



FROME TOWN COUNCIL

Chapter 8

RFO Protocol



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Responsible Finance Officer Protocol

Although Town and Parish Councils are not bound by sections of The Local Government Finance Act 1988 (as outlined in section 111) Frome Town Council has resolved to act in accordance with many of those principles in the interests of best practice as shown below.

The current responsibilities of Frome Town Councils Responsible Finance Officer role rest with the Deputy Chief Executive who undertakes to discharge these statutory responsibilities in a positive way and in a manner that enhances the overall reputation of the Council. In doing so, the Responsible Finance Officer will also safeguard, so far as is possible, Members and Officers, whilst acting in their official capacities, from financial difficulties.

1.0 The Statutory Role of the Responsible Finance Officer

The Responsible Finance Officer has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties arise from:-

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- Audit Commission Act 1998
- The current Accounts and Audit Regulations

The Responsible Financial Officer is responsible for:-

- The proper administration of the Authority's financial affairs
- Setting and monitoring compliance with financial management standards
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- Providing financial information
- Preparing the revenue budget and capital programme
- Treasury management

Section 114 of the Local Government Finance Act 1988 requires the Responsible Financial Officer to report to the full Council, Executive and external auditor if the Authority or one of its officers:-

- Has made, or is about to make, a decision which involves incurring unlawful expenditure.
- Has taken, or is about to take, an unlawful action which has resulted or would result in a loss of deficiency to the Authority

□Is about to make an unlawful entry in the Authority's accounts

□If the expenditure of the authority is likely to exceed the resources available to it to meet that expenditure.

Section 114 of the 1988 Act also requires:-

□The Responsible Financial Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under Section 114 personally

□The Authority to provide the Responsible Financial Officer with sufficient staff, accommodation and other resources – including legal advice where necessary – to carry out the duties under Section 114

2.0 The Non-Statutory Role of the CFO

The Chartered Institute of Public Finance and Accountancy (CIPFA) published "**A Statement on the Role of the Finance Director in Local Government**" in December 1999.

- 2.1 The five main areas where it considers the CFO/RFO *of a Local Authority* should contribute are given below. The first incorporates the statutory responsibilities referred to in section 1.0 above.
- maintaining financial administration and stewardship e.g. advising on effective systems of internal control
 - supporting and advising on the democratic process e.g. advising on developing an overall financial strategy
 - contributing to corporate management e.g. ensuring financial resources are well managed
 - supporting and advising officers in their operational roles e.g. ensuring that budgets are properly managed
 - delivering services and providing information to members of the public and the community e.g. by providing financial and performance information
- 2.2 A summary list of the statutory responsibilities appears in the table annexed to this document. In general terms, the Responsible Finance Officer's ability to discharge these duties and responsibilities will depend, to a large extent, on Members and Officers:-
- 2.3 CIPFA's view in the local authority report is that the role of CFO/RFO should not be combined with the role of Chief Executive. This safeguards the effectiveness and objectivity of the scrutiny function to ensure the effective stewardship of public funds is not compromised. The report also mentions that other arrangements can be effective, but only where additional means of safeguarding the effectiveness of the scrutiny function are put in place.

3.0 The Protocol

Having excellent working relations with Members and Officers will assist in the discharge of the statutory responsibilities of the Responsible Finance Officer. Equally, a speedy flow of relevant information and access to debate (particularly at the early stages of any decision-making by the Council) will assist in fulfilling those responsibilities. Members and

Officers should, therefore, work with the Responsible Finance Officer to discharge the Council's statutory and discretionary responsibilities.

The following arrangements and understandings between the Responsible Finance Officer, Members and Officers are designed to ensure the effective discharge of the Council's business and functions.

The Responsible Financial Officer will receive:-

- 3.1.1 Advance notice (including receiving Agendas, Minutes, Reports and related papers) of all relevant meetings of the Council at which a decision may be made (including a failure to take a decision where one should have been taken) at or before the Council, Committee meetings and Sub-Committee meetings (or equivalent arrangements).
- 3.1.2 Advance notice of all emerging issues of financial concern.
- 3.1.3 Copies of all reports to Members.

