

Guildford Borough Council

Report to: Council

Date: 23 July 2024

Ward(s) affected: All

Report of Director: Richard Bates, Joint Strategic Director - Finance

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Report Status: Open

Key Decision: No

Proposed Changes to the Financial Procedure Rules

1. Executive Summary

- 1.1 This report presents the proposed Financial Procedure Rules as part of the review of the Constitution of the Council.
- 1.2 The review of the Financial Procedure Rules was undertaken by the Joint Constitutions Review Group (JCRG), at their meetings held on 29 May and 20 June 2024.
- 1.3 At its meeting on 20 June 2024, the JCRG agreed to recommend approval of the revised Financial Procedure Rules, as set out in Appendix 1 to this report, to both the Corporate Governance & Standards Committee and to Waverley's Standards & General

Purposes Committee at their special meetings held simultaneously on 1 July 2024.

1.4 At its meeting on 1 July 2024, the Corporate Governance & Standards Committee recommended that Council adopts the revised Financial Procedure Rules into the Constitution.

1.5 At its meeting on 8 July 2024, Waverley's Audit & Risk Committee requested that that a number of additional changes be made to the Financial Procedure Rules. The changes relevant to both councils are as follows:

(a) paragraph 2.4: Removal of the word "they",

(b) paragraph 23.3: Add the following after 23.3 (d):

“(e) Land and Buildings shall be valued in accordance the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and

(f) Land and Buildings assets shall be valued by a Royal Institute of Chartered Surveyors (RICS) qualified valuer”.

and these have been incorporated into the attached Financial Procedure Rules set out at Appendix 1.

1.6 The main changes to the Financial Procedure Rules, prior to the changes recommended by Waverley's Audit and Risk Committee are set out in Appendix 2.

2. Recommendation

2.1 That Council adopts the Financial Procedure Rules set out at Appendix 1 (as recommended by the Corporate Governance & Standards Committee and incorporating the further changes requested by Waverley's Audit & Risk Committee) into the Council's Constitution.

3. Reasons for Recommendation:

- 3.1 Financial Procedure Rules which are materially the same for Waverley Borough Council and Guildford Borough Council, whilst being owned by each Council in respect of their services, will help to promote more efficient joint working and will support the transformation programme by aligning officer decision making across both Councils.
- 3.2 The recommended changes will improve the governance procedures for each Council and will ensure that there is greater clarity over financial decision making.
- 3.3 The reductions in financial limits will ensure that key decisions are made by the Executive, thereby promoting accountability and transparency.
- 3.4 Aligning both Councils' Financial Procedure Rules supports the Councils Collaborative and Transformation programme and provides clarity for those officers employed to provide a joint service across both Councils. The rules will replace the existing Financial Procedure Rules (Guildford) and Financial Regulations (Waverley).

4. Exemption from publication

- 4.1 No part of this report is exempt from publication.

5. Purpose of Report

- 5.1 This report is presenting the proposed revised Financial Procedure Rules, set out in the Appendix 1, for members to consider.
- 5.2 The purpose of the revised Financial Procedure Rules is to align financial limits and procedures across the two Councils where possible.

6. Strategic Priorities

- 6.1 This report will assist in the delivery of the Council's emerging Corporate Strategy and collaborative working agenda.

7. Background

- 7.1 To conduct its business effectively, a Council needs to ensure that it has sound financial management policies in place which are strictly adhered to. Part of the financial management is having an established set of Financial Procedure Rules which set out the financial policies of the Council. They provide the rules for the Council to follow to protect public money and give clarity to members and officers regarding responsibility for financial management.
- 7.2 Financial Procedure Rules apply to every member and employee of the Council. Both Councils currently each have a different set of Financial Procedure Rules and financial limits. This means that officers must refer in detail to each set of Rules to check them before making a decision. This leads to a lack of clarity for members of the Joint Leadership Team, as they work across both Councils but with differing decision levels across their services, as well as staff within their teams.
- 7.3 Financial Procedure Rules cover the following general principles:
- (a) There should be adequate and understood separation of duties so as to maintain control over financial transactions.
 - (b) There should be a clear hierarchy of control.
 - (c) There should be adequate training and supervision of staff with management and audit trails.
 - (d) There should be appropriate management of risks.
 - (e) Operational financial procedures should be clearly documented, key risks identified with business continuity plans in place to always maintain effective administration of the Council's finances.

