

# **Title of report: Update to Finance and Contract Procedure Rules**

**Meeting: Audit and Governance Committee**

**Meeting date: Monday 25 July 2022**

**Report by: Interim Head of Corporate Finance and Head of Corporate Services**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards)

## **Purpose**

To review and approve the proposed updates to the Contract Procedure Rules, the Financial Procedure Rules and the Financial Procedure Rules Guidance Notes appended to this report. The rules were last updated and approved by the committee in January 2021.

To ensure council financial and contract procedure rules are up-to-date and provide clarity of roles, accountabilities and process in order to ensure transparency about how public resources are used and controlled to mitigate the potential for fraud and ensure compliance with relevant legislation.

## **Recommendation(s)**

**That the following updated Council documents be reviewed and approved:**

- (a) The Contract Procedure Rules at Appendix 1;**
- (b) Financial Procedure Rules at Appendix 2; and**
- (c) Financial Procedure Rules Guidance Notes at Appendix 3.**

## **Alternative options**

1. The council could continue with its current financial and contract procedure rules. This is not recommended as this introduces the risk that they would not be fit-for-purpose and provide clarity of roles and processes for those charged with undertaking financial and procurement activity. Further this would mean that the contract procedure rules were not in accordance with the revised procurement thresholds set out in PPN10/21.

## **Key considerations**

2. The council's Contract Procedure Rules (CPRs) provide the policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity.
3. The Financial Procedure Rules set out the framework which the council will use in managing its financial affairs. They set out levels of responsibility and give authority to the Cabinet Members and Officers and are intended to promote good practice in the use of public funds.
4. The Financial Procedures Rules give detailed guidance on how the overarching framework is implemented.
5. In line with good practice, a regular review of these rules is important to ensure that they remain up-to-date with any changes to the council's statutory responsibilities, relevant legislation, the council's constitution and/or how the council conducts its business.
6. Both the contract procedure rules and finance procedure rules were last reviewed, updated and approved by the Audit and Governance Committee on 26 January 2021.
7. For ease of reference, tracked-changes versions of both the contract procedure rules and finance procedure rules are attached in order for Members to see where amendments have been made, together with final, clean versions of those documents for approval.

## **Contract Procedure Rules**

8. A final copy of the latest proposed contract procedure rules is attached at Appendix 1. The proposed updates and amendments are also attached as a tracked changes version at Appendix 4.
9. Key Changes include:
  - a. Legislative changes to the UK Procurement Thresholds.
  - b. A new paragraph on the Basic Principles has been included to provide clarity and ensure consistency on factors to take into account when initiating a procurement.
  - c. A new paragraph has been included to support the existing guidance on the principles of evaluating procurements and is included in line with audit recommendations.

## **Financial Procedure Rules**

10. A final copy of the latest proposed financial procedure rules is attached at Appendix 2. The proposed updates and amendments are also attached as a tracked changes version at Appendix 5.

11. A final copy of the Financial Procedures Rules Guidance Notes is attached at Appendix 3 and a tracked changes version at Appendix 6. The key changes which have been made to both documents can be summarised as follows:
  - a. Changes to roles and responsibilities
  - b. Deletion of anything that is no longer relevant
  - c. The section on “Revenue Expenditure – Budgetary control” has been refreshed to clarify the processes in relation to under and over spends of approved budget
  - d. A new paragraph on Staffing Budgets has been inserted to provide clarity on the approvals process for changes to staffing budgets
  - e. Maximum permitted limits for imprest and petty cash accounts have now been included
  - f. A new paragraph on “Netting off of Expenditure” has been included to ensure income and expenditure is authorised appropriately in line with an outstanding internal audit recommendation
12. Any amendments made are to reflect changes to the organisation structure and any relevant financial statutory obligations.

### **Community impact**

13. In accordance with the adopted code of corporate governance, the council must ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services. Effective financial management, risk management and internal control are important components of this performance management system.
14. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed and supports the council’s corporate plan objectives to manage finances effectively and to demonstrate one of the council’s values, namely to be open, transparent and accountable.

### **Environmental impact**

15. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire’s outstanding natural environment.
16. Whilst this is a procedural update and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council’s Environmental Policy. For example both sets of procedure rules encourage the use of online facilities available rather than using a paper trail.

### **Equality duty**

17. Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

  - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this decision relates to improving internal processes, we do not believe that it will have an impact on our equality duty.

### **Resource implications**

19. There are no specific resource implications from this report and the updating of the Council's rules.

### **Legal implications**

20. The council must prepare and keep up to date a constitution in accordance with s37 of the Local Government Act 2000. The minimum requirements for the content are set out in The Local Government Act 2000 (Constitutions) (England) Direction 2000 which includes a description of the rules and procedures for the management of the council's financial affairs including: procedures for auditing and financial rules. The contract procedure rules and the finance procedure rules meet the requirements of the Local Government Act (Constitutions) (England) Direction 2000 and are the rules that officers follow in the day-to-day operation of the council as set out within this council's budget and statutory framework.

### **Risk management**

21. The current regulations and standing orders are out of date, in some places, and this creates potential for confusion, errors and misunderstandings. Updating the rules will address these issues and problems and ensure that the council continues to have sound financial management policies in place.

### **Consultees**

None

### **Appendices**

Appendix 1 - Update to Contract Procedure Rules

Appendix 2 - Update to Financial Procedure Rules

Appendix 3 - Update to Financial Procedure Rules Guidance Notes

Appendix 4 - Update to Contract Procedure Rules with tracked changes

Appendix 5 - Update to Financial Procedure Rules with tracked changes

Appendix 6 - Update to Financial Procedure Rules Guidance Notes with tracked changes

### **Background papers**

None identified