

Financial Management Model (FMM) - Chartered Institute of Public Finance and Accountancy



Objective and features

1. Objective

FMM aims to help public bodies transform and improve their financial performance in the following key areas:

- Making sound decisions and ensuring accountability
- Improving understanding of finances
- Enabling businesses of all kinds to manage their risks
- Assessing total financial management capability
- Providing the finance function with focus
- Assessing organizational financial management resilience and capability
- Identifying efficiency gains by accurately pinpointing weaknesses and confirming strengths.

2. Institutional coverage

Individual institutions at national, subnational, and local government level.

3. Technical coverage

Technical coverage of the framework includes

1. fiscal framework and policy,
2. revenue management and tax administration, and
3. accounting and reporting.

4. Application method

Self-assessment with optional consultancy support from the custodian.

Methodology

5. Methodology

FMM is based on 30 statements of best practice, each describing the characteristics of good financial management for public service organizations. These statements are organized into categories of people, processes, leadership, and stakeholders. Each of these statements is supported by a series of up to 18 questions that explain the scope of the statement and help with the assessment.

FMM allows the organization in question to both identify weaknesses and confirm its strengths while helping to develop and put in place a target-driven plan to closely monitor the progress made. It is structured around three styles of financial management:

- Securing stewardship – an emphasis on control, probity, meeting regulatory requirements, and accountability.
- Supporting performance – responsive to customers, efficient and effective, and with a commitment to improving performance.
- Enabling transformation – strategic and customer led, future orientated, proactive in managing change and risk, outcome focused, and receptive to new ideas.

Using the FMM involves scoring the good practice statements in the model and answering linked questions for each statement. The questions explore whether there are relevant groundwork policies and practices in place, whether they are deployed consistently and effectively, whether they influence or impact the organization's behavior or results, and whether they deliver the required outcome. FMM is an online diagnostic tool.

6. Benchmarking system

A scoring system is used. For each of the 30 statements, a judgment is expressed as a score from 0 to 4, based on how far the statement of good practice is matched (4 being the highest, and 0 the lowest). The linked questions provide a checklist for assessing where the organization meets good practice, wholly or partly, or where the gaps are. Based on the statement scores, the model produces an organization star rating from 0 to 5 (5 being the highest, and 0 the lowest).

7. Linkage to PEFA framework

The tool covers aspects related to the following PEFA performance indicators: government operations outside financial reports (PI-6), performance information for service delivery (PI-8), and fiscal risk reporting (PI-10).

8. Complementarity with PEFA framework

The tool provides more detailed insights into areas of financial management and performance of individual public organizations.



Development and use

9. Development and coordination

The tool was introduced in 2004 to help leadership teams in public organizations see how the financial systems are working based on both internal and external evidence. CIPFA has progressively updated the financial management model to ensure the statements remain relevant, having most recently done so in 2017, in the fourth iteration of the model. The tool started by covering local government before expanding to smaller government bodies (e.g., health boards) and then central government (e.g., Her Majesty's Treasury).

10. Assessment management

The custodian maintains a database of 400 organizations where the assessment has been done previously. The custodian complements this with training courses, assessments by accredited personnel, and a rigid sign-off process for final scores.

Further detailed information and guidance, such as a roadmap toward improvement, is provided by the custodian during the assessment. The custodian offers consultancy support for applying the model. Licensing arrangements for self-assessment are no longer available.

11. Uses by the government and members of the PFM community

Government agencies and local government bodies use FMM to develop plans to improve financial performance.

12. Sequencing with other tools

This tool is specific to public organizations and does not assess country-level performance. There is no sequencing with other tools in practice.

13. PFM capacity building

The model's scoring system identifies strengths and weaknesses that CIPFA uses to develop a roadmap for improved performance within a one-year horizon.

14. Tracking of changes and frequency of assessments

Each organization is responsible for tracking of changes. Organizations are provided with a one-year roadmap to improve their performance so they can track progress on that basis. Assessments are conducted at the request of the relevant organization with the frequency being discretionary. Any follow-up assessments would need to be requested from CIPFA.

15. Resource requirements

The custodian charges for consultancy support in the application of the model. The cost per assessment ranges from £30,000 to £50,000. The assessment takes 30 to 50 days to complete depending on the organization undertaking the assessment.

Transparency

16. Access to methodology

General information on the tool is [available](#). The custodian provides a [brochure](#) but it does not provide a publicly available and detailed user guide for the model.

17. Access to assessment results

There is a non-public databank, which outlines the 400 organizations where the assessment has previously been done. CIPFA has reports on FMM assessment on most of the UK central government departments and large local authorities. Select case studies on the FMM are available from the Home (cipfa.org).

