

<b>REPORT TO:</b>	<b>AUDIT SUB COMMITTEE</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>13<sup>th</sup> JULY 2020</b>	<b>CATEGORY:</b>
		<b>DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@southderbyshire.gov.uk">Kevin.stackhouse@southderbyshire.gov.uk</a>	<b>DOC:</b> u/ks/financial strategy/section 151 role/CFO role to ASC 25 March 2020
<b>SUBJECT:</b>	<b>THE ROLE AND RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER IN LOCAL GOVERNMENT</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: AS 04</b>

## **1.0 Recommendations**

- 1.1 That the Council's compliance with the Statement on the role and responsibilities of the Chief Finance Officer as detailed in the report is considered and noted.

## **2.0 Purpose of the Report**

- 2.1 To detail how the Council complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the role of the Chief Finance Officer (CFO) in Local Government.

## **3.0 Detail**

### **Background**

- 3.1 The CIPFA Statement on the role of the CFO in local government aims to provide guidance on how councils can assure that the role meets professional standards and delivers legislative responsibilities.
- 3.2 The CFO has fiduciary responsibilities to local taxpayers. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint a CFO to have responsibility for those arrangements.
- 3.3 The Statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in undertaking their role. The Statement aims to codify the key responsibilities of the CFO in local government and assist those carrying out that role in ensuring that they meet the key personal duties of the role.

## **Structure and Approach**

- 3.4 The Statement contains 5 principles that define the core activities and behaviours that belong to the role of the CFO in local government, together with the organisational arrangements needed to support them.
- 3.5 The first three principles cover the governance arrangements required within an organisation to ensure that CFOs can operate effectively and perform their core duties. Two principles then cover the personal skills and professional standards organisations can expect from their CFO.
- 3.6 In summary the 5 principles are that the CFO in local government:
1. Should be a key member of the Leadership Team.
  2. Must be actively involved in and able to bring influence to bear on all material business decisions.
  3. Must lead the promotion and delivery by the whole organisation of good financial management.

To deliver these responsibilities, the CFO:

4. Must lead and direct a finance function that is resourced to be fit for purpose, and
  5. Must be professionally qualified and suitably experienced.
- 3.7 Compliance with the 5 principles is detailed in **Appendix 1**.

## **4.0 Financial Implications**

- 4.1 None

## **5.0 Corporate Implications**

### **Employment Implications**

- 5.1 None

### **Legal Implications**

- 5.2 None

### **Corporate Plan Implications**

- 5.3 None directly, although the principles which provide the basis of sound financial management at the Council, allow the Council's services and priorities to be delivered.

### **Risk Impact**

- 5.4 If compliance with the Statement is not demonstrated, this could bring into question the Council's financial governance arrangements, resulting in a negative impact on its reputation with stakeholders.

## **6.0 Community Impact**

### **Consultation**

- 6.1 None required.

### **Equality and Diversity Impact**

- 6.2 None

### **Social Value Impact**

- 6.3 None

### **Environmental Sustainability**

- 6.4 None

## **7.0 Background Papers**

- 7.1 None

## THE ROLE AND RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER IN LOCAL GOVERNMENT

### Evidence of Compliance with the Five Principles Contained in the Statement published by the Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA Principle	Evidence of Compliance ( <i>i.e. what systems and processes has the CFO available/implemented to achieve each principle</i> )  (As at March 2020)
<p><b>1. The CFO is a key member of the Leadership Team.</b></p> <p><i>To enable the CFO to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest.</i></p>	<ul style="list-style-type: none"> <li>• The CFO is the Strategic Director of Corporate Resources and sits on the Leadership Team (LT) of the Council.</li> <li>• The CFO reports directly to the CEO.</li> <li>• As part of the LT, the CFO meets with leading Members of the Controlling Group every two weeks.</li> <li>• The CFO is the lead officer who supports and advises the Finance and Management (F&amp;M) Committee; this is the key decision-making body at the Council with oversight of all financial matters and major corporate decisions under its Terms of Reference.</li> <li>• The CFO has regular briefings with the Chairman of the F&amp;M Committee and opposition spokespeople for financial matters at the Council.</li> <li>• The Council's Head of Finance is the appointed Deputy Section 151 Officer. This aims to ensure the sound delivery of operational matters, together with a check and balance with the Strategic Director to ensure that their wider (strategic) role does not dilute their CFO role.</li> </ul>

