

<b>SUBJECT:</b>	<b>REVIEW OF THE CONSTITUTION – FINANCIAL PROCEDURE RULES</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>JACLYN GIBSON, CHIEF FINANCE OFFICER</b>

## **1. Purpose of Report**

- 1.1 To present to the Audit Committee the revised Financial Procedure Rules 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 2018, as approved by Council on 10<sup>th</sup> April 2018. There have been further amendments to document since that time.
- 2.3 The Financial Procedure Rules state that they must be reviewed at least every 3 years. The scheduled review in 2021 was delayed due to impact of the Covid19 pandemic. The Rules have been reviewed to ensure they reflect best practice and for any amendments required in relation to changes in the environment in which the Council 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 2018 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 not been subsequently updated.
- 3.3 Regular review of the Financial Procedure Rules should ensure that they remain robust and relevant to the current organisational environment and in line with best practice, as identified in the CIPFA Code of Financial Management.

## **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, assessed

against the requirements of the CIPFA Code of Financial management 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 in yellow, with those parts to be removed shown as struck through. The main changes include:

- the inclusion of external audit requirements and the arrangements for appointment of external auditors (section 3)
- financial planning arrangements including further detail on the budget and financial planning process with financial approval limits now include in a new Part B of the Rules to provide further clarity and ensure the document is user friendly (section 4)
- financial management arrangements including the inclusion of key principles and the removal of the detail of financial approval limits, which have now been included in the new Part B of the Rules (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)
- external arrangements including further detail on officer responsibilities in relation to external funding (section 10)

As part of the Financial Procedure Rules a new part, Part B Financial Approval Limits, has now been included. This is intended to include the key elements of the Rules that have specific approval limits attached to them, into a shorter, clearer document. This should provide clarity for Elected Member and Officers as to the approval processes for decisions and is also intended to be in a more user-friendly format than the main Rules. This document has been compiled from the relevant approval limits in the current version of the Rules, where any changes are proposed these are also highlighted in yellow.

4.3 Specific changes to delegations and limits are;

<b>Procedure Rule</b>	<b>Current</b>	<b>Proposed</b>
Part B 1.2A	All new capital budget approvals, outside of the annual budget process, require the approval of the Executive	For new capital schemes, that have no revenue implications e.g. fully grant funded, up to £100,000 to be delegated to the Chief Finance Officer.
Part B 3.2A	The approval of the write off of debts up to £5,000 is delegated to all Assistant Directors in the Chief Executive Directorate	In addition to the current delegations, the Assistant Director: Housing to be delegated to approve the write off of tenant arrears up to £5,000.

- 4.4 The key theme in these changes has been to ensure that officers have the flexibility required in order to respond to the environment in which the Council operates, whilst still ensuring that a sound system of internal control is maintained.

## **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.

- 6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

Due to the nature of the report, no specific Equality Impact Analysis is required.

## **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 Elected Members the flexibility to deliver services.

- 7.2 The Rules provide guidance and general advice to Officers and Elected 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.

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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