

CHESHIRE EAST COUNCIL

Constitution Committee

Date of Meeting: 26th January 2012
Report of: Director of Finance and Business Services
Subject/Title: Proposed Amendments to the Council's Finance and Contract Procedure Rules

1.0 Report Summary

- 1.1 This report seeks approval from the Committee for proposed amendments to the Foreword and Sections A, B, C and D of the Council's Finance and Contract Procedure Rules, and a recommendation to the Council for their endorsement.

2.0 Recommendation

- 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 The Finance and Contract Procedure Rules form Part E of the Council's Constitution.
- 3.2 The amendments set out in this report have been proposed in order to reflect the recent interim changes made to the Council's Officer Scheme of Delegation; and to generally improve the alignment of the Finance and Contract Procedure Rules, in terms of wording and content, with other parts of the Constitution. The amendments also take into account updated national best practice recommendations and changes to the way the Council operates. Some minor re-wording has also been undertaken to clarify points which have given rise to interpretational ambiguity and to improve clarity and readability.
- 3.3 At its meeting on 17th November 2011, the Constitution Committee appointed a Task Group of five members to consider and advise on detailed changes to the Finance Procedure Rules. The Task Group met on 16th December to review the proposed changes and agreed a number of further amendments, which have now been incorporated. The minutes of the Constitution Task Group are attached for information in Appendix 2.
- 3.4 Sections E and F of the Finance and Contract Procedure Rules have been excluded from this update. Changes to Section E (Contract Procedure Rules) were considered and agreed by Council at their meeting on 12th October 2011. Section F (External Arrangements) is currently being reviewed and proposals for amendments to this section will be brought forward at a later date.

4.0 Wards Affected

4.1 Not applicable

5.0 Local Ward Members

5.1 Not applicable

6.0 Policy Implications (including carbon reduction and health)

6.1 None identified

7.0 Financial Implications (authorised by 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 Borough Solicitor)

8.1 Any changes to the Constitution need to be agreed by the Council following a recommendation from the Constitution Committee. Any changes which are proposed also need to comply with the relevant statutory requirements.

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 current version of the Finance and Contract Procedure Rules was developed during the shadow period leading up to 1 April 2009 launch of Cheshire East Council. It was modelled on the Good Practice Guide issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2001.
- 10.2 No significant changes to the original Rules have been made since 2009 and in general they have provided a robust and effective framework for financial decision making and financial management. The amendments currently proposed do not therefore, seek to introduce any fundamental changes either to the underlying principles of the Finance and Contract Procedure Rules or to the financial limits and thresholds which apply to key decisions.
- 10.3 The changes proposed fall broadly into three main categories:-

Amendments required to align the Finance and Contract Procedure Rules with the overall Constitution

- 10.4 Following recent changes to the Council's senior management and directorate structure a number of amendments to the Officer Scheme of Delegation were agreed by Council in October, including changes to job titles and service responsibilities. The amended Finance and Contract Procedure Rules included at Appendix 1 have been updated to reflect these changes, so that for example, references to the 'Borough Treasurer and Head of Assets' have been replaced by 'Director of Finance and Business Services', in order to maintain consistency.
- 10.5 The opportunity has also been taken to redraft the summary of financial responsibilities set out in Section A of the Finance and Contract Procedure Rules, so that the wording aligns with that included in Part 3 of the Constitution, which sets out the Responsibility for Functions at both officer and Member level. This eliminates a number of unintended, and potentially confusing, anomalies between the wording in separate parts of the Constitution, and also removes some unnecessary duplication.

Amendments to reflect changes in Council operation and national best practice recommendations

- 10.6 The key changes here relate to Section B, where the overview section and regulations B4 to B6 have been updated to reflect recent changes to the Council's strategic planning framework, following the introduction of a revised approach to Business Planning; and Section C, where regulations C37 to C41 have been updated to reflect the role of the Corporate Landlord.
- 10.7 In line with national best practice recommendations, regulation A19 has also been updated to include reference to recently published CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Amendments to improve general clarity and readability

10.8 Since the Finance and Contract Procedure Rules came into effect, a number of presentational issues in terms of wording, typography and grammar have come to light. Whilst they do not materially detract from the usability of the overall document, they do cause frustration and occasionally interpretational uncertainties. The opportunity has therefore, been taken to correct as many of these discrepancies as possible, so that terminology is clearer and more consistent. Once all sections of the Finance and Contract Procedure Rules have been updated a comprehensive review of the Glossary of Terms/Definitions and Contents lists will be undertaken to further improve readability and interpretation.

10.9 Beyond this general proof editing, the following specific areas of clarification have been addressed:-

Ring-fenced budgets - an additional sub-paragraph has been added to regulation A31 to explain the nature of ring-fenced budgets and the restrictions that apply to their management. This addresses an omission in the current version of the Finance and Contract Procedure Rules, which refer to 'ringfenced budgets' (in a footnote to the table of approval limits for virements included at A32), but without a proper definition of this term.

Schemes of Financial Delegation - regulation A24-A27 have been redrafted with a view to distinguishing more clearly between local Schemes of Delegation, which document the assignment of functions and general decision making powers from the Corporate Management Team to Heads of Service and other subordinate officers; and Schemes of Financial Delegation, which are intended to set out approval responsibilities and limits for specific financial and budgetary transactions.

This distinction is not generally well understood, and the proposed revisions are intended to provide greater clarity and eliminate any potential confusion.

10.10 The changes outlined above were endorsed by the Constitution Task Group at its meeting on 16th December. In addition, the Task Group agreed a number of further amendments, which are set out in the minutes attached at Appendix 2. The Finance and Contract Procedure Rules included at Appendix 1 have been updated accordingly, with the key changes highlighted for ease of reference.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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