The Responsible Financial Officer has the right:-

- 3.2.1 To attend and speak at any Council meetings.
- 3.2.2 To call for any relevant information, whether confidential or otherwise, and to give that information (as appropriate) to any body, including the District Auditor and the Ombudsman.

The Responsible Financial Officer will:-

- 3.3 1 Ensure the head of paid service has up-to-date information regarding emerging issues including relevant information regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit.
- 3.2.2 Make enquiries into allegations of financial misconduct and, if appropriate, make reports to Member bodies.
- 3.2.3 Meet regularly with the Head of Paid Service and, in any event, not less than monthly to consider and recommend action in connection with Corporate Governance issues and other matters of concern regarding any financial management, accounts and audit regulations, proposed expenditure or proposed actions which might lead to a loss or deficit.
- 3.2.4 Develop effective working liaison and relationship with the Internal and External Auditor (including having the authority, on behalf of the Council, to complain to the same, refer any breaches to the same or give and receive any relevant information, whether confidential or otherwise, through appropriate protocols, if necessary).
- 3.2.5 In carrying out any investigation (whether under regulations or otherwise) the Responsible Financial Officer will have unqualified access to any information held by the Council and any employee who can assist in the discharge of his functions.

- 3.2.6 Send copies of any report on the outcome of any investigation to each member of the authority and the person responsible for auditing the authority's accounts.
- 3.2.7 Have control of a budget sufficient to enable him to seek external professional opinion on any matter concerning his functions.
- 3.2.8 Be responsible for preparing a training programme for Members in relation to Local Government Finance.
- 3.2.9 Report to the Council from time to time on the financial regulations and other matters of finance, and any necessary or desirable changes following consultation, in particular with the Head of Paid Service.
- 3.2.10 Make a report to the Council from time to time (as necessary) on the staff, accommodation and resources he requires to discharge his functions.
- 3.2.11 In the absence of the Responsible Financial Officer the Chief Executive will act as the nominated deputy.
- 4.0 The Responsible Financial Officer's nominated deputy will have all of the rights and powers of the Responsible Financial Officer when discharging his role.
- 5.0 To ensure the effective and efficient discharge of the arrangement set out in paragraph 3 above, Members and Officers will report any breaches of statutory duty or Council policies or procedures and other legal or constitutional concerns to the Responsible Finance Officer, as soon as practicable.
- 6.0 The Responsible Finance Officer is also available for Members and Officers to consult on any issues of the Council's financial powers, possible unlawful payments, or general advice on the financial arrangements.
- 7.0 To ensure the effective and efficient discharge of this Protocol, the Responsible Finance Officer will ensure adequate insurance and indemnity arrangements are in place for the same to protect and safeguard the interests of the Council and the proper discharge of the Responsible Finance Officer role.
- 8.0 The Responsible Finance Officer or deputy will record details of any advice given.
- 9.0 This Protocol is in addition to any provisions in the Council's Standing Orders or Financial Regulations.

ANNEX 1
SUMMARY OF RESPONSIBLE FINANCE OFFICER FUNCTIONS

	<u>Description</u>	<u>Source</u>
1.	Report on decisions incurring unlawful expenditure, unlawful loss or deficiency or unlawful item of account.	Section 114, 114a, 115, 116 Local Government and Finance Act 1988.
2.	Appointment of Deputy.	Section 114 Local Government and Finance Act 1988.
3.	Report on resources.	Section 114 Local Government and Finance Act 1988.
4.	Responsibility for the administration of financial affairs.	Section 151 Local Government Act 1972.
5.	Borrowing, investment accounts and financial administration.	Local Government Act 2003 Sections 1-92.
6.	Responsibility to determine the form of the Council's accounts and records, provide internal audit and statement of accounts.	The Accounts and Audit Regulations 2003. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.