ROLE OF THE CHIEF FINANCE OFFICER (CFO) IN PUBLIC SERVICE ORGANISATIONS

REPORT OF THE TREASURER

For Information

1. PURPOSE OF REPORT

1.1 To inform Members of the CIPFA statement – 'The Role of the CFO in Public Service Organisations', and how the Authority complies with this guidance.

2. RECOMMENDATION

2.1 That Members note that I have reviewed the CIPFA statement – 'The Role of the CFO in Public Service Organisations' and can advise Members that the CFA complies with these requirements as detailed in Appendix A.

3. BACKGROUND

3.1 The role of the CFO (designated as the Treasurer at this Authority) is a fundamental building block of good corporate governance and the Local Government Act 1972 (section 151) requires 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. This statutory requirement is reinforced by the Local Government and Housing Act 1989 (section 6) which requires that the Section 151 officer is a qualified accountant and a member of an accountancy body approved by the Secretary of State.

3.2 The two critical aspects of the CFO's role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources. The CFO, as the organisation's most senior executive role charged with leading and directing financial strategy and operations, occupies a pivotal role, both for external stakeholders and within the Leadership Team. CFOs everywhere have a responsibility to ensure that their organisations control and manage money well, and that strategic planning and decision making are supported by sound analysis.

3.3 In the public service context, CFOs must also meet the demands of openness and accountability in decision making, balance competition for limited resources across a range of worthwhile objectives, deliver value for money and safeguard taxpayers' money. Delivering these requires a range of personal qualities, as well as support from both the finance function and the organisation as a whole. It is these expectations, combined with the personal qualities and leadership skills needed for them to be met, that have shaped the CIPFA Statement on the Role of the CFO in Public Service Organisations (the statement).

3.4 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- The Organisation;
- The Role: and
- The Individual.

3.5 For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or in some authorities may even outsource, but the CFO should maintain oversight and control. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

4. CIPFA STATEMENT ON THE ROLE OF THE CFO IN PUBLIC SERVICE ORGANISATIONS

4.1 **The CFO in a public service organisation:**

1 is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;

2 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 alignment with the organisation's financial strategy; and

3 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.

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.

4.2 Appendix A of the report details how the CFA ensures that the requirements of the statement are met.

CHRIS LITTLE
TREASURER TO THE AUTHORITY

APPENDIX A

How the Five Principles Are Met

Principle 1 – The CFO is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.					
Governance requirements	**CFA Arrangements**	**Core CFO responsibilities**	**CFA Arrangements**	**Personal skills and professional standards**	**CFA Arrangements**
Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.	Constitution, Delegated Powers, Job Descriptions in place and clearly define roles and responsibilities.	Contributing to the effective leadership of the organisation, maintaining focus on its purpose and vision through rigorous analysis and challenge.	CFO leads on all financial matters and ensures the Authority, the Executive Leadership Team and Directors own and respond to the Medium Term Financial Strategy and supporting strategies, such as Community Integrated Risk Management Plan.	Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.	Actively engaged in the Management Development Programme. Provides training regarding financial issues to members and staff. Mentors senior finance staff and has regular Finance Management Team meetings and 1 to 1 meeting with senior finance staff.
Ensure that the CFO reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.	CFO reports directly to Chief Fire Officer as necessary. Has regular 1 to 1 meetings with Director of Corporate Resources.	Contributing to the effective corporate management of the organisation, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.	See Above	Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.	See Above.
If different organisational arrangements are	Not applicable - see Above	Supporting the effective governance of the organisation through	Responsible for the provision an adequate and effective Internal	Build robust relationships both internally and externally.	See Above. Regular meetings with Directors and other senior

adopted, explain the reasons publicly, together with how these deliver the same impact.		development of – corporate governance arrangements, risk management and reporting framework; and – corporate decision making arrangements.	Audit service. Key role in formulating the Annual Governance Statement and Code of Corporate Governance.		managers facilitate establishment of robust relationships. Active member of Fire Finance Network. Regular liaison with other Fire Authorities as appropriate. Regular meetings with external auditors.
Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.	Constitution and Scheme of Delegation in place.	Leading or promoting change programmes within the organisation.	Key role in Community Integrated Risk Management Plan and Service Delivery Options.	Work effectively with other Leadership Team members with political awareness and sensitivity.	Regular contact with all members including Chair, Vice Chair and Chair of Audit and Governance, regular meetings with Chief Fire Officer and Directors.
Ensure that organisation's governance arrangements allow the CFO: – to bring influence to bear on all material business decisions; and – direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.	Constitution and Scheme of Delegation in place as well as defined reporting arrangements.	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.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes/matters and ensuring Members, Directors and all staff input to Medium Term Financial Strategy and supporting strategies, such as Community Integrated Risk Management Plan.	Support collective ownership of strategy, risks and delivery.	Represented on all relevant working groups. Key role in relation to Annual Governance Statement.
Review the scope of the CFO's other	Reviewed role of Treasurer and extended	Ensuring the medium term financial strategy	Wide consultation undertaken with all	Address and deal effectively with difficult	Ongoing review of skills and management

