • PAC receive an annual report on commissioned services • Inspection and internal / external audit reports are routinely presented • The Savings, Recovery and Renewal (SRR) programme capturing change activity is reported to each IJB with a focus on delivering benefits as well as savings 	

		<ul style="list-style-type: none"> As part of the annual accounts audit, external Audit assess these arrangements to ensure best value is delivered for the IJB. 	
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 key member of the HSCP's Senior Management Team and is the IJB's Section 95 Officer. The CFO is actively involved in all material business decisions and offers challenge and influence on decisions made. This is evidenced through the CFO's attendance and participation at key business meetings such as the IJB and PAC pre-agendas and meetings, HSCP Management meetings, Savings, Recovery and Renewal programme board, Chief Officer bi-annual performance review meetings, national CFO executive and section meetings, attendance at partner strategic and operational meetings. The CFO champions the promotion and delivery of good financial management. This is reflected in the management structure within the organisation and the reporting of financial performance to all key management groups, including the Extended Senior Management Team and the Joint Staff Forum. The IJB's Financial Regulations clearly outlines the role and responsibilities of the CO, CFO and all budget holders in relation to financial management. The CFO is a professionally qualified accountant with significant experience as a CFO. The HSCP's finance team is suitably resourced and experienced in support of the CFO undertaking their role. 	Continue development opportunities for Depute CFO and continue to build on recent Finance service structure changes to move towards a fully integrated finance team

		<ul style="list-style-type: none"> • Our Finance & Resources structure includes a Depute CFO post to support resilience and succession planning. 	
2. Governance and financial management style			
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	<ul style="list-style-type: none"> • The IJB and the HSCP management team have a clear commitment and shared vision to deliver the outcomes in our strategic plan 2022–25. • With a long standing history of integration we are have a mature and well developed approach, underpinned by appropriate policies and codes of conduct. • The importance of governance and internal controls is reflected in the IJB constitution, policies and reporting and in that of our partner bodies; schemes of delegation define the responsibilities for all staff members and establishes the levels at which financial management responsibilities lie in terms of decisions and approvals of spend. • An annual assessment of compliance with governance and internal controls is undertaken by the Chief Officer and her team for both partner bodies as part of the annual assurance for both internal and external auditors. This in turn supports the Annual Governance Statement for the IJB annual report and accounts as well as those of our partners. • Internal audit reviews provide assurance on a range of internal controls and all reports with any associated recommendations are reported to the Performance and Audit Committee. 	Continue to progress existing open audit recommendations and report new activity.

		<ul style="list-style-type: none"> Annually our external auditors assess our arrangements to ensure they are appropriate and operate effectively. The most recent audit concluded that there were no issues with arrangements in place. 	
D	The IJB applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".	<ul style="list-style-type: none"> The IJB has adopted governance arrangements consistent where appropriate with the six principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government Framework" or "Local Code". The system of internal control is designed to manage risks to a reasonable level based on a risk based approach. The Annual Governance Statement outlines how the IJB has complied with its Local Code. The statement for 2021/22 confirmed there were no new significant governance concerns, but identified actions we would take in 2022/23. The annual report and accounts for 2022/23 updates on the progress/completion of these actions and identifies new or ongoing actions moving into 2023/24. 	Continue to review the action plan in the Annual Governance Statement and consider whether any developments could enhance presentation.
E	The Financial Management style of the IJB supports financial sustainability	<ul style="list-style-type: none"> The IJB's financial management style can be described as 'enabling transformation' using the CIPFA FM Financial Management hierarchy Model. Financial Sustainability is recognised as a key strategic risk within the IJB's Strategic Risk Register. The risk and mitigating actions are reviewed at every meeting of the Performance and Audit Committee. The IJB has set a balanced budget each year since 2015/16 and implemented a reserves strategy to recognise and supported pressures. This has served us well however reserves are now diminishing. 	<p>Recognising the challenging budget set for 2023/24, the Medium Term Financial Plan 2023/24 to 2027/28 reflects the current challenging landscape. This will be reviewed and updated as part of the 2024/25 budget setting process, if not before.</p> <p>The delivery of £7m savings in 2023/24 is fundamental to financial sustainability and progress will</p>

