

CHESHIRE EAST COUNCIL

Constitution Committee

Date of Meeting: 20th September 2012
Report of: Director of Finance and Business Services
Subject/Title: Proposed Amendments to the Council's Finance and Contract Procedure Rules/Project Gateway

1.0 Report Summary

- 1.1 This report seeks approval from the Committee for proposed amendments to Sections A and B of the Council's Finance and Contract Procedure Rules and a recommendation to Council for their endorsement. The proposed amendments are required due to the creation of a 'Project Gateway' to provide a strong quality assurance model for major projects and programmes in Cheshire East and the establishment of new governance arrangements to enable the new process.

2.0 Recommendations

- 2.1 That the amended Finance and Contract Procedure Rules (as set out in Appendix 1) be recommended to Council for approval and the Constitution be amended accordingly.

3.0 Reasons for Recommendations

- 3.1 Following consideration of an internal audit report by the Audit and Governance Committee at its meeting on 14th June 2012 an action plan was approved that included a commitment to review procedures and systems in respect of the Council's major Projects and Programmes.
- 3.2 The new governance arrangements impact on the decision making process for major Projects and Programmes. This therefore required a review of the Finance and Contract Procedure Rules within the Council's Constitution. The results of this review and the recommended amendments to the Finance and Contract Procedure Rules are set out in this report.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 None

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 The Finance and Contract Procedure Rules set out the arrangements for managing the Council's financial affairs and are a key element of the overall governance and control framework. They apply to every Member and officer of the Council and anyone acting on its behalf, including School Governors operating under local delegation arrangements.
- 7.2 Compliance with the provisions of the Finance and Contract Procedure Rules is essential in ensuring the security of Council assets and the appropriate and lawful use of resources. It is also essential in maintaining appropriate standards of stewardship and accountability and in demonstrating value for money for local tax payers and other stakeholders.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations (2003 as amended).
- 8.2 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses.
- 8.3 The creation of a 'Project Gateway' to provide a strong quality assurance model for major Projects and Programmes in Cheshire East will help meet the AGS requirements and support effective management within the Council.

9.0 Risk Management

- 9.1 The Council is undergoing continual change both in terms of the way it works and the climate in which it operates. It is essential that there is a clear framework of rules in place to guide officers and Members in both their financial and operational decision making, in order to ensure proper control and to safeguard both the reputation and the resources of the Council and its employees.
- 9.2 The Finance and Contract Procedure Rules provide this guidance and give assurance both to the Council and its stakeholders with regard to proper financial management. They are an important control in mitigating against the risk of fraud and misappropriation as well as waste, inefficiency and poor decision making. In order to be effective however, they need to be regularly

reviewed and updated so that they remain relevant and usable, and reflect best practice developments at local and national level.

- 9.3 Section C of the Finance and Contract Procedure Rules deals specifically with Risk Management and the Control of Resources and establishes the key principles for wider risk management practice across the Council.

10.0 Background and Options

- 10.1 The new Project Gateway will bring about a more robust discipline to the management of major Projects and Programmes across the Council. The new governance arrangements associated with the Project Gateway impact on the decision making process and the required financial controls and therefore a review of the Finance and Contract Procedure Rules is required.

- 10.2 A key aspect of effectively operating the Project Gateway is the formation of a high-level, Member-led Governance group called the Executive Monitoring Board (EMB). The EMB will take on the challenge role as part of the development of the Council's Business Plan and the monitoring of its delivery. As part of this role it will replace the Capital Asset Group by taking on the Capital Modelling, Planning and Monitoring role as described in the current Capital Strategy. One of the key aims of the EMB will be to provide consistent and robust direction for all major Projects and Programmes in Cheshire East through the Project Gateway model. The first meeting of the EMB took place on 29th August 2012. It will be supported by a Technical Enabler Group (TEG) comprising of key corporate enablers supporting major Projects and Programmes and a Programme Office (PMO). The TEG is in the process of being set up.

- 10.3 The EMB is comprised of the following members:

Portfolio Holder for Performance (Chair)
Portfolio Holder for Finance (Vice-Chair)
Strategic Director for Places and Organisational Capacity
Strategic Director for Children, Families and Adults
Director of Finance and Business Services

In attendance to support the Board:

Organisational Change Manager (PMO Lead)
Corporate Finance Officer
Heads of Service as appropriate

- 10.4 The EMB will essentially perform three streams of work:

Stream 1 - Deliver the Capital Strategy

- EMB will develop and recommend a strategic, five-year Capital model based on its role in the Capital Visioning work.

- EMB will develop and recommend a Capital funding strategy, which will inform the Council's borrowing strategy as part of the Treasury Management Strategy.
- EMB will develop the Capital model to include all associated financial benefits, including Capital Receipts, Service income streams and Service cost elimination/reductions.
- EMB will form a recommended list of proposals to be considered as part of the Business Planning process.

