

REPORT REFERENCE NO.	DSFRA/18/12
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY (ANNUAL MEETING)
DATE OF MEETING	8 JUNE 2018
SUBJECT OF REPORT	REVIEW OF CONSTITUTIONAL GOVERNANCE FRAMEWORK
LEAD OFFICER	Director of Corporate Services and Director of Finance
RECOMMENDATIONS	<p><i>(a). that the Authority grants a dispensation to those Members it appoints as non-executive directors on the Board of Red One Ltd. to speak, but not propose motions or vote on, any item on Red One Ltd. coming before any meeting of the Authority (or its Committees) for consideration;</i></p> <p><i>(b). that the proposed revisions to Financial Regulations and the Treasury Management Policy, as identified in paragraphs 3.5 and 3.8 of this report, be approved;</i></p> <p><i>(c). that the changes to Financial Regulations and the Treasury Management Policy (to reflect either internal structural changes or a change in external provider), as identified in paragraphs 3.4 and 3.7 of this report, be endorsed;</i></p> <p><i>(d). that the revisions to the Code of Conduct and Standing Orders to give effect to earlier decisions of the Authority, as identified in this report, be noted; and</i></p> <p><i>(e). that, subject to (a) and (d) above, the constitutional framework documents as listed at paragraph 1.1 of this report be endorsed.</i></p>
EXECUTIVE SUMMARY	This report sets out information on the most recent review of the Authority's constitutional governance framework documents (Standing Orders, Financial Regulations etc.), which, while not a statutory requirement, is undertaken at least annually as a matter of good practice.
RESOURCE IMPLICATIONS	Nil.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	The contents of this report are considered compatible with existing human rights and equalities legislation.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Nil.

1. **BACKGROUND**

1.1 it's the Authority's Constitutional Governance Framework documents include, amongst other things:

- The Accountabilities, Roles and Responsibilities of Members of the Devon & Somerset Fire & Rescue Authority
- Members' Code of Conduct;
- Member/Officer Protocol;
- Policy on Gifts and Hospitality;
- Scheme of Members Allowances;
- Standing Orders;
- Financial Regulations;
- Contract Standing Orders;
- Scheme of Delegations;
- Corporate Governance Code;
- Treasury Management Policy;
- Strategy on the Prevention and Detection of Fraud and Corruption; and
- "Whistleblowing" Code (Confidential Reporting Policy).

1.2 The Authority Constitutional Governance Framework documents may be viewed on the Authority's website by following the link below.

<https://fireauthority.dsfire.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13108>

The constitutional operation of the Authority also features a Committee structure (with associated terms of reference). This is addressed by a report elsewhere on the agenda for this meeting.

1.3 The documents referred to above were drafted by reference to a number of sources, some statutory; some based upon "models" issued either by central government or by professional bodies (e.g. the Chartered Institute for Public Finance Accountancy – CIPFA); and others based on "best practice" documents in use by other local authorities (including combined fire and rescue authorities). While there is no legal requirement for the documents to be reviewed, they are nonetheless reviewed at least annually to ensure that they continue to be "fit for purpose". This clearly does not preclude making revisions at any time to any of the documents where this might be required by changes in legislation or internal structure; or the approval of new documents to enhance the governance framework.

2. OUTCOME OF MOST RECENT REVIEW

- 2.1 Each of the Authority's Constitutional Framework documents have again been subject to review over the last twelve months and will continue to be subject to ongoing review with any further proposed revisions submitted to future meetings of the Authority as required.
- 2.2 The outcome of the most recent review is that the documents remain fit for purpose. Some have, however, been subject to change over the last twelve months to give effect to changes approved by the Authority. These are addressed in the next section of this report.

3. CHANGES TO CONSTITUTIONAL FRAMEWORK DOCUMENTS

Standing Orders

- 3.1 At its meeting on 30 April 2018 the Authority approved a convention whereby neither the Authority Chair nor Vice-Chair are eligible for appointment by the Authority as a director on any company controlled by the Authority (Minute DSFRA/77 refers). The Clerk was authorised to amend the Authority's Standing Orders to reflect this. Accordingly, Standing Orders have now been amended to include the following as new Standing Order 6:

APPOINTMENTS TO AUTHORITY CONTROLLED COMPANIES

Neither the Authority Chair nor Vice-Chair is eligible for appointment by the Authority to serve as a director of any company controlled by the Authority.

- 3.2 Additionally, Standing Order 22 (Registration and Disclosure of Interests) has been amended to align with the procedures as contained in the revised Code of Conduct approved by the Authority at its meeting held on 30 April 2018 ((Minute DSFRA 72(b) refers).
- 3.3 Finally, elsewhere on the agenda for this meeting is an item raised by the Cllr. Sara Randall Johnson for the Authority to consider amending its Standing Orders to provide for Committee Chairs and Vice-Chairs to be appointed by the Authority at its Annual Meeting each year. If approved, Standing Orders will be revised accordingly to reflect this amendment.

