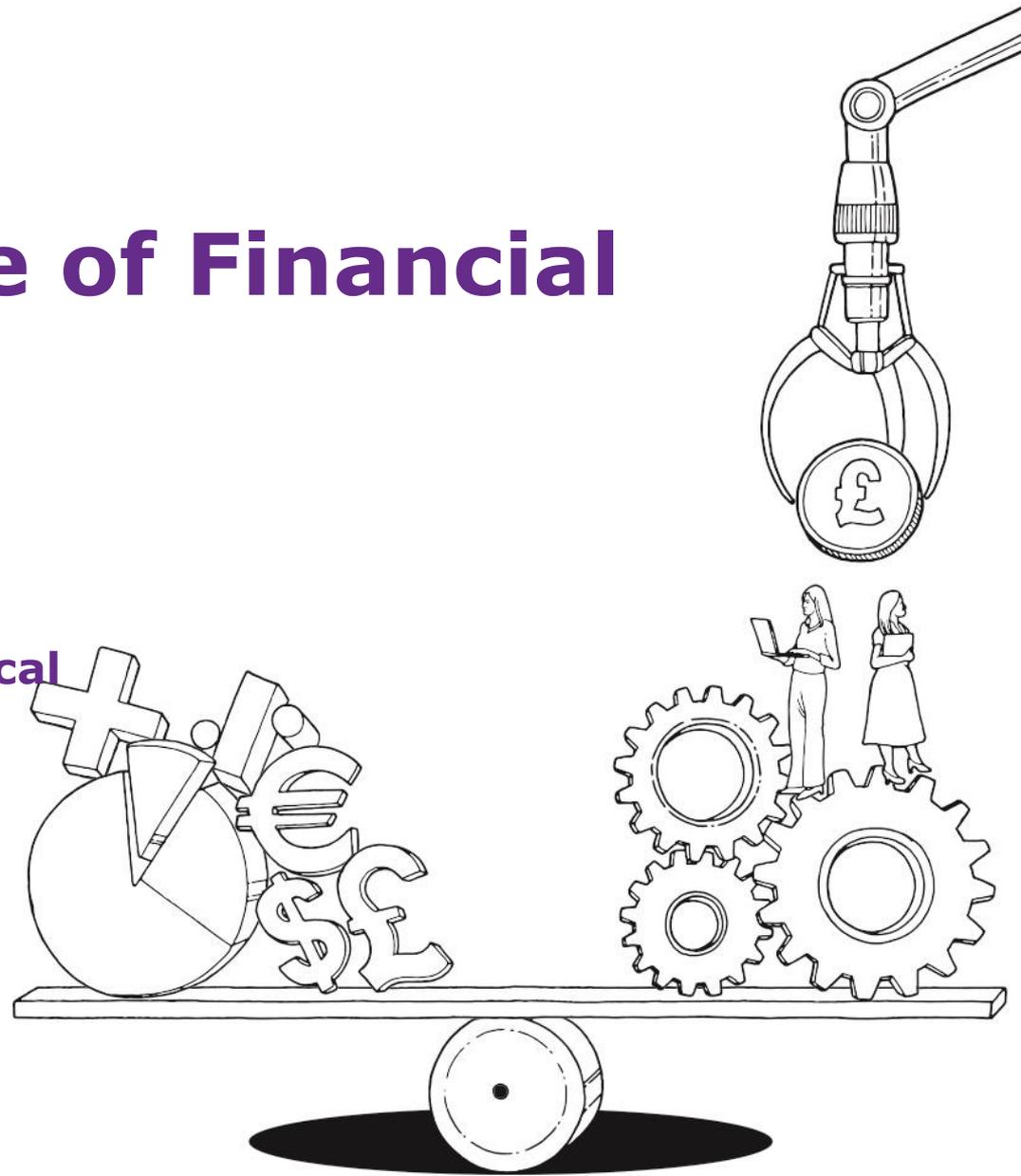


The CIPFA Code of Financial Management

Don Peebles
Head of CIPFA Policy & Technical



Agenda

- Local Government in 2018 – through a different lens
- CIPFA's Suite of Professional Codes
- CIPFA's Professional Response: The FM Code
- Towards Financial resilience: Your 'other' Professional Tools

