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| SUBJECT: | REVIEW OF THE CONSTITUTION – FINANCIAL PROCEDURE RULES |
| DIRECTORATE: | CHIEF EXECUTIVE AND TOWN CLERK |
| REPORT AUTHOR: | ROBERT BAXTER, INTERIM CHIEF FINANCE OFFICER |

1. Purpose of Report

- 1.1 To present to the Audit Committee the revised Financial Procedure Rules and associated amendments required to the Constitution for consideration and recommendation for adoption by Council.

2. Executive Summary

- 2.1 The Financial Procedure Rules provide a framework for officers to work within to ensure compliance with the need to secure proper administration of the Council's financial affairs as required by section 151 of the Local Government Act 1972.
- 2.2 The last fundamental review took place in 2010, as approved by Council on 9 December 2010, with subsequent updates to reflect necessary changes.
- 2.3 The changes now required will ensure that officers have the flexibility to respond to the changing environment in which the Council now operates.

3. Background

- 3.1 The Financial Procedure Rules are intended to provide a framework of rules and procedures within which the Council will conduct its financial affairs. The Financial Procedure Rules lay down the principles to be followed in securing a proper administration of the Council's financial affairs as required by Section 151 of the Local Government Act 1972.
- 3.2 The last fundamental review of the Financial Procedure Rules was undertaken in 2010 following a major review, and were updated to reflect accounting regulations, legislation and best practice in force at that time. Since that time they have been subsequently updated to reflect changes in the management structure of the Council and to respond to emerging issues.
- 3.3 With the launch of the Council's Vision 2020, the restructure of senior management in 2016 and the outcomes of the Corporate Peer Challenge that the Council has recently undertaken this was the ideal opportunity to review the Financial Procedure Rules to ensure that they remain robust and relevant to the current organisational environment.

4. Financial Procedure Rules

4.1 The revised Financial Procedure Rules (Appendix A) have been compiled using the existing rules but also from comparison against other authorities and in accordance with changes in accounting regulations and practices.

4.2 Key changes from the existing Financial Procedure Rules have been highlighted in the appendix, these include:

- financial planning arrangements including the management and use of the Council's reserves (section 4)
- financial management arrangements including clarity of the roles and responsibilities of budget holders, amendments to the rules relating to the carry forward of budgets from one year to the next and changes to capital project management (section 5)
- further clarity of the roles and responsibilities for orders and payments for works, goods and services including the introduction of a new section on officer responsibilities in relation to contracts for works, goods and services (section 6)
- the setting of new fees and charges and devolving increased flexibility to respond to operational issues and changing market forces (section 7)
- resources and asset management including clarity around the roles and responsibilities of the Chief Finance Officer and Assistant Directors in relation to the acquisition and disposal of assets (section 9)
- external arrangements including a new section on officer responsibilities in relation to external funding (section 10)

4.3 Specific changes to delegations and limits are;

| Procedure Rule | Current | Proposed |
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| Carry forward of revenue budgets (from one year to the next) | Proposals for carry forward will only be considered where there is an overall underspend of the Directorate's cash limited budgets equal or greater than the carry forward amount | Proposals for carry forwards will only be considered where there is an overall underspend of the Directorate's cash limited budgets equal or greater than the carry forward amount (for this purpose income budgets for which the Directorate doesn't have full control, e.g. due to market forces) are excluded from the considered cash limit budget; |
| Amending fees and charges | Head of Service has the discretion to | In such circumstances the relevant Assistant Director has |

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| | amend the set fees and charges by +/- 20% , after consulting with Director of Resources and relevant Portfolio Holder. Such an occurrence shall be reported by the Head of Service to full Council at the earliest opportunity. | the discretion to amend the set fees and charges by +/- 50% for any individual fee, after consulting with the relevant Portfolio Holder. Such an occurrence shall be reported to the Chief Finance Officer at the earliest opportunity. |
| Collection of income | No specific reference | The Council does not accept cash payments except where this is unavoidable. In those unavoidable instances in accordance with the Council's Anti-Money Laundering policy payment to the Council can be accepted if it is in cash and does not exceed a specified limit (currently £2,000). The receipt of cash payments over £2,000 requires the prior authorisation of the Chief Executive, City Solicitor or Chief Finance Officer. |
| Writing off bad debts | No specific reference | The authority to reinstate previously written off debts upon receipt of outstanding amounts shall be as follows: <ul style="list-style-type: none"> • Reinstatement of debts up to £5,000 - authorisation required by Chief Finance Officer, City Solicitor or the Head of Shared Revenues and Benefit Service. • Reinstatement of debts over £5,000 – authorisation required by the Chief Finance Officer |
| Disposal of Items of Inventory, Stocks and Stores | No specific reference | The receipt of any income from the disposal of goods, equipment, stocks and stores shall be treated as a capital receipt if it is in excess of £10,000, below this threshold it |

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| | | will be treated as revenue income for the relevant service area. |
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4.4 The key theme in these changes has been to ensure that officers have the flexibility required in order to respond to the changing environment in which the Council now operates. This reflects a more commercial approach to the operation of the Council. However the Financial Procedure Rules still ensure that a sound system of internal control is maintained.

4.5 In addition to the revised Financial Procedure Rules the Constitution itself includes other references to the conduct of the financial affairs of the Council. To ensure consistency throughout the Constitution a number of changes have therefore been made to Part 2 and Part 3. These amendments will be reported to Council, together with other changes to the constitution on 23 January 2018.

5. Strategic Priorities

5.1 Keeping the Council's Financial Procedure Rules under regular review and up to date is an element of sound corporate governance.

6. Organisational Impacts

6.1 Finance - There are no direct financial implications from the adoption of these rules although the framework that they provide is a key consideration when managing the financial affairs of the whole organisation.

6.2 Legal Implications including Procurement Rules - The Council is required under Section 151 of the Local Government Act to ensure that it makes arrangements for the proper administration of its financial affairs. These rules lay down the principles to be followed to secure that proper administration.

7. Risk Implications

7.1 The review of the Financial Procedure Rules will ensure that the Council continues to have effective arrangements in place to maintain a sound system of internal control whilst giving officers and members the flexibility to deliver services.

7.2 The Rules provide guidance and general advice to officers and members as to their responsibilities and as such, they are a means of mitigating risk and controlling financial behaviour within the Council.

8. Recommendation

8.1 That the Audit Committee comment on the revised Financial Procedure Rules and amendments to the Constitution.

8.2 That the Audit Committee recommends to Council for approval;

- i) the revised Financial Procedure Rules (Appendix A);

Is this a key decision?

Yes

Do the exempt information categories apply?

No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

No

How many appendices does the report contain?

Yes - one

List of Background Papers:

None

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