

# **CHIEF FINANCE OFFICER PROTOCOL**

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### **1.0 INTRODUCTION TO STATUTORY RESPONSIBILITIES**

- 1.1 The Chief Finance Officer is a statutory appointment pursuant to section 151 of the Local Government Act 1972. This Protocol provides some general information on how those statutory requirements will be discharged.
- 1.2 The role of the Chief Finance Officer rests with the Chief Officer Financial Services.
- 1.3 A summary list of the Chief Finance Officer's statutory responsibilities appears in the Annex A attached. The Chartered Institute of Public Finance and Accountancy (CIPFA) has also issued a Statement on the role of the Chief Finance Officer and the key responsibilities are outlined at Annex B. The Chief Finance Officer's ability to discharge these duties and responsibilities will depend, to a large extent, on members and officers:-
- (a) complying with the law;
  - (b) complying with any relevant Codes of Conduct or codes or protocols issued from time to time;
  - (c) making lawful and proportionate decisions; and
  - (d) generally, not taking action that would bring the Council, their offices or professions into disrepute.
- 1.4 The Chief Finance Officer is not merely a servant of the authority, but also holds a fiduciary responsibility to the local taxpayers.

### **2.0 WORKING ARRANGEMENTS**

- 2.1 CIPFA have set out five principles that define core activities and behaviours that belong to the role of the Chief Finance Officer
- i) The Chief Finance 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.
  - ii) The Chief Finance 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

- iii) The Chief Finance 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.
- iv) To deliver these responsibilities the Chief Finance Officer must lead and direct a finance function that is resourced to be fit for purpose; and
- v) The Chief Finance Officer must be professionally qualified and suitably experienced.

2.2 Having excellent working relations with members and officers will assist in the discharge of the statutory responsibilities by the Chief Finance Officer. Equally, a speedy flow of relevant information and access to debate (particularly at the **early stages** of any decision-making by the council) will assist in fulfilling those responsibilities. Members and officers must, therefore, work with the Chief Finance Officer (and his/her staff) to discharge the council's statutory and discretionary responsibilities.

2.3 The Chief Finance Officer must be a qualified member of a specified accountancy body and is vested with the statutory responsibilities for maintaining finance administration and stewardship including the responsible finance officer duties and with strategic and corporate roles. CIPFA asserts that the Chief Finance Officer in a public service organisation should be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. Whilst the Chief Officer Financial Services is not a member of the corporate leadership team in Leeds the following arrangements and understandings between the Chief Finance Officer, members and directors are designed to ensure the effective discharge of the council's business and functions. The Chief Finance Officer will:-

#### 2.3.1 Resources

- (a) report to the Council, as necessary on the staff, accommodation and resources s/he requires to discharge his/her statutory functions;
- (b) have sufficient resources to enable him/her to address any matters concerning his/her Chief Finance Officer functions;
- (c) appoint a deputy and keep him/her briefed on any relevant issues that s/he may be required to deal with in the absence of the Chief Finance Officer. Appoint an appropriate external adviser in cases where the Chief Finance Officer is precluded from offering advice and the deputy is unable to advise.

#### 2.3.2 Access to information/meetings

- (a) be alerted by members and officers to any issue(s) that may become of concern to the council, including in particular, issues around financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;

- (b) have advance notice (including receiving agendas, minutes, reports and related papers) of all relevant meetings and delegated decision making of the council at which a decision may be made (including a failure to take a decision where one should have been taken);
- (c) have the right to attend any meeting of the council (including the right to be heard and report to the Executive Board) before any decision is taken (including a failure to take a decision where one should have been taken);
- (d) in carrying out any investigation(s) and exercising any fiduciary duties have unqualified access to any information held by the council and to any officer who can assist in the discharge of his functions;
- (d) have advance notice of meetings of the Corporate Leadership Team, including agendas and reports and have the right to attend and speak on all matters which have financial implications;

### 2.3.3 Relationships

- (a) A reciprocal responsibility to ensure the other statutory officers (Head of Paid Service and the Monitoring Officer) are kept up-to-date with relevant information regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;
- (b) meet regularly with the Head of Paid Service and the Monitoring Officer to consider and recommend action in connection with corporate governance issues and other matters of concern regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit;
- (c) develop effective working liaison and relationship with the external auditor (including having the authority, on behalf of the council, to complain to the same, refer any breaches to the same or give and receive any relevant information, whether confidential or otherwise, through appropriate protocols, if necessary);
- (d) in consultation, as necessary, with the Leader, the Executive Board and the external auditor, defer the making of a formal report under sections 114, 115 and 116 of the Local Government and Finance Act 1988 where another investigative body is involved;

## 3.0 **MEMBER AND OFFICER RESPONSIBILITIES**

To ensure the effective and efficient discharge of the arrangements set out in paragraph 2 above, members and officers will report any breaches of statutory duty or council policies or procedures and ultra vires or constitutional concerns to the Chief Finance Officer, as soon as practicable.