Through a Northamptonshire Lens



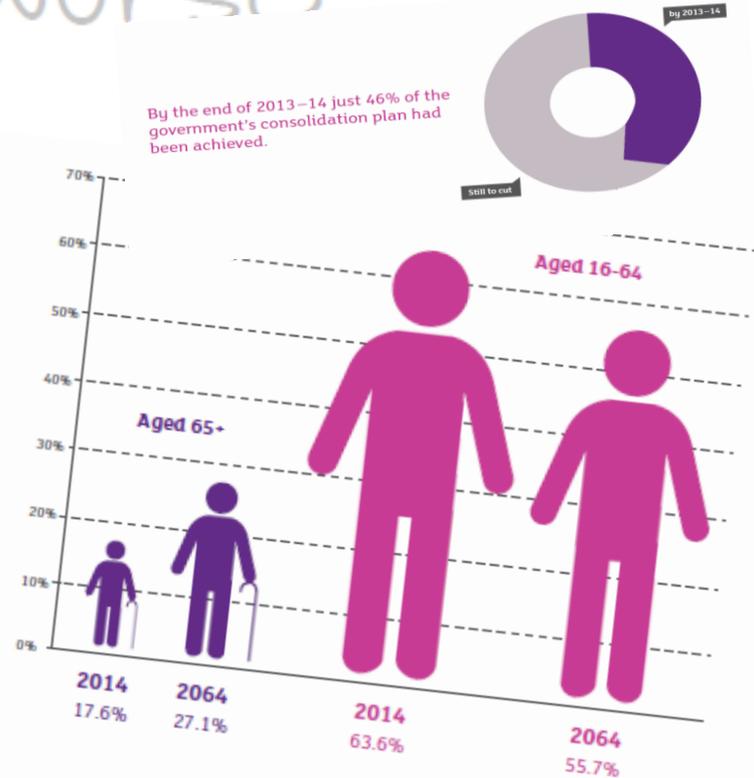
Some Uncomfortable Truths.....

The IFS says ministers have already made additional spending commitments of more than £6bn a year after 2015-2016, which means there will have to be yet more cuts elsewhere to fund them.

The ONS estimates that the proportion of the population aged 65 and over will increase from 17.6% in 2014 to 27.1% in 2064. During that time the proportion aged 16 to 64 is forecast to fall from 63.6% to 55.7%.

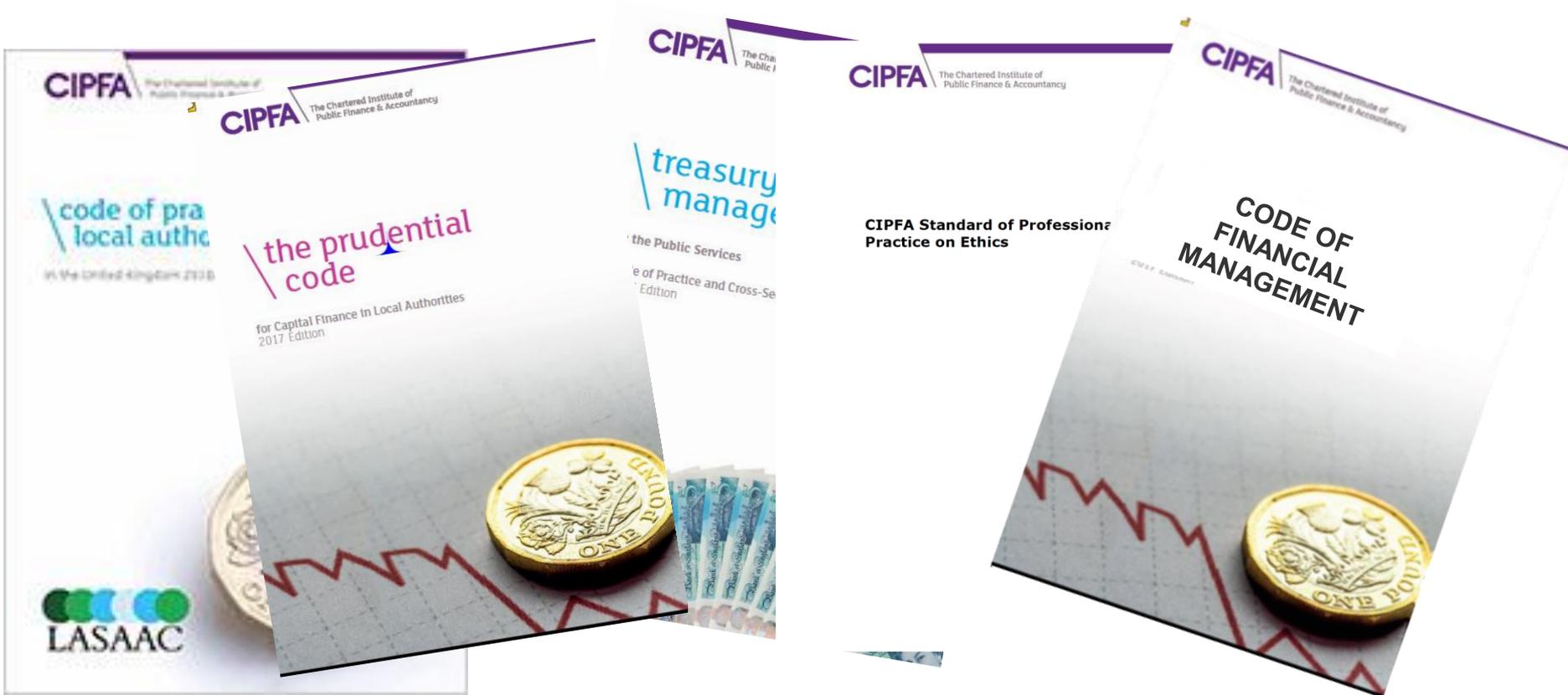
1. Governments must budget for the medium to long term, and invest strategically to stimulate economic growth

