

# REVIEW OF FINANCIAL PROCEDURE RULES AND CONTRACT PROCEDURE RULES

**Report By: Director of Resources**

## Wards Affected

County-wide

## Purpose

1. To seek the Strategic Monitoring Committee's views on proposed revisions to the Council's Financial Procedure Rules and Contract Procedure Rules made in the light of the Section 151 Officer report and Crookall Review last year (the appendices to this report refer entitled: Appendix 4 and Appendix 5).

## Financial Implications

2. There are no budgetary implications arising as a direct result of this report. The Council's Financial Procedure Rules and Contract Procedure Rules promote excellence in financial management and the use of resources.

## Background

3. Cabinet approved the recommendation to review the financial governance elements of the Council's Constitution contained in the Director of Resources' special report of 20<sup>th</sup> September 2007 to ensure that officer accountabilities are clearly set out and defined. The Crookall Review supported this action as one of the keys to being able to establish an effective performance management culture.
4. The relevant elements of the Council's Constitution were reviewed and presented to Council on 2<sup>nd</sup> November 2007 in line with the timetable agreed by Cabinet. The Head of Paid Services and Monitoring Officer were consulted on the proposed revisions and their comments were incorporated into the draft documents. Council determined that the draft revisions should be reviewed by the Audit & Corporate Governance Committee and the Standards Committee.
5. The Audit & Corporate Governance Committee received the draft revisions to the Constitution at its meeting on 16<sup>th</sup> November 2007 and decided to establish a small task and finish group from amongst its membership to consider the documents in detail. The Audit & Corporate Governance Committee considered and endorsed the changes proposed by the task and finish group on 21<sup>st</sup> December 2007.
6. The Standards Committee considered the draft documents on 18<sup>th</sup> January 2008 and endorsed the approach.
7. The Constitutional Review Working Group met to consider the proposed revisions to the Financial Procedure Rules and Contract Procedure Rules amongst other issues relating to the Constitution on 7<sup>th</sup> January, 23<sup>rd</sup> January and 11<sup>th</sup> February 2008.

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Further information on the subject of this report is available from  
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8. The Constitutional Review Working Group has discussed the approach officers took to reviewing the Financial Procedure Rules and Contract Procedure Rules. It wanted to ensure that they were robust but that they also provided officers with sufficient flexibility to manage their services effectively.
9. Herefordshire's existing financial regulations and contract standing orders were taken as the starting point for the review. They have been supplemented with best practice identified in four benchmark authorities: Shropshire County Council, Kent County Council, East Riding of Yorkshire Council and St Helens Council. These councils were selected as benchmarks because they had the very best Use of Resources scores in 2007 for upper tier authorities.
10. There is a remarkable degree of variation in the benchmark authorities' financial and contract procedure documents. They range from being centralist and prescriptive at one end of the spectrum to being devolved and less prescriptive at the other.
11. The Head of Legal & Democratic Services is of the view that the draft revisions to Herefordshire's Financial Procedure Rules and Contract Procedure Rules are balanced and address the issues identified in the Section 151 Officer report and Crookall Review in a proportionate manner.
12. The draft Financial Procedure Rules and draft Contract Procedure Rules attached to this report do not in any way change councillors' accountabilities: other elements of the Council's Constitution deal with this issue. The documents do more clearly define officers' accountabilities and the only change to these reflects:
  - a) The transfer of asset management & property services from the Environment Directorate to the Resources Directorate in 2005.
  - b) The arrival of a head of profession for asset management & property services in 2007.
  - c) The need for the Head of Legal & Democratic Services to oversee certain aspects of the Council's Contract Procedure Rules such as approving exemptions and opening tenders.
13. The Director of Resources and Head of Legal & Democratic Services met on 30<sup>th</sup> January 2008 along with relevant members of their teams to carry out a further detailed review of the draft Financial Procedure Rules and Contract Procedure Rules. Amendments agreed by the Audit & Corporate Governance Committee and comments made by the Constitutional Review Working Group and new Chief Executive were taken into account. A further series of small amendments resulted that taken together improved the quality and clarity of the draft documents even further.
14. The Strategic Monitoring Committee is asked to note that revision of the Financial Procedure Rules and Contract Procedure Rules will necessitate an update of other elements of the Council's Constitution. The Head of Legal & Democratic Services will need to review Part 12 of the Constitution on Officers' Responsibilities to ensure that the formal delegations to officers support the draft Financial Procedure Rules and Contract Procedure Rules.

15. 'Mini guides' to the asset management, financial management and procurement framework supporting the draft Financial Procedure Rules and Contract Procedure Rules have been produced and will be circulated to members of the Committee. Member awareness sessions can also be arranged as required.

## **RECOMMENDATION**

**THAT the Strategic Monitoring Committee considers the Financial Procedure Rules and Contract Procedure Rules attached to this report and determine whether it has any further suggestions to make to Cabinet / Council.**

## **BACKGROUND PAPERS**

The latest revision to the draft Financial Procedure Rules and Contract Procedure Rules are attached to this report.