#### **4.0 ADVICE**

The Chief Finance Officer is also available for members and officers to consult on any issues of the council's financial powers, possible unlawful payments, or general advice on the financial arrangements.

The Chief Finance Officer or deputy will record details of any advice given.

#### **5.0 MONITORING THE PROTOCOL**

Annually, the Chief Finance Officer will report to the Corporate Governance and Audit Committee regarding whether the arrangements set out in this protocol have been complied with and will include any proposals for amendments in the light of any issues that have arisen during the year.

#### **6.0 SANCTIONS FOR BREACH OF PROTOCOL**

Complaints of a breach of this protocol by an officer will be referred to the relevant Director and/or the Chief Executive for appropriate action to be considered, including disciplinary investigation.

## SUMMARY OF CHIEF FINANCE OFFICER STATUTORY FUNCTIONS

	Description	Source
1	That the Treasurer is not merely a servant of the Council but holds a fiduciary relationship to the local taxpayers.	Case law - Attorney General -v- De Winton (1906).
2	To make arrangements for the proper administration of their Finance affairs. Legal opinion taken states that the term "administration" means responsibility for managing the totality of the Finance affairs of a local Council in all of its dealings.	Section 151 of the Local Government Act 1972
3	The Officer appointed as the responsible Chief Finance Officer must, be a Member of a specified accountancy body.  The statutory role must be performed by an "Officer" of the Council.	Section 113 of the Local Government Finance Act 1988
4	In consultation with the Monitoring Officer and Head of Paid Service, reporting to all members and the external auditor if there is, or is likely to be, unlawful expenditure or an unbalanced budget.	Section 114 Local Government Finance Act 1988
5	Advising whether particular decisions are likely to be contrary to the policy framework or budget of the council.	Local Government Act 2000
6	Maintain an adequate and effective system of internal audit for accounting records and control systems.	Accounts and Audit Regulations 2015
7	Reporting to Council on both the robustness of the budget estimates and the adequacy of financial reserves, and ensuring compliance with the prudential capital regime.	Local Government Act 2003

## Annex B

In its Statement CIPFA sets out the five principles that define the core activities and behaviours that belong to the role of the Chief Finance Officer in public service organisations. The core responsibilities against each of these principles are set out below.

### (a) Principle 1 - contributing to Corporate Management and Leadership

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of
  - corporate governance arrangements, risk management and reporting framework
  - corporate decision making arrangements.
- Contributing to the development of public service partnership to deliver objectives.
- Leading or promoting change programmes within the authority.
- Leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

### (b) Principle 2 – responsibility for financial strategy and influencing decision making

#### Responsibility for financial strategy:

- Agreeing the financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Evaluating the financial implications of alternative delivery models.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Developing an approach for the delivery of collaborative services within a structured framework.
- Leading on asset and balance sheet management to allow the authority to maximise its effective use of resources.
- Co-ordinating the planning and budgeting processes.
- Involvement in strategic assets management.

#### Influencing decision making:

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.

- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.
- Financial information for decision makers
- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of 3rd party contacts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of 3rd party contracts.

**(c) Principle 3 – Financial Management, value for money, safeguarding public money and assurance & scrutiny.**

Promotion of financial management:

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Actively promote good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.
- Ensure effective monitoring of partnerships through monitoring and access to information.

Value for money:

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function or being clear on the reasons for alternative selection.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.



- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long-term commercial contract value.

#### Safeguarding public money;

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.<sup>14</sup>
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.
- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Be alert to potential conflicts of interest and ensure the authority has access to appropriate independent advice.

#### Assurance and scrutiny;

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the audit committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.

- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.

**(d) Principle 4 - Lead and direct a finance function that is resourced to be fit for purpose.**

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Managing partnership delivery.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future whether directly or indirectly employed.
- Ensuring that the head of profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.