**2. The CFO is 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 Council's overall financial strategy.*

- Proposals regarding major policy changes, procurement, service reviews and restructures, etc. are subject to consultation with the Head of Finance, before being submitted to the LT.
- The standard template used for formal Committee reporting includes specific sections for Financial and Risk implications to ensure that these can be highlighted and considered separately.
- In their wider role as Strategic Director (Corporate Resources) the CFO also leads and has overall responsibility for all resources in addition to Finance, at the Council. This includes HR, Policy and Performance, ICT and Business Change (see *below*), together with Procurement, Audit and Property.
- The Business Change Unit utilise a Business Change Framework to evaluate proposed projects, which includes financial implications, risk, deliverables and value to the Corporate Plan, etc. This is backed up by a Project Management framework to deliver projects in accordance with approved business cases. All change programmes are required to be delivered through this process.
- Through a Service and Financial Planning Working Group, which has Elected Member representation, competing priorities for additional resources (capital and revenue) are subject to a Service Development process. The Working Group effectively score bids against set criteria to allocate resources set-aside in the MTFP; this includes a detailed assessment of the financial implications over the longer-term.

**3. The CFO must lead the promotion and delivery by the whole organisation of good financial management.**

*To ensure that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

- The Council's Constitution contains at Section 24, Budget and Policy Framework; Section 26, Financial Regulations and Section 27, detailed Financial Procedure Rules. These are reviewed annually, and their application is subject to Audit from time-to-time.

	<ul style="list-style-type: none"> <li>• The CFO advises the Council's Overview and Scrutiny Committee who are responsible for scrutinising the Council's Budget and Medium-Term Financial Plan.</li> <li>• The CFO uses the Central Midlands Audit Partnership to fulfil the Council's Internal Audit function.</li> <li>• Regular financial training delivered for Members and bi-monthly updates at Joint Negotiating Group (Union Representatives) and through Core Briefs to staff.</li> <li>• Regular financial training delivered at an operational level for service managers and budget holders.</li> <li>• Quarterly revenue, capital and treasury management reporting to the F&amp;M Committee.</li> <li>• Annual budget out-turn report produced in addition to the statutory Annual Accounts and Financial Statements.</li> </ul>
<p><b>4. The CFO must lead and direct a finance function that is resourced to be fit for purpose.</b></p> <p><i>To ensure that the financial needs of the Council are met and that the finance function has appropriately developed finance skills.</i></p>	<ul style="list-style-type: none"> <li>• An all-encompassing centralised finance function that reports through a Head of Service to the CFO.</li> <li>• The structure and resources are regularly reviewed with the current structure having been reviewed and implemented in August 2019.</li> <li>• The Head of Finance is supported by two senior roles, i.e. a Chief Accountant and an Exchequer Manager.</li> <li>• Junior Accountant roles on the Establishment are filled with several staff undertaking training towards a chartered accountancy qualification.</li> <li>• Finance staff undertaking CPD and regularly attend external workshops and seminars for updates and development purposes.</li> </ul>

**5. The CFO must be professionally qualified and suitably experienced.**

*To demonstrate professional and interpersonal skills and to apply business and professional experience.*

- The CFO retains full membership of the Chartered Institute of Public Finance, a body recognised by the International Federation of Accountants.
- The CFO is qualified through examination and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- The CFO has experience ranging from operational finance, directly leading the finance function through to strategic responsibility for the delivery of corporate objectives.
- The CFO has undertaken management development programmes and has received personal coaching in making the transition to strategic level.
- The CFO networks through the Society of District Council Treasurers and the Derbyshire Financial Officers Association.