management responsibilities to ensure financial matters are not compromised.	service level agreement with Hartlepool Borough Council to provide this role from 1.4.14.	reflects joint planning with partners and other stakeholders.	relevant stakeholders.	situations.	development where necessary.
Assess the financial skills required by members of the Leadership Team and commit to develop those skills to enable their roles to be carried out effectively.	Overarching Leadership and Management Development role in relation to financial matters.			Implement best practice in change management and leadership.	Ongoing development through mentoring.
				Balance conflicting pressures and needs, including short and longer term trade-offs.	Responsibility for Medium Term Financial Strategy (MTFS) and budgetary control processes.
				Demonstrate strong commitment to innovation and performance improvement.	Supporting role in Community Integrated Risk Management Plan and Service Delivery Options.
				Manage a broad portfolio of services to meet the needs of diverse communities.	Responsible for full range of financial services aligned with corporate priorities and needs through MTFS.
				Maintain an appropriate balance between the deeper financial aspects of the CFO role and the need to develop and retain a broader focus on the environment and stakeholder expectations and needs.	See Above.
				Comply with the IFAC	Professional standards

				Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by reason of their professional status. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.	integral to role. Commitment to Professional CPD and Management development.

Principle 2 – The CFO 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 alignment with the organisation's overall financial strategy.

Governance requirements	**CFA Arrangements**	**Core CFO responsibilities**	**CFA Arrangements**	**Personal skills and professional standards**	**CFA Arrangements**
Establish a medium term business and financial planning process to deliver the organisation's strategic objectives, including: – a medium term financial strategy to ensure sustainable	MTFS in place, monitoring arrangements and role of Authority and Audit and Governance Committee enshrined in the Constitution.	**Responsibility for financial strategy:** Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.	Responsibility for the production, implementation and monitoring of the MTFS.	Implement appropriate management, business and strategic planning techniques.	Responsibility for MTFS and budgetary control processes.

finances; – a robust annual budget process that ensures financial balance; and – a monitoring process that enables this to be delivered.					
Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.	The reporting of key decisions is enshrined within the Constitution.	Maintaining a long term financial strategy to underpin the organisation's financial viability within the agreed performance framework.	See Above.	Link financial strategy and overall strategy.	MTFS linked to overall strategy as set out in IRMP and Annual Business plans.
Ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and giving clear explanations of financial issues and their implications.	See Above	Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.	Responsibility for the production, implementation and monitoring of Financial Procedure Rules (FPRs) and Standing Orders.	Demonstrate a willingness to take and stick to difficult decisions – even under pressure.	Key role in Community Integrated Risk Management Plan and Service Delivery Options.
		Appraising and advising on commercial opportunities and financial targets.	Budget monitoring process and Budget Strategy, key decision advice.	Take ownership of relevant financial and business risks.	Key role in Annual Governance Statement.
		Developing and maintaining an effective resource allocation model to deliver business priorities.	See Above	Network effectively within the organisation to ensure awareness of all material business decisions to which CFO input may be necessary.	Regular contact with Chief Fire Officer, Directors, other senior officers and members.
		Co-ordinating the planning and budgeting	See Above. Annual budget timetable well	Role model persuasive and concise	See Above. Externally represent Authority on

processes.	established and enshrined in constitution.	communication with a wide range of audiences internally and externally.	financial issues as appropriate.
Influencing decision making: Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters.	Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.	Addressed in MTFS and associated presentation to Members, Directors etc.
Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.	Key decision advice in relation to financial and governance matters.	Apply relevant statutory, regulatory and professional standards both personal and organisational.	See Above.
Ensuring that the organisation's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.	Close working relationship with Executive Leadership Team on development of capital programme.	Demonstrate a strong desire to innovate and add value.	Keep abreast of current best practice to underpin development of cost effective solutions.
Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.	Close working relationship with Members and Executive Leadership Team to ensure early involvement with innovative approaches to services and financial arrangements to ensure compliance with regulatory requirement and proposals are based on robust business cases.	Challenge effectively, and give and receive constructive feedback.	Ongoing development through review /mentoring. 1 to 1 meetings with Director of Corporate Resources and key financial staff.
Financial information	Budget Strategy and	Operate with sensitivity in	Ongoing development

		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.	monitoring process, key decision advice in relation to financial and governance matters. Corporate Plan aligned with financial PI's.	a political environment.	through management development and peer review/mentoring. Regular contact with members.
		Preparing timely management accounts.	Final Accounts timetable.		
		Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.	Effective and wide ranging consultation process in place.		