Stream 2 -Review and challenge of proposals as part of the Business Planning Process

- Review and challenge proposals for Capital and Revenue coming through the Business Planning Process in 2012/13 and in subsequent years. Proposals will be presented to EMB in the form of a Business case on the agreed template. **(Gate 1)**
- Compile the final list of Revenue and Capital proposals to be included in the Business Plan and to form the 2013/14 Capital Programme.
- Project or Programme leads, if appropriate, will be required to attend EMB to present and answer questions relating to their proposal.
- EMB will reject Business Planning proposals if they are unconvinced of the viability of the Business case, any other aspect of the delivery plan or of the fit with corporate priorities, which may result in the cessation of the proposal or a request for a revised proposal (ceased proposals should be properly recorded as they may be reviewed by other Business Planning stakeholders).
- If a Business Planning Proposal is recommended by EMB it will then feed back into the Business Planning process for wider consultation.
- Once recommended proposals have been through wider consultation EMB will review the draft list for inclusion in the draft Business Plan, including the Capital Programme.
- Identify improvements in the process as part of the annual lessons learnt exercise.

Stream 3 - Quality assurance and monitoring of progress

- EMB will recommend the major Delivery Plan for 2013/14 and subsequent years, based on the approved Business Plan and Budget, and monitor all major Revenue and Capital Projects and Programmes.
- All major Projects and Programmes must prepare a detailed **Project Initiation Document (PID)** outlining in more detail how the Project or Programme will be delivered, providing more robust data to confirm the viability of the Business Case.
- Project or Programme leads will be required to make further presentation to the EMB to gain confirmation to proceed. **(Gate 2)**
- EMB will review and challenge new and revised Business Cases submitted in-year, with a requirement to pass through Gate 1 and Gate 2 as appropriate.
- In terms of the embargo to start any new activities, imposed by Cabinet on 15th August 2012, on an exception basis, EMB requires the preparation and

submission of a business case requesting the release of funding for business critical propositions.

- If a Project or Programme is found to be no longer viable, EMB will recommend a course of action via the required decision making route.
- EMB will sign off the Capital elements of Quarterly Performance report to Cabinet, including virements and Supplementary Capital Estimates against the Capital Programme.
- EMB will sign off the Delivery Plan elements of the Monthly Performance report to CMT and Informal Cabinet, including forecast Capital outturn.
- Monitor progress for new starts in 2012/13 and beyond, for all projects and programmes with a total spend in excess of £250k and/or where there is significant risk to ensure all core Project and Programme disciplines are being carried out to agreed standards.
- Project or Programme leads will be required to prepare a succinct Highlight Report on the agreed template provided by the Programme Office and may be required to attend EMB to respond to key questions.
- EMB will determine the frequency of monitoring, dependent upon the assessed risk.
- Monitoring will focus mainly on financial performance, progress against plan, risks and issues, quality and benefits.
- EMB will drive an increased focus on Benefits Management and will therefore want assurance throughout the Project lifecycle that benefits have been clearly identified, quantified, tracked and achieved.
- Ensure major Projects and Programmes are on track to deliver what they set out to do in their Business Planning proposal and confirm there is a continued Business Case viability.

- 10.5 The proposed changes to the Finance and Contract Procedure Rules are set out in Appendix 1 and fall broadly into two main categories:

Amendments to Section A with regard to Virements and Supplementary Estimates

- 10.6 In terms of Virements, in paragraph A.32 there is a need to change the name of the Portfolio Holder and introduce a new decision layer between £250,000 and £500,000. Recognition is given to the role of the EMB in the decision making process.
- 10.7 In terms of Supplementary Estimates, in paragraph A.36 there is a need to remove an anomaly to a reference to paragraph A.33. With regard to the new process there is also a need to change the name of the Portfolio Holder and introduce a new decision layer between £250,000 and £500,000. Recognition is given to the role of the EMB in the decision making process, including the requirement to recommend through to Cabinet and Council.

Amendments to Section B with regard to Capital Approvals, Capital Block Provisions, Capital Monitoring and Amendments to the Capital Programme

- 10.8 In terms of Capital Approvals, the wording in B.27 has been amended to acknowledge the establishment of the Project Gateway for major Projects and Programmes. The wording in paragraphs B.28 and B.29 has been amended to include recognition that major projects in excess of £250,000, or where there is a significant risk, will be considered by the EMB.
- 10.9 In terms of Capital Block Provisions, the wording in paragraph B.32 has been amended to require the detailed breakdown of Block Provisions to be considered by the EMB.
- 10.10 In terms of Capital Monitoring and Amendments to the Capital Programme, the wording in paragraphs B.34 has been amended to recognise the requirement for in-year Business Cases to be endorsed by the EMB before being taken through the appropriate decision making route. The wording in paragraph B.35 has been amended to recognise that once the Capital Programme has been approved Project and Programme managers must submit a Project Initiation Document (PID) to the EMB for approval to commence a Project or Programme. Paragraph B.35 has also been amended to ensure that the viability of Projects and Programmes is monitored by the EMB and where a Project or Programme is found to be no longer viable it will be recommended for abandonment through the appropriate decision making route.

Access to Information

The background papers relating to this report are available from the report writer below.

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