Government needs to budget for the medium to long-term, invest strategically in growth and invest in early interventions for the benefit of both current and future generations. Policies simply designed to win votes in the short term will only serve to damage the public interest by undermining efforts to remove the deficit and reduce debt.



“..And none of these figures allow for possible future shocks, such as an exit from the EU...”

CIPFA's Suite of Codes



A 'New' Financial Management Code

- CIPFA's professional response [our tripartite response]
- professional codification of budget setting and financial management
- Stakeholder group commences work 3rd July 2018
- Some Risks: The role of reserves?

CIPFA's FM Code – A Principled Approach

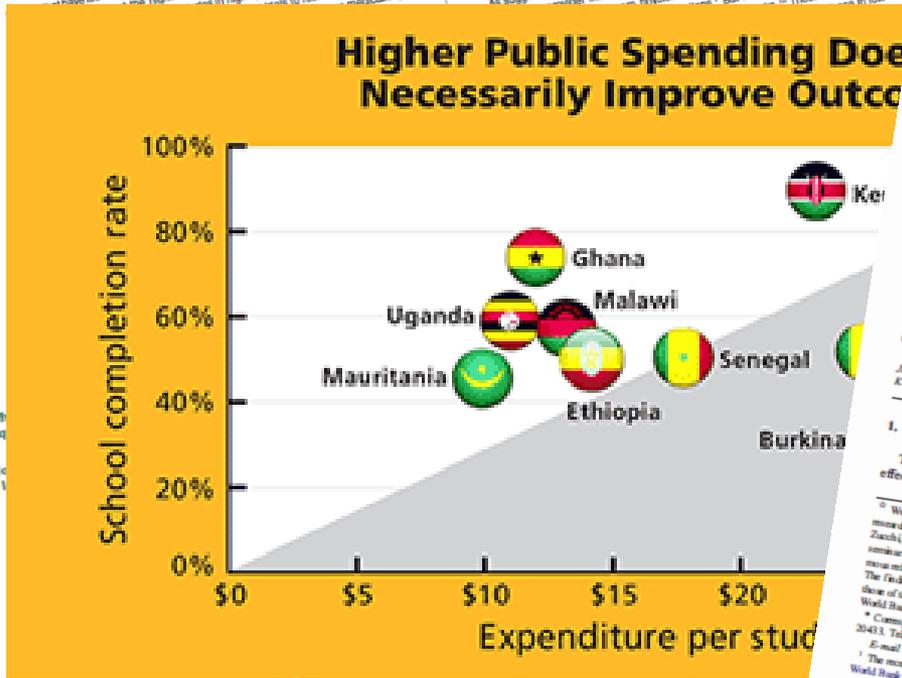
The Code will be principles based but discussions with stakeholders have identified key areas:

- **Leadership**
 - Vision culture, strategic direction.
- **Stewardship**
 - Budgets, MTFP, risk data quality, life time costs.
- **Transparency**
 - Monitoring, reporting, data consistency.
- **Standards**
 - Accounting, legislation, code of conduct, statutory sign off.
- **Assurance**
 - Sources of assurance, scrutiny, external and internal audit.
- **Sustainability**
 - Financial (reserves) people (capacity and skills)
organisational (development, transformation)

The Code: An Outline Timeline

Stake holder group to agree content and terms of reference	July 2018
Research, recommendations on chapters content initial draft	October 2018
Stake holder 'road' test	December 2018
Consultation on Draft Code	Early 2019
Code 'Franked' by CIPFA	July 2019
Code Release	September 2019

Resilience: Use Public Money Differently?