Financial Regulations

- 3.4 Financial Regulations have been amended to reflect the realignment of responsibilities following internal structure changes (e.g. Director of Service Improvement for [former] Director of People and Commercial Services for person responsible for determining and monitoring adherence to staffing policies and procedures; Human Resources Manager for [former] Director of People and Commercial Services for providing advice on proper use of appointment procedures). These changes are not considered material or substantial and in this context the Authority is invited to endorse them.
- 3.5 It is proposed that the following be added to the Schedule to Financial Regulations (which summarises delegation levels beyond which the approval of either the Resources Committee or the full Authority is required) to align procedures for reserves with those already in place for revenue budget virements:

	Resources Committee	Full Authority
<u>Transfers to/from or between reserves</u>		
Use of or transfers to reserves from the revenue budget	£50,000	£150,000
Movements between Earmarked or General reserves	£50,000	£150,000

3.6 The Authority is asked to approve this addition to Financial Regulations.

Treasury Management Policy

3.7 The Treasury Management Policy has been updated to identify the current Treasury Management external advisor (Link Asset Services – “Link”) rather than the former external advisor (Sector). This change is not considered material or substantial and in this context the Authority is invited to endorse them.

3.8 It is proposed that subsection (d) (Dealing Limits) of Schedule 5 to the Treasury Management Policy (Treasury Management Practice No. 5 – Organisation, Clarity and Segregation of Responsibilities; Dealing Limits) be replaced with the following to give effect to a recommendation that explicit limits be detailed, as made by the Devon Audit Partnership following a recent internal audit:

“The following daily limit shall apply to the dealing of short-term (Less than 365 days) and long-term (Greater than 365 days) funding and investment decisions:

Position	Daily Limit
Director of Finance (Treasurer)	£15 million
Head of Finance, Assistant Head of Finance, Senior Finance Manager	£10 million
Finance Officer, Senior Finance Officer, Finance Manager	£ 5 million

For the avoidance of doubt, all investments will be subject to approval by an Officer on the Executive Board prior to dealing.

The following limits shall apply to the total invested in each class of investment (percentages refer to the total investment portfolio on the date of investment).

- Banks – the greater of £7m or 20%
- Building Societies – the greater of £4m or 10%
- Money Market Funds – the greater of £5m or 10%
- Debt Management Office – the greater of £10m or 25%”

3.9 The Authority is asked to approve this amendment to the Treasury Management Policy

Members Code of Conduct – Proposed Grant of Dispensation

3.10 At its meeting on 30 April 2018 the Authority approved a revised Code of Conduct, together with associated guidance on making a complaint alleging failure to follow the Code (Minute DSFRA 72(b) refers). The revised Code and guidance have now been published on the Authority’s website

3.11 The revised Code provides that Members who have either a pecuniary, personal or non-registerable interest (as defined in the Code) in any matter under consideration at any Authority meeting (including Committee meetings) must declare that interest, leave the room and take no part in any debate or decision on the matter in question unless a relevant and current dispensation is held.

- 3.12 While this is entirely appropriate for the vast majority of situations, one unintended consequence relates to those Members appointed by the Authority to represent it as non-executive directors on the Board of Red One Ltd (“the company”). This would constitute a “personal interest” as defined in the Code but, given that part of the function of such appointments is to ensure that the interests of the Authority (as sole shareholder) are considered by the company board of directors, it would seem somewhat perverse for such Members to be prevented from discussing matters relating to the company during meetings of the Authority.
- 3.13 The Authority approved procedures currently provide for the Standards Committee to consider and grant dispensations in all cases other than where the dispensation is necessary to allow for a quorate decision to be taken on any particular issue (which is currently delegated to the Monitoring Officer). This provision relates, however, primarily to disclosable pecuniary interests and is currently silent on the issue of dispensations for personal interests.
- 3.14 It is now proposed, therefore, that to overcome the situation referred to in paragraph 3.12 above, the Authority grants a dispensation to those Members appointed by the Authority as non-executive directors of Red One Ltd. enabling them to speak, but not vote or propose motions, on any item relating to the company under consideration at Authority/Committee meetings.
- 3.15 Moving forward, it is proposed that the granting of dispensations relating to disclosable pecuniary interests **and personal interests** should (other than when necessary solely to facilitate a quorate decision, which is already delegated to the Monitoring Officer) be delegated to the Standards Committee. This will require a slight, clarifying amendment to the terms of reference for that Committee and is addressed elsewhere on the agenda for this meeting.

4. CONCLUSION

- 4.1 The Service has a commitment to continuous improvement to achieve and sustain its stated ambition of being an “excellent” organisation. As part of this, the Authority’s constitutional governance framework documents will continue to be subject to ongoing review with any further proposals for amendments being submitted as and when required.
- 4.2 In the meantime, the Authority is asked to:
- (a) approve the dispensation referred to in paragraph 3.14 above;
 - (b) note the revisions made to both the Code of Conduct and Standing Orders, to give effect to previous Authority decisions;
 - (c) approve the proposed revisions to Financial Regulations and the Treasury Management Policy;
 - (d) endorse the revisions to Financial Regulations and the Treasury Management Policy made to reflect either internal, structural changes or the change in external advisor; and
 - (e) subject to (a) and (d) above, to endorse the Constitutional Framework documents as listed in paragraph 1.1

MIKE PEARSON
Director of Corporate Services

AMY WEBB
Director of Finance (Treasurer)