

Amendments to the Council's Financial Procedure Rules

Report of the Democracy & Governance Portfolio Holder

Recommended:

That the changes to the Council's Financial Procedure Rules, as set out in the annex to the report, be approved.

Summary:

- The report presents an update to the Council's Financial Procedure Rules.

1 Introduction

- 1.1 The Financial Procedure Rules (FPR) form part of the Council's Constitution. In order to ensure that they remain up-to-date, it is necessary to review and update them periodically.
- 1.2 This report recommends some minor changes to the FPR.

2 Background

- 2.1 The FPR are contained with Part 4 of the Constitution and set out the framework within which the Council's financial affairs are managed.
- 2.2 This includes, for example, the roles and responsibilities of Members and Officers in approving budgets; monitoring income and expenditure; and establishing appropriate controls to ensure the safeguarding of Council assets.
- 2.3 The changes recommended in this report are a combination of updates to make the FPR more easily understood by those who need to use them and to reflect the changes in working practices that have occurred since they were last updated.
- 2.4 For example, paragraph E3.2(b)(x) stated that electronically submitted invoices should only be accepted upon the approval of the Head of Finance and Revenues. In recent years, it has become standard practice for many suppliers to submit invoices by email and controls are in place to ensure integrity in their processing and payment.
- 2.5 The FPR have also been updated to reflect the changes to the reporting responsibilities of committees of the Council following the establishment of the Audit Committee earlier in 2022.

- 2.6 Some sections of the FPR (Sections B3 (Policy Framework) and B4 (Budgeting)) were previously shown in section C and have been moved to help the flow of the document. This movement is shown in the tracked changes; however, there is very little in the way of substantive change to those sections.
- 2.7 Other changes include, adding clarity in the use of reserves to fund expenditure and the authority required for their use; changes to enable unbudgeted government grants to be spent on prescribed expenditure; and an update to some of the authority levels contained in the Schedule of Limits (Appendix 1 to the FPR) to reflect the results of a benchmarking exercise that has been undertaken with other local authorities in Hampshire.
- 2.8 The changes do not reflect a significant change to the FPR, reflecting the strong governance arrangements that already exist that have been supported by annual reports of the Council's external auditor, Ernst & Young, in recent years.

3 Options

- 3.1 There are three options:
 - Approve the changes to the FPR shown in the annex to the report (recommended)
 - Not to make any changes to the FPR
 - Approve changes to the FPR other than those presented in the annex to the report

4 Option Appraisal

- 4.1 A working group of officers from the Legal & Democratic Service and Finance and Revenues, including both Heads of Service and senior staff from both services have reviewed the FPR.
- 4.2 This has been with a focus to ensure that they reflect current practice, are as user-friendly as possible and address reasonable operational constraints that have been raised by chief officers from time to time. Some examples of this are set out above in the background to the report.
- 4.3 A benchmarking exercise has also been undertaken to compare thresholds for budgetary authority across other Councils to ensure that the limits shown in the FPR are comparable with other similar local authorities.
- 4.4 The proposed changes are as a result of the above work and are recommended as the most appropriate at this time.
- 4.5 Not updating the FPR or making other changes would not be in line with the research undertaken in making the recommendations in this report and are therefore not recommended.

5 Risk Management

- 5.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

6 Finance and Resource Implications

- 6.1 There are no resource implications arising from this report.

7 Legal Implications and Statutory Authority

- 7.1 Section 151 Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs. Adopting a set of Financial Procedural Rules (and keeping them up to date) provides a clear framework to meet this statutory requirement, as well as contributing to having proper governance arrangements in place.

8 Equality Issues

- 8.1 There are no equality matters arising from this report.

9 Conclusion

- 9.1 The report presents a number of relatively minor changes to the Council's FPR that are required to ensure that they remain up-to date and relevant to day-to-day operations of the Council
- 9.2 It is recommended that the changes shown in the annex to the report be approved.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u> It is considered that this report does not contain exempt information within the meaning of <u>Schedule 12A</u> of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes: 1	File Ref: N/A		
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