		<ul style="list-style-type: none"> • The IJB has a framework in place to manage its financial affairs including:- <ul style="list-style-type: none"> • Financial regulations and Standing Orders • Reserves Strategy • Medium Term Financial • Partner Schemes of Delegation • Financial regulations and Standing Orders of both Partner Bodies • The Savings, Recovery and Renewal (SRR) programme captures all strategic projects and change and recognises the cross cutting nature of some savings, in particular our Supporting People programme. There is solid governance in place and the Chief Officer and her team are the programme board. This in turn supports a culture of continuous improvement and feeds into routine reporting and development including implementation of our strategic plan. • The finance and commissioning teams support all services with input into the SRR, as well as supporting everyday operational matters. • The CFO presents regularly to the IJB, Performance and Audit Committee, the management team, the Joint Staff Forum through scheduled meetings and seminar sessions. • The Medium Term Financial Plan considers the sustainability of the IJB over the medium term, including scenarios showing costs pressures and potential funding over low, medium and high scenarios. The plan provides the detail of assumptions risks and sensitivity. 	<p>continue to be reported to each meeting of the IJB.</p> <p>We need to continue to develop strategic financial discussions with both partners to ensure the demographic, demand and cost pressures the IJB face are fully evidenced and communicated.</p>
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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"> • All financial monitoring reports to the IJB are prepared on a projected outturn basis, including early identification of key risks, use of reserves, savings progress and any budget virement to support clear decision making in year and to inform forward planning. • 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. • 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 partnership. • The Medium Term Financial Plan describes the key issues and challenges for the IJB, with some national context, to allow us to deliver financial sustainability over the medium term (please see section E above). It also recognises the scale of the financial gap is so significant that there needs to be ongoing discussions with partner bodies in relation to funding. • The budget set for 2023/24 identified a number of risks in relation to the level of inflation, demand and is predicated on delivery a significant level of savings. It is difficult to see how any further saving of similar magnitude could be sustained. • The IJB has an established Reserves Policy which is reviewed annually. 	<p>The unaudited annual report and accounts for 2022/23 show the diminishing reserves balance for the IJB.</p> <p>As in section E above ongoing discussion with our partners is fundamental to ensure there is full understanding of the financial situation.</p>

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 Report and Accounts, Medium Term Financial Plan and Strategic Risk Register all reflect financial sustainability as a risk. These are subject to regular review to ensure the reported position and associated assumptions remain robust. • The regular revenue monitoring reporting to the IJB will flag early and changes and if significant will trigger a review of the Medium Term Financial Plan in year. The revenue monitoring reporting informs forward financial planning. • The information in the medium term financial plan also informs other key strategic reports and plans, such as the Strategic Plan, Annual Performance Report and Strategic Commissioning Plan • Seminars with the IJB, internal and external consultation on the budget and regular sessions with the management team are undertaken to support the annual budget setting process. • Regular discussion also takes place with our Trades Union colleagues 	
H	<p>The IJB complies with the CIPFA Prudential Code for Capital Finance in Local Authorities</p>	<ul style="list-style-type: none"> • This is not relevant as the IJB does not have capital programmes or borrowing powers. All assets belong to our partners. 	
I	<p>The IJB has a rolling multi-year medium-term financial plan consistent with sustainable service plans.</p>	<ul style="list-style-type: none"> • The IJB has a Medium Term Financial Plan which reviewed and updated each year. • This is underpinned, is informed by and in turn informs a range of strategies such as our commissioning plan, 	

		<p>workforce plan, accommodation strategy; all of which support delivery of the IJB's Strategic Plan.</p> <ul style="list-style-type: none"> • The Medium Term Financial Plan is prepared in conjunction with all service areas and reflects all significant demand and cost pressures being experienced both at a local and national level. • Please see Section E above. 	
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 27 March 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"> • The requirement for a CFO statement in relation to this is a specific legislative requirement in England and Wales, but not in Scotland. • The 2023/24 Budget report includes detail on the cost pressures faced by the IJB, the available funding to offset, the associated funding gap and savings proposals to close the gap. The risks and implications are clearly set out. At the IJB seminar sessions this information is discussed in greater detail. • The Medium Term Financial Plan includes sensitivity analysis which demonstrates the implications if estimates 	

		<p>differ from assumptions and the potential impact this could have on IJB finances.</p> <ul style="list-style-type: none"> • The IJB has a Reserves Policy which is based on CIPFA guidance and recommended practice. The IJB general reserve 0.2% is well below the agreed policy level of 2% and the history and rationale for this has been discussed at length at each annual audit. 	
5. Stakeholder engagement and business cases			
L	<p>The IJB has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</p>	<ul style="list-style-type: none"> • The IJB promotes consultation with a range of stakeholders, including those with lived experience and we have a well-established engagement network. • Comprehensive engagement with all stakeholders is standard when developing the strategic plan which determines the strategic priorities which the IJB sets out to deliver over the medium term, the strategic commissioning plan, the annual budget etc. This engagement promotes partnership working and ensures stakeholders have input on their priorities. • The IJB undertook a month long engagement with stakeholders when developing the 2023/24 budget, this included our partner bodies. • Stakeholders are well represented on the IJB and participate in all seminars. • In preparing the annual budget each year, the Chief Officer and Chief Financial Officer engage with both partner bodies to ensure that pressures are fully understood as well as the implications of changes to funding for services. 	

