

South Lakeland District Council
Audit Committee
Wednesday, 8 December 2021
Review of Financial Procedure Rules

Portfolio: Finance and Assets Portfolio Holder
Report from: Section 151 Officer
Report Author: Claire Read – Finance Specialist, Helen Smith Finance Lead Specialist (Section 151 Officer)
Wards: (All Wards);
Forward Plan: Not applicable

Links to Council Plan Priorities: Good governance arrangements link to the Council's achievements of its Council Plan priorities and objectives.

1.0 Expected Outcome and Measures of Success

1.1 This report is presented to enable Audit Committee to consider the results of a review of Financial Procedure Rules. It includes recommendations to clarify existing rules and introduce new rules

2.0 Recommendation

2.1 It is recommended that Audit Committee:-

(1) **consider and refers to Council for approval the recommended amendments to the Finance Procedure Rules contained within this report.**

3.0 Background and Proposals

3.1 The Audit Committee Work Programme for 2020/21 includes a review of the Council's Constitution. This review concentrates on the Financial Procedure Rules which have a direct impact on the financial controls of the Council. It also feeds into the Monitoring Officers review of the Constitution.

3.2 The review has identified four areas that require further clarification or updating they are:

3.2.1 Useable Earmarked Reserves – update 10.9 to clarify that the transfer limit is for the year not the transfer. As below:

10.9 Following consultation with the Chief Finance Officer, the responsible Operational or Specialist Lead shall be entitled to transfer budgets from any one service to a reserve or from a reserve to a service up to a maximum limit of £60,000 ~~per transfer per annum~~ providing the use or contribution is for the purpose for which the reserve was established. The Cabinet shall be entitled to transfer budgets to and from any reserve up to a limit of £100,000 per transfer providing the use or contribution is for the purpose for which the reserve was established. Beyond these limits, approval to transfers can only be given by full Council.

3.2.2 Updates to 22. External Arrangements (partnerships, External Funding Arrangements and Work for Third Parties) are included in the review of the local code elsewhere on the agenda. If implemented this will result in changes here but we are still developing these.

3.2.3 Investments, Borrowings, Leasing and Trust Funds – update 24.7 for new leasing requirements

~~24.7 The Chief Finance Officer shall seek and accept tenders for leasing facilities for the acquisition of assets where this is an appropriate method of financing subject to consultation with the relevant Portfolio Holder(s) and Director(s). Operational and Specialist Leads, in consultation with the Chief Finance Officer or their deputy must determine whether leasing is the most appropriate method of financing an asset before going out to procurement and this must be signed off by the Chief Finance Officer before procurement commences, as entering into a lease is considered debt financing~~

24.8 The Chief Finance Officer will maintain a register of all leases into the organisation. It is the responsibility of Operational and Specialist Leads to provide the Chief Finance Officer with the necessary information to ensure this is comprehensive and up-to-date.

3.2.4 Insurances – update to section 30, to update rules for settling claims

~~30.1 The Chief Finance Officer shall effect all insurance cover, where appropriate by competitive tendering, and negotiate and settle all claims in consultation with appropriate Operational or Specialist Lead and the Monitoring Officer where necessary.~~

30.2 The process for the insurers settling claims will be agreed with the Monitoring Officer and the Monitoring Officer, in consultation with appropriate Operational or Specialist Lead, will approve settlement of claims under £10,000 and where claims exceed £10,000 the Chief Finance Officer will also need to agree the settlement.

30.3 Operational and Specialist Leads shall notify the Chief Finance Officer immediately of all new risks, properties or vehicles which may require to be insured and of any alterations affecting existing insurances.

~~30.43~~ Operational and Specialists Leads shall forthwith notify the Chief Finance Officer in writing of any loss, liability or damage or any event likely to lead to any claim against the Council.

~~30.54~~ All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

~~30.65~~ The Chief Finance Officer shall annually, or at such other period as is considered necessary, review the level of risk and external insurance in consultation with the appropriate Operational or Specialist Lead.

3.2.5 Following final approval by Council the above sections of the Financial Procedure Rules will be updated in the Council's Constitution.

4.0 Consultation

4.1 The Chief Financial Officer and the Monitoring Officer have been consulted on these proposals. The Constitutional Working Group have also received the draft report and any comments will be reported to the meeting.

5.0 Alternative Options

5.1 It is good practice to regularly review the Constitution. The recommended changes give a balance between operational efficiency and strong internal control

6.0 Implications

Financial, Resources and Procurement

6.1 This report has no direct financial implications. The proposals clarify existing rules.

Human Resources

6.2 This report has no direct human resources implications

Legal

6.3 The Constitution is a living document and the changes are considered to be required to clarify roles and responsibilities and address new requirements.

Health and Sustainability Impact Assessment

6.4 Have you completed a Health and Sustainability Impact Assessment?

6.5 If you have not completed an Impact Assessment, please explain your reasons: The update of the finance and contract procedure rules have no direct HSEE implications

6.6 Summary of Health and Sustainability Impacts: N/A

Equality and Diversity

6.7 Have you completed an Equality Impact Analysis? No

6.8 If you have not completed an Impact Analysis, please explain your reasons: The update of the finance and contract procedure rules have no direct equality and diversity implications

6.9 Summary of Equality and Diversity impacts: N/A

Risk Management	Consequence	Controls required
Failure to review Constitution	Potential failings in the internal controls contained within the Constitution	A thorough review and assessment based on external guidance
Failure to have effective delegations to officers in place	Potential Delays in Decision Making	

Contact Officers

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Background Documents Available

Name of Background document	Where it is available
Council's Constitution	https://tinyurl.com/87jat8au

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	23/11/2021	*** (to be completed by S.151 Officer or Deputy)
Monitoring Officer	23/11/2021	23/11/2021
CMT	23/11/2021	*** (report author to include date approved by CMT)

Circulated to	Date sent
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	08/12/2021
Executive (Cabinet)	N/A
Council	N/A