

REPORT 1

HARBOROUGH DISTRICT COUNCIL

REPORT TO THE CONSTITUTIONAL REVIEW COMMITTEE OF 11th March 2020

PUBLIC REPORT: Y

EXEMPT REPORT: N

Report Title	Review of the Constitution – Financial Procedure Rules
Report Author	Verina Wenham – Chief Officer, Governance and Monitoring Officer,
Purpose of Report	The Financial Procedure Rules form part of the Council's Constitution (Part 4(6)) and need to be reviewed regularly to ensure the efficient decision-making and operations of the Council.
Reason for Decision	There is an outstanding audit recommendation that the Financial Procedure Rules are reviewed and updated.
Portfolio (holder)	This is a matter for this Committee and Council. The portfolio holder is Councillor James Hallam.
Corporate Priorities	Your Council: The Constitution needs to balance efficient member policy and strategic decision-making and oversight with management ability to operate in a modern environment to encourage creativity, efficiency and being pro-active.
Financial Implications	There are no financial implications directly resulting from this report.
Risk Management Implications	While the Financial Procedure Rules give management a greater degree of freedom the rules have certain safeguards including reporting to Cabinet.
Environmental Implications	There are no environmental implications directly resulting from this report.
Legal Implications	The Council has a duty to ensure that the Constitution is reviewed and remains up to date.
Equality Implications	There are no equality implications directly resulting from this report.
Data Protection Implications	There are no data protection implications directly resulting from this report than exist already.
Consultation	The revised Financial Procedure Rules have been referred to Corporate Management Team and Internal Audit.
Options	Other Council's Financial Procedure Rules were examined as part of the review.
Background Papers	The Council's previous Financial Procedure Rules.
Appendices	Appendix A: Revised Financial Procedure Rules.
Recommendation	To consider the proposed revised Financial Procedure

	Rules set out in Appendix A and make such recommendation to Council for approval and adoption.
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1. Introduction

- 1.1 The Financial Procedure Rules form part of the Council's Constitution and need to be reviewed regularly to ensure the efficient decision-making and operations of the Council.
- 1.2 The Financial Procedure Rules were last reviewed in 2013 and are now overdue for a review.
- 1.3 The Constitution needs to balance efficient member policy and strategic decision-making and oversight with management ability to operate in a modern environment to encourage creativity, efficiency and being pro-active. The revised Financial Procedure Rules and Procurement Standard of Required Practice aim to achieve this balance.
- 1.4 The proposed Financial Procedure Rules are contained in Appendix A.

2. Key Facts

- 2.1 The proposed Financial Procedure Rules apply to all Members and Officers and are there for their and the Council's protection. They are crucially related to the delegations between Council and Officers as set out in the Constitution.
- 2.2 The Financial Procedure Rules have generally been updated for roles so that they can be more flexible as job roles change.
- 2.3 A summary of the contents and changes in the Financial Procedure Rules contained in Appendix A is as follows:
 - a. Financial Procedure Rule A Taking Financial Decisions. This sets out that financial decisions cannot be made outside the Policy and Budget Framework set by Council. This is no change from the current rules and is standard in all Financial Procedure Rules;
 - b. Financial Procedure Rule B: Emergency or Disaster. This is the same as the current rules but gives additional flexibility to the (Joint) Chief Executive to declare a local emergency outside the Civil Contingencies Act 2004 with the safeguard of reporting to the Cabinet on actions taken and expenditure incurred and claims to be made as soon as possible. This will allow a swifter response to local emergencies.
 - c. Financial Procedure Rule C: Medium Term Financial Planning. This merely formalises the processes the Council currently follows more explicitly and is standard in most Councils;
 - d. Financial Procedure Rule D: Annual Budget and Council Tax Setting. This formalises the processes the Council currently follows and as required by legislation more explicitly and is standard in most Councils;
 - e. Financial Procedure Rule E: Capital Programme and Spending. The de-minimis limit for capital expenditure has been raised from £5,000 to £10,000 to reflect rising prices and that small items of expenditure are

funded from the revenue account.

The rule distinguishes between specific schemes (new buildings, major schemes) and programmes of mainly planned maintenance. While the Council agrees the capital programme, the Cabinet is responsible for the definition of detailed specific schemes and programmes.

This section also provides the necessary flexibility for management in consultation with relevant Members to respond to issues arising from specific circumstances most notably responding to potential service failure and bringing forward expenditure. In both circumstances there are safeguards for Members and Council.

- f. Financial Procedure Rule F Financial Control: This reflects the statutory responsibilities of the Chief Financial Officer and the Monitoring Officer. Further detailed financial controls are contained in Financial Procedure Rule Q.
- g. Financial Procedure Rule G Financial Management. The major change is the rules on virement i.e. the ability transfer funds between budgets. The previous rules allowed such transfers for directly controlled expenditure within cost centres by Chief Officers of £5,000. Between £5,000 and £10,000 there are further steps. The proposed rules are aimed to be more flexible by removing these limits to allow management to respond to changing circumstances to deliver services in different ways with adequate safeguards for members in terms of policy and service standards and financial values of virement.
- h. Financial Procedure Rule H: Maintenance and Use of Reserves. The changes reflect the statutory responsibilities of the Chief Financial Officer and the major change is to make more explicit the Chief Financial Officer's ability to apply contingencies (with safeguards) and earmarked reserves in accordance with Council policies.
- i. Financial Procedure Rule I: In Year Financial Reporting. This formalises the processes the Council currently follows;
- j. Financial Procedure Rule J: Accounting and Statement of Accounts. This formalises the processes the Council currently follows;
- k. Financial Procedure Rule K Risk Management. This merely formalises the processes the Council currently follows;
- l. Financial Procedure Rule L: Internal Audit. This is a statutory function. There is no change from the current rules.
- m. Financial Procedure Rule M: Irregularities, Fraud, Bribery and Corruption. This is a statutory function. There is no change from the current rules;
- n. Financial Procedure Rule N: Treasury Management. This is a statutory function and regulated function. There is no change from the current rules;
- o. Financial Procedure Rule O: Acquisition and Disposal of Property Interests. This refers to a procedure which the Performance Scrutiny Panel has considered to ensure proper governance of the acquisition

and disposal of property Interests;

- p. Financial Procedure Rule P: Information and Communications Technology. This secures that the Service Manager agrees all new systems for compatibility with the Council's ICT Strategy and interoperability to ensure value for money;
- q. Financial Procedure Rule Q Financial Administration. This is: a long but necessary detailed section on financial administration covering a multitude of financial processes and functions for which the Chief Finance Officer is responsible legally and which officers need to respect and comply with to ensure financial control.