Principle 3 – The CFO 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.

Governance requirements	**CFA Arrangements**	**Core CFO responsibilities**	**CFA Arrangements**	**Personal skills and professional standards**	**CFA Arrangements**
Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	**Promotion of financial management:** Assessing the organisation's financial management style and the improvements needed to ensure it aligns with the organisation's strategic direction.	Strategic direction reflected in MTFS.	Generate 'buy-in' to, and support delivery of, good financial management across the organisation.	Achieved through detailed involvement of Members and Executive Leadership Team in development of financial management strategy and procedures for ensuring good financial management arrangements are in place.
Ensure that systems and processes for financial administration, financial control and	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Scrutiny and Audit and Governance	Actively promoting financial literacy throughout the organisation.	Allocation of financial support to budget holders promotes close working relationship and ensures financial management	Develop and sustain partnerships, and engage effectively in collaboration.	Partnership strategy and control and monitoring procedures in place to ensure effective collaboration.

protection of the organisation's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.	Committees in line with legislative arrangements.		arrangements are effective.		
Address the organisation's arrangements for financial and internal control and for managing risk in Annual Governance Reports.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution. Scrutiny and Audit Committees in line with legislative arrangements. Internal Audit Section adequately resourced.	**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.	Advisory role in terms of all key committee decisions in respect of financial matters.	Deploy effective facilitation and meeting skills.	Member working groups where appropriate.
Publish annual accounts on a timely basis to communicate the organisation's activities and achievements, its financial position and performance.	Delegated Powers and Final Accounts process.	Developing and maintaining appropriate asset management and procurement strategies.	Close working relationship with Executive Leadership Team on development of capital programme.	Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.	Key involvement in future service delivery changes, resource allocation and trading opportunities.
Maintain and resource an effective internal audit function.	Audit and Governance Committee remit and effective internal audit assessment carried out annually.	Managing long term commercial contract value.	Control arrangements in place for obtaining value for money from long term contract arrangements, involvement in contract terms and conditions and monitoring.	Place stewardship and probity as the bedrock for management of the organisation's finances.	Budget Strategy and monitoring process, key decision advice in relation to financial and governance matters. Corporate Plan aligned with financial PI's. Review of System of

				Internal Audit.
Develop and maintain an effective Audit Committee.	Audit and Governance Committee role and responsibility enshrined in Constitution. Regular training of Audit and Governance Committee.	**Safeguarding public money:** Applying strong internal controls in all areas of financial management, risk management and asset control.	Direct line management responsibility for all audit matters.	
Ensure that the organisation makes best use of resources and that taxpayers and/or service users receive value for money.	Delegated Powers relating to Budget Strategy and Budget Monitoring Process.	Establishing budgets, financial targets and performance indicators to help assess delivery.	Budget Strategy and Budget Management process aligned to corporate plan.	
Embed financial competencies in person specifications and appraisals.	Corporate competencies framework, job descriptions and person specifications.	Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.	Direct line management responsibility for all audit matters, FPR's and Standing Orders.	
Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.	See Above	Ensuring that delegated financial authorities are respected.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.	
		Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and	Working relationship with Director of Corporate Resources.	

	insurance.	
	Overseeing of capital projects and post completion reviews.	Direct line management responsibility for capital accounting.
	Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. CFO personally involved in development and implementation of Treasury Management strategy.
	Implementing appropriate measures to prevent and detect fraud and corruption.	Direct line management responsibility for all audit matters, FPR's and Standing Orders. Money Laundering Reporting Officer (MLRO) responsibilities.
	Establishing proportionate business continuity arrangements for financial processes and information.	Involved in planning arrangements for Business Continuity.
	Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.	Direct line management responsibility for all audit matters, FPR's and Standing Orders.
	Assurance and scrutiny: Reporting performance of both the organisation and its partnerships to the board and other parties as required.	Performance review mechanisms PI's, Direct line management responsibility for all audit matters.
	Supporting and advising	Regular attendance

the Audit Committee and relevant scrutiny groups.	enshrined in job specification.
Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.	Responsibility for the production, implementation and monitoring of the MTFS and for preparing accounts and consolidated government returns.
Liaising with the external auditor.	Direct line management responsibility for all audit matters. Regular meeting with external auditor.