		The Chief Officer is a member of both partner bodies' corporate management teams.	
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 for service users, patients, staff as well as other operational delivery and financial risks. Where relevant this will also include a consideration of options and a recommendation in relation to the preferred option. • The Savings, Recovery and Renewal programme uses clear and transparent project methodology to support major projects and service redesign. This includes options appraisals where relevant. 	
6. Performance monitoring			
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 Annual Budget and Medium Term Financial Plan are prepared in conjunction with the senior management team so that all known and emerging issues and risks are captured. • Staff communication bulletins ensure colleagues are aware of all issues and promote involvement requesting ideas for savings and how we could do things differently. • The Strategic Risk Register for the IJB is informed by service operational risk and contingency planning. This also informs the HSCP aspects of our partners risk registers. 	Regular monitoring of the impact of the Supporting People Framework during 2023/24 is required to assess progress, impact and savings.

		<ul style="list-style-type: none"> • Regular financial and performance reporting identify early issues and where required more detailed work will be undertaken as required. • Significant changes such as the Supporting People Framework are regularly discussed at the senior management and extended management team and supported by a number of development and information sessions for staff. 	
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"> • The financial reporting to the IJB includes detail on reserves (being the key element of the balance sheet) and shows the opening balance, in year use, in year additions and the projected balance along with notes on use and commitments. Any decisions on change of use or new reserves is requested to the IJB as part of financial reporting governance. • Debtor and creditor balances are regularly reviewed. 	
7. External Financial Reporting			
P	The CFO 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.	<ul style="list-style-type: none"> • The IJB's CFO is responsible for the preparation of the annual report and 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 within the Statement of Responsibilities included in the annual accounts, which is signed by the CFO. • The CFO is and Depute CFO are the key contributors to the production of the accounts and ensure those supporting them have access to the Code of Practice and are suitably trained and professionally qualified. 	

		<ul style="list-style-type: none"> • These responsibilities of the CFO are set out in statute (s95 of the Local Government (Scotland) Act 1973) are also included in the CFO's job description. • To date the IJB has met all of its statutory reporting deadlines for the submission of draft accounts to the external auditor by 30 June each, despite significant challenges during the pandemic. • The IJB has consistently received an unqualified opinion from the external auditor from the audit of its Annual Accounts since established in 2015/16. 	
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.	<ul style="list-style-type: none"> • The financial monitoring reporting to the IJB is based on the projected outturn for the year. This promotes early indication of issues and / or pressures and allows informed decision making. • The financial monitoring report provides a variance analysis across all services and also details reasons for any significant changes in the projected outturn position for each service since that last reported. • The focus on the projected outturn for each service informs budget planning for the year ahead. • The IJB's financial outturn for the year is presented to the Performance and Audit Committee and the IJB as part of the unaudited annual report and accounts and considers any material variation from the position as last reported. • Information from the final outturn informs ongoing budget monitoring work for the following financial year. 	

Leadership	Accountability	Transparency	Standards	Assurance	Sustainability
<ul style="list-style-type: none"> •A. The leadership team is able to demonstrate that the services provided by the authority provide value for money •B. The authority complies with the CIPFA statement on The Role of the Chief Financial Officer in Local Government CIPFA •O. The leadership team monitors the elements of its balance sheet that post a significant risk to its financial sustainabilities 	<ul style="list-style-type: none"> •D. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) •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 •Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions 	<ul style="list-style-type: none"> •L. The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget •M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions 	<ul style="list-style-type: none"> •H. The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities •J. The authority complies with its statutory obligations in respect of the budget setting process •K. The budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves 	<ul style="list-style-type: none"> •C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control •F. The authority has carried out a credible and transparent financial resilience assessment •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"> •E. the financial management style of the authority supports financial sustainability •G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members •I. The authority has a rolling multi year medium term financial plan consistent with sustainable service plans

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