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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 15 April 2013

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	D Dodd A Brighthouse S Foulkes	J Walsh P Hayes
<u>Deputies:</u>	Councillors	J Hale (In place of JE Green) J Salter (In place of RL Abbey) G Watt (In place of A Cox)	

### 62 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

No such declarations were made.

### 63 PROPOSED REVISED COUNCIL FINANCIAL REGULATIONS AND CONTRACT PROCEDURE RULES - DRAFT FOR CONSULTATION

The Assistant Chief Executive reported that alongside proposals to revise the Constitution as part of the Council's Improvement Plan, proposals were also being developed to revise the council's Contract Procedure Rules and Financial Regulations, both of which had been in place for some years and had been subject to periodic changes and additions at various times, predominantly in response to actions resulting from internal and external reviews.

#### **i. Proposed Revised Contract Procedure Rules**

The Assistant Chief Executive presented the proposed revised CPR's, in draft form, for consideration and comment and indicated that the proposed revisions had been based on the following principles –

- (i) respond in part to the overall commitment given to review the council's Constitution and Schemes of Delegation as part of the council's Improvement Plan and also to respond to recommendations of the recent Peer Challenge in respect of clarification of Member and Officer roles and responsibilities;
- (ii) form part of the response to the HESPE report and the resultant Action Plan, both in terms of the CPR's themselves and also using any approved, revised rules and documentation as part of specific staff training on Procurement and Contract Procedures;
- (iii) respond to a position where the existing CPR's require updating to take account of current and potential future developments, for example, joint commissioning with other authorities and organisations, shared services with other councils and the council's role as commissioner of services with a variety of private, voluntary, community and faith organisations;

- (iv) the need to integrate existing functions with new functions and responsibilities in particular Health.

He commented that the review had been undertaken by a small group of key users who had the greatest involvement in the letting of contracts and had included input from Health and Internal Audit.

Having considered the CPR's used by a number of local authorities, it had ultimately been decided that, with their permission, the CPR's from Cheshire West and Chester Council would be used as the starting point for the review and as the basis for Wirral's proposed procedures. They had been tried and tested and had stood up to scrutiny and he commented that any future joint procurement with Cheshire West and Chester Council would be aided by each Council sharing a similar set of CPR's. The revisions had sought to clarify the Member/Officer role in that decisions related to the award of contracts were defined as an officer responsibility, with Members holding officers to account through the scrutiny process. The proposed revisions introduced a simplified procedure for individual items of expenditure below £500 and sought also to simplify and clarify officer roles in respect of contract variations and proposals.

## **ii. Proposed Revised Financial Regulations**

The Interim Director of Finance presented the proposed revised Financial Regulations, which were based upon –

- (i) the overall commitment given to review the Council's Constitution and Schemes of Delegation as part of the Council's Improvement Plan and to respond to recommendations of the recent Peer Challenge in respect of clarification of Member and Officer roles and responsibilities;
- (ii) updating the existing Regulations to take account of current and potential future developments, for example, changes to the Council Management Structure and potential working with other authorities and organisations including shared services with other private, voluntary, community and faith organisations;
- (iii) the need to integrate existing functions with new functions and responsibilities in particular Health.

The review had been undertaken by a small group of key financial staff, including the consultant engaged to support the Interim Director. As with the CPR's, a decision had been taken to use as a starting point, a set of Financial Regulations from Cheshire West and Chester Council (with their permission) to support the review. The two sets of Regulations were broadly comparable with the headings largely standardised across the sector. However, the Cheshire West and Chester Regulations were more comprehensive with an enhanced level of detail and references to legislation and the opportunity had been taken to enhance Wirral's Regulations in a number of key areas –

- (i) Virements. This related to the transferring of budgets within the Council approved budget and it was now proposed to include greater description, an expansion of the procedures to be followed and levels of authorisation.
- (ii) Carry Forwards. In line with the different approach to budget preparation, the proposed Regulations included sections on budget carry forwards related to both underspends and overspends.

- (iii) Pension Fund. The Regulations applied to the Fund which was administered by the Council and further work was being undertaken to ensure that the proposed Regulations further supported the Council role.

Members sought clarification with regard to the mechanism for reporting budget variations to Members and expressed concern that increased delegation to officers could place a greater burden on the scrutiny function. The Assistant Chief Executive commented that the revisions proposed a different way of working, which would make officers more accountable for financial decisions they had taken. Budget management training was ongoing with managers and he indicated that the revisions to the financial regulations proposed the establishment of an appropriate framework of budgetary management and control, with (at least) monthly reports to the Executive Board. The Interim Head of Legal Services commented that a central record of delegated decisions taken by officers could be maintained by Committee Services with Members notified of such decisions in the same way as delegated Executive decisions taken by Members of the Cabinet.

Mr M Thomas, Director – Assurance (Grant Thornton UK LLP) proposed to feedback formally his specific comments on the proposed revisions. He commented generally that the proposed changes to the CPR's and the Financial Regulations were welcomed and, from an external audit point of view, they addressed some concerns. The proposals had the support of the Improvement Board and he indicated that key to success was the provision of training and early implementation.

In response to a request for clarity in respect of officers being able to fund an overspend in one area by an underspend in another, the Interim Director of Finance reported that significant work had been carried out to ensure that budgets were corrected and that managers were being trained to ensure they were able to manage their reduced budgets and to avoid overspends. However, in some other authorities a bid could be made to carry forward an underspend, so as to avoid a rush to spend a budget allocation before the financial year end. Conversely, it was also considered to be good practice to expect that a budget overspend would be paid back.

**Resolved – (6:0) (3 abstentions)**

- (1) That the principle of revising the Council's Contract Procedure Rules and Financial Regulations be agreed, using the methodology set out in the reports now submitted.**
  - (2) That the Committee asks the Cabinet to have regard to the views expressed by Members and to note and to take into account the proposed revised Council Contract Procedure Rules and Financial Regulations, when considering revisions to the Constitution.**
  - (3) That the Council be asked to adopt the proposed revised Contract Procedure Rules and Financial Regulations in principle and to ask this Committee to –**
    - (i) Agree any further amendments that may be appropriate in the light of continuing consultation.**
    - (ii) To agree at a future meeting of this Committee, the date from which they should take effect.**
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