Principle 4 – The CFO must lead and direct a finance function that is resourced to be fit for purpose.

Governance requirements	**CFA Arrangements**	**Core CFO responsibilities**	**CFA Arrangements**	**Personal skills and professional standards**	**CFA Arrangements**
Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.	Delegated Powers, FPRs and Standing Orders enshrined within Constitution.	Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.	Direct line management responsibility for all corporate financial matters.	Create, communicate and implement a vision for the finance function.	Responsibility for the production, implementation and monitoring of the MTFS. Regular 1 to 1 with senior finance officers.
Ensure there is a line of professional accountability to the CFO for finance staff throughout the organisation.	Structural makeup enshrined in Delegated Powers. FPRs and Standing Orders enshrined within Constitution.	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.	Delegated powers regarding all financial and governance matters.	Role model a customer focussed culture within the finance function.	Leads by example in approach with Directors and other senior managers that finance function role is to help achieve organisations objectives, whilst ensuring compliance with best practice and legislative requirements.
		Implementing robust	See Above. Recruitment	Establish an open culture,	Regular 1 to 1 meetings

processes for recruitment of finance staff and/or outsourcing of functions.	follows corporate proceeds and based on job descriptions and person specification.	built on effective coaching and a “no blame” approach.	with senior finance staff. Open door policy for all staff. CFO accepts responsibility for actions of all team members and encourages staff to use learn from experiences in a ‘no blame’ environment.
Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.	Corporate Plan reviewed and monitored. 1 to 1 meetings with senior finance manager and regular performance appraisals.	Promote effective communication within the finance department, across the broader organisation and with external stakeholders.	Finance Management Team meetings for internal communication. All finance staff briefing as and when appropriate. Presentations to external groups as appropriate.
Seeking continuous improvement in the finance function.	Departmental plans constantly monitored.	Apply strong project planning and process management skills.	Set times scales, clear guidelines, review gateways and monitor performance for future improvement.
Identifying and equipping finance staff, managers and the Leadership Team with the financial competencies and expertise needed to manage the business both currently and in the future.	1 to 1 meetings with finance managers. Full engagement of ELT as appropriate in development of financial strategies.	Set and monitor meaningful performance objectives for the finance team.	Corporate appraisal system in place. Regular 1-2-1’s
Ensuring that the Head of Profession role for all finance staff in the organisation is properly discharged.	Delegated Section 151 responsibilities enshrined in Constitution. All finance staff report directly to CFO.	Role model effective staff performance management.	Mentor key finance staff across the Division/regular 1-2-1’s. Encourage CPD involvement.
Acting as the final	See Above	Coach and support staff in	As above.

		arbiter on application of professional standards.		both technical and personal development.	
				Promote high standards of ethical behaviour, probity, integrity and honesty.	As above.
				Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.	Actively seek professional expertise where needed i.e. Treasury management, complex taxation issues etc.
				Promote discussion on current financial and professional issues and their implications.	Mentor key finance staff across the Division/regular 1-2-1's. Encourage CPD involvement.

Principle 5 – The CFO in a public service organisation must be professionally qualified and suitably experienced.

Governance requirements	**CFA Arrangements**	**Core CFO responsibilities**	**CFA Arrangements**	**Personal skills and professional standards**	**CFA Arrangements**
Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	Constitution and delegated powers in operation. Job description and person specification for CFO.			Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.	CFO is member of CIPFA and meets CPD requirements.
Ensure that the CFO has the skills, knowledge,	See Above.			Adhere to international standards set by IFAC on: – ethics	As above.

experience and resources to perform effectively in both the financial and non-financial areas of their role.	

– Continuing Professional Development.	
Demonstrate IT literacy.	CFO has required IT skills for role and is able to manage and challenge the departmental IT experts to ensure they are able to effectively discharge their responsibilities.
Have relevant prior experience of financial management in the public services or private sector.	CFO qualified with CIPFA in 1993 and has held a variety of position with Hartlepool BC, before appointment as CFO to Hartlepool Borough Council in 2010 and Cleveland Fire Authority Treasurer in April 2014.
Understand public service finance and its regulatory environment.	CFO has 26 years' post qualification experience and sound understanding of public service finance and its regulatory environment.
Apply the principles of corporate finance, economics, risk management and accounting.	See above
Understand personal and professional strengths.	CFO has a clear understanding of these issues and is committed to continuous

	improvements. These issues addressed through performance appraisal.
Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.	CFO role has been refocused on core financial responsibilities to ensure financial challenges faces the CFA can be managed. CFO has clear understanding of no-financial areas affecting his role.