



Research and Library Service Briefing Note

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The Capacity of Councils to Separate the Role of Chief Executives and Chief Financial Officers

This note refers to the Committee's query about the number of council Chief Executives (CX) who are qualified accountants, and whether there would be a requirement to recruit externally for a Chief Financial Officer (CFO) to separate the roles (in line with the CIPFA Statement on the Role of the Chief Financial Officer¹), NILGA has collated and provided the following information.

17 Councils provided responses to the query. Of the 17:-

- Two councils already operate the system of separate role of CX and CFO.

¹ CIPFA, The Role of The Chief Financial Officer in Local Government (2010)
http://www.cipfa.org.uk/pt/download/role_of_CFO_in_LG_2010_WR.pdf

- In three other councils the CX is a qualified accountant, two out of the three indicated that with any separation of the roles a CFO could be appointed internally, if necessary.
- Of the remaining 12 councils whose CX is not a qualified accountant, 11 have indicated that a separate CFO could be appointed internally.
- Overall only one council stated that a CFO would have to be recruited externally.

Recommendations

A related issue that has been highlighted through this consultation by some councils, is that the Chief Financial Officer has in the past been appointed by councils under s54 of the Local Government Act 1972. This Section permitted the Council to designate any particular officer in that role, however as this has been viewed as the Accounting Officer role for councils, it has been the Chief Executive that has been designated.

It is considered that the removal of that designation (Chief Financial Officer) to another officer, without clearly stating in the legislation that the Chief Executive remains the Accounting Officer for the organisation, could have the potential to cause difficulties in terms of governance, leadership and accountability, as it will be unclear who is in charge of the organisation, who may direct its resources, and who is ultimately accountable for its entire operation.

In order to avoid this difficulty, it is recommended that the legislation should make it absolutely clear that while there may be a senior officer in charge of finance, this role is not that of Accounting Officer, and that setting the direction of the organisation, directing its resources, and being accountable for its entirety remains the sole responsibility of the Chief Executive.

Further Issues

According to NILGA, there was a bit of discussion between themselves, the councils, and the Department over collecting this information, and making sure what they were asking for and why they were asking for it. Apparently at the start there was confusion among some over whether the legislation would include a requirement to appoint a separate CFO, and whether that post would need to be a qualified accountant.

The Department advised that it does not make reference in the Finance Bill that the Chief Financial Officer (CFO) must be a qualified accountant, or about the separation of the roles.

When the Bill goes through (subject to its final contents) the Department, however, intends issuing a local government circular to councils supporting the Chartered

Institute of Public Finance and Accountancy (CIPFA) Statement, which includes a recommendation that the Chief Financial Officer should hold membership of a recognised professional accountancy organisation, be a key member of the councils leadership team, and implies there should be a separation of the 2 roles. The Department made reference to the note provided to the Committee which clarified the position (see the Departmental note attached with this briefing note).