THE DARTMOUTH INSTITUTE FOR HEALTH POLICY AND PRACTICE
Max Baerley, Andrew Cheng

Why is care worse in high-spending regions?
 Poorly fragmented

Recent studies have also examined the causes of the differences in practice and spending. Patients' preferences for care vary only slightly across regions.^{10,13} Fear of malpractice suits is reported by many physicians to influence their practice, but differences in the malpractice environment explain only 10% of state variations in spending.¹⁴

As suggested above, differences in supply are clearly important. In a payment system where incomes depend upon the volume of services they provide, higher volume in high-spending regions do not receive better health care (to result in better health care). These studies found

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JOURNAL OF DEVELOPMENT ECONOMICS
 Journal of Development Economics 86 (2008) 96–111
 www.elsevier.com/locate/econbase

Public spending and outcomes: Does governance matter?*
 Andrew Sunil Rajkumar, Vinaya Swaroop*
 World Bank, Washington, DC, United States
 Received 2 February 2004; received in revised form 19 August 2007; accepted 21 August 2007

Abstract
 This paper studies the links between public spending, governance, and outcomes. We examine the role of governance—measured by the level of corruption and the quality of bureaucracy—in determining the efficacy of public spending in improving human development outcomes. Our analysis contributes to our understanding of the relationship between public spending, governance and outcomes, and helps explain the surprising result that public spending often does not yield the expected improvement in outcomes. We show empirically that the differences in the efficacy of public spending can be largely explained by the quality of governance. Public health spending low on child mortality rates in countries with good governance. Similarly, public spending on primary education becomes more effective in increasing primary education attainment in countries with good governance. More generally, public spending has virtually no impact on health and education outcomes in poorly governed countries. These findings have important implications for enhancing the development effectiveness of public spending. The lessons are particularly relevant for developing countries, where public spending on education and health is relatively low, and the state of governance is often poor.

JEL classification: E62; O23
Keywords: Child mortality; Education attainment; Governance; Public spending

1. Introduction
 The role of good governance as a key to development effectiveness has been emphasized in recent years.¹ It has been argued that merely allocating public resources for the right goods and services may not lead to desirable outcomes if budget institutions—involving budget formulation, execution and monitoring—are malfunctioning (World Bank, 2003). While this proposition seems straightforward and difficult to disagree with, no serious empirical work has been done to support it. In this paper, we study the impact of public spending on outcomes at different levels of governance.² The basic idea is to

* We thank Lucas Schocker for useful comments and modest research assistance. We received helpful comments from Christian Fjortoft, Zachi Shanta Desai, Rajendra Ganti, Steve Knack, Luc Prichet and seminar participants at the World Bank. The comments from an anonymous referee and the editor were extremely useful in revising the paper. The findings, interpretations, and conclusions of this paper are mainly those of the authors. They do not necessarily represent the views of the World Bank, its Executive Directors, or the countries they represent.

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¹ The recently updated Anticorruption and Governance Strategy of the World Bank (2007) provides a comprehensive case of why governance matters for development and poverty reduction.

² According to World Bank (2007), good governance is operationalized by predictable, open, and well-defined policy making (that is, transparency); a harmonious interplay with a professional, an impartial, and a strong sense of government accountability for its actions; and a strong civil society participating in public affairs, and all behaving under the rule of law.

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 doi:10.1016/j.jdevecon.2007.08.003

Resilience: Use Public Money Differently



**Bad
weather:
snow!–
Risk to
pedestrians**



**Increase in
breaks &
sprains**

**Impact =
Health Board
budget**



**Could
Collaboration
and
Preventative
Spend offer
resilience?**

A Simple (but real) ~~Truth~~ Solution



a health authority in England gave £0.5m to a local roads department to salt the pathways in freezing conditions.

This funding reduced the pressure on their A&E department, by cutting the number of presenting cases of sprains and broken limbs after falls.

Resilience: The Capital Strategy

Capital Expenditure

- Governance
- Long term plans
- Asset management planning
- Restrictions around funds

**CIPFA TM Panel Statement –
effective 2018/19...but can
defer to 2019/20**

Investments and liabilities (risks)

- Approach, due diligence, risk appetite
- Governance process for approval and monitoring
- Summary of material investments, guarantees and liabilities

Treasury Management

- Governance
- Long term planning inc. MRP
- Risk appetite, key risks and sensitivities

Skills and knowledge

Finally A word about ... Ethics

- Your Duty to work “in the public interest”
- Accountants are required to adhere to 5 principles
- A revised Code issued spring 2018
- [CIPFA Ethics survey](#) [r/click and open hyperlink]

