

<b>Report to:</b>	Audit and Governance Committee  Council	<b>Date of Meeting:</b>	Wednesday 13 December 2023  Thursday 18 January 2024
<b>Subject:</b>	Financial Procedure Rules		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

### Summary:

This report seeks approval for revisions to the Financial Procedure Rules.

### Recommendation(s):

(1) That the Audit and Governance Committee:

- (a) Consider and approve the revision to the Financial Procedure Rules set out in Appendix 1 to this report.
- (b) Refer the duly amended Financial Procedure Rules to Council for approval.

(2) That Council approve the amended Financial Procedure Rules as set out in Appendix 1 to this report

### Reasons for the Recommendation(s):

To enable the Council to adopt the recommended revisions to Financial Procedure Rules.

### Alternative Options Considered and Rejected: (including any Risk Implications)

As part of the annual review of the Council's Constitution, the Council's Financial Procedure Rules (FPR) have been the subject of review. This has resulted in a number of proposed revisions, which are now presented for consideration by Audit & Governance Committee and referral to Council for their consideration and approval.

No alternative options have been considered as the review of the Financial Procedure Rules is a requirement of the Constitution.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

There are no additional revenue costs arising directly from this report.

**(B) Capital Costs**

There are no additional capital costs arising directly from this report.

**Implications of the Proposals:**

**Resource Implications (Financial, IT, Staffing and Assets):**

There are no additional resource implications associated with this report. Existing staffing resources will be involved in financial management and will be required to comply with the FPRs.

**Legal Implications:**

Production of this report has been considered in line with Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and the Local Government Act 2003 together with other relevant legislation as detailed within the Financial Procedure Rules.

**Equality Implications:**

There are no equality implications.

**Impact on Children and Young People:** No

**Climate Emergency Implications:**

The recommendations within this report will

Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	Yes

**Contribution to the Council's Core Purpose:**

Effective management of the Council's financial affairs supports each theme of the Council's Core Purpose.

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services:
Place – leadership and influencer:
Drivers of change and reform:
Facilitate sustainable economic prosperity:
Greater income for social investment:
Cleaner Greener

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The review of the Financial Procedure Rules has been led by the Finance Service and has involved consultation with officers from financial management, internal audit and senior officers within the Council. The final document as included within this report has also been the subject of review and initial approval by the Council's Monitoring Officer, prior to presentation to Members.

The Executive Director of Corporate Resources and Customer Services (FD 7433/233) and the Chief Legal and Democratic Officer (LD 5533/23) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

Not Applicable

**Implementation Date for the Decision**

Immediately following the Committee / Council meeting.

<b>Contact Officer:</b>	Andrew Bridson
Telephone Number:	0781 354 3320
Email Address:	andrew.bridson@sefton.gov.uk

### **Appendices:**

The following appendices are attached to this report:

Appendix 1 – Revised Financial Procedure Rules

### **Background Papers:**

There are no background papers available for inspection.

## **1. Financial Procedure Rules**

- 1.1 As part of the annual review of the Council's Constitution, the Council's Financial Procedure Rules have been the subject of review.
- 1.2 This review has included officers from the Finance Service, Internal Audit and Senior Officers within the Council. The final document as included within this report has also been the subject of review and initial approval by the Council's Monitoring Officer, prior to presentation to members.
- 1.3 As would be expected, large elements of the previous version of the Financial Procedure Rules remain as previously approved, however certain changes are proposed and are discussed below. These changes align with the Council's structure and the aims of the Financial Procedure Rules such that:
  - They provide the framework for managing the financial affairs of the Council;
  - They define the roles and responsibilities of members and officers;
  - They facilitate the effective operation of Council activity; and
  - They provide a framework for the delivery of an effective internal control environment.
- 1.4 Having reviewed the Financial Procedure Rules there are a number of key areas that are reflected in the updated schedule and the changes have been summarised within the following paragraphs.
- 1.5 Other minor changes have been made to the format and content of the Financial Procedure Rules to enhance user accessibility including additional section definitions and amendments to paragraph references.

#### Commercial Activity (paragraph C.38 to C.40)

- 1.6 This section has been updated to clarify the management and reporting arrangements for wholly owned Council companies which will reflect best practice guidance within the sector.
- 1.7 This is an area in local government that is continually updated to reflect developments in the sector and to take on learning to ensure governance and management of such companies complies with best practice. As such Cabinet as the Council's executive and shareholder will be informed of this best practice guidance and any subsequent changes or developments in order that they can execute their role as shareholder effectively. Overview and Scrutiny management board will also receive this report. This will ensure that there is a fully transparent and up to date approach to governance and management within the Council.
- 1.8 Any loan arrangements between the Council and the companies will be in accordance with the requirement of the Financial Procedure Rules.
- 1.9 Any material variations to approved business plans will be escalated to Cabinet as shareholder at the earliest opportunity in accordance with the agreements between the Council and the Company.

#### Loans to Third Parties and Acquisition of Third Party Interests (paragraph D.63)

- 1.10 Further to the changes to the Commercial Activity section of the FPRs as highlighted above, this section has been updated to state that for wholly owned Council companies, Cabinet as the Executive of the Council and the shareholder in wholly owned Council companies, make decisions in respect of approving business plans including any loan provision.

#### Collection of Income (paragraph E.21)

- 1.11 This section of the FPRs has been updated to include the approval requirements for when a third party wishes to exit a Council income generating contract early.
- 1.12 Where these proposals are within the approved budget policy framework and have:
  - No detriment financially and reflects current income being received
  - That the annual sums are received at the same level and the timeline at least as what is being received under the contract; and
  - Any lump sum at the end of the contact period is based on current income levels and the timing is at least as currently set out within the existing agreement
- 1.13 Then this can be approved by the relevant Cabinet Member and the Cabinet Member - Regulatory, Compliance and Corporate Services and reported in line with the Council's established monitoring process. Any lump sums will be reserved and used to support the budget as originally set out.

- 1.14 Where third parties wish to exit income generating contracts early and these cannot be contained within the existing budget policy framework, then these should be approved in line with the requirements for Supplementary Revenue Estimates as set out within the Financial Procedure Rules.