7.4 The Financial Procedure Rules is designed to work in conjunction with the revised Scheme of Delegation and Contract Procedure Rules, details of which can be found elsewhere on this agenda.

8. Consultation

8.1 These revised Financial Procedure Rules have been drafted with assistance from Legal Services and form part of a set of constitutional amendments. The Joint Leadership Team have been consulted and support the proposal.

8.2 The rules were considered by members at the Joint Constitution Review Group and by the Corporate Governance & Standards Committee on 1 July 2024. At the Corporate Governance & Standards Committee meeting, the following responses were made to comments made by the Committee during the debate:

- In response to a question as to what, if any, difference the proposed revised Financial Procedure Rules would have made in respect of the issues relating to the overspend on Guildford's housing maintenance contracts, the Strategic Director of Finance indicated that in terms of both the proposed new Financial Procedure Rules and Contract Procedure Rules, adjustments had been made to some of the financial limits therein which would require officers to seek proper approvals at times when expenditure was exceeding those limits. It was noted that a combination of the proposed new scheme of delegation and the new financial and contract procedure rules would provide a level of safeguarding for the Council that had not been present before, so any expenditure over £200,000 would require Executive approval.
- In response to a further question which sought reassurance on the process for approval of batches of invoices the Committee was informed that following a change in process and procedure within Housing Services for the batching of invoices, which had been worked up by the officers separately to the new Financial Procedure Rules, they would go through the workflow of Business World and would each require express approval of the relevant Strategic Director.

- It was suggested that the Executive summary of the report should make it clear that the revised Financial Procedure Rules were designed to strengthen governance within the Council and to mitigate some of the shortcomings in governance which had been uncovered as part of the recent investigations. In response to a question as to whether the proposed Financial Procedure Rules should be reviewed externally by internal/external auditors to establish whether they were in line with best practice, officers confirmed that there were frequent discussions and meetings with the internal auditors, and that they would be asked to comment on the new procedure rules.

8.3 The rules were also considered by Waverley Borough Council's Audit & Risk Committee on 8 July 2024, and the Committee proposed a number of further changes and those which affect both councils have been incorporated into the Rules.

9. Key Risks

9.1 There is a risk of poor decision making and a lack of accountability where financial controls are unclear. This can be mitigated by having a clearly expressed set of Financial Procedure Rules which is the same for both Councils, and training officers as necessary.

9.2 There is a risk that by reducing the financial limits, the Executive, whilst having greater oversight, has a busier agenda at its meetings. This can be mitigated by ensuring that Executive decision making provides suitable delegations to officers, thereby ensuring that the Executive have retained overall control and made decisions for officers to implement. It could be further mitigated by the Executive considering greater use of delegated authority to Individual Portfolio Holders where appropriate.

10. Financial Implications

10.1 There are no direct financial implications resulting from this report.

10.2 The indirect financial implication is that officer spending limits will be reduced to key decision levels, and it supports the protection of public money.

11. Legal Implications

11.1 Councils have a responsibility to keep their Constitution up to date, under Section 9P Local Government Act 2000. The Financial Procedure Rules form part of the Constitution of the Council.

11.2 The Corporate Governance & Standards Committee's remit includes reviewing and making recommendations to Full Council on proposed changes to the Constitution.

12. Human Resource Implications

12.1 There are no direct HR implications.

13. Equality and Diversity Implications

13.1 There are no equality and diversity implications arising from this report. This report has given due regard to the requirements of the Public Sector Equality Duty (Equality Act 2010) when making any recommendations concerning constitutional arrangements.

14. Climate Change/Sustainability Implications

14.1 There are no climate change or sustainability implications.

15. Conclusion

15.1 The Council is asked to consider the proposed revised Financial Procedure Rules attached as Appendix 1 to this report.

The Council may:

(a) accept the draft revised Financial Procedure Rules and agree to formal adoption, or

- (b) suggest amendments to any part of the draft revised Financial Procedure Rules; or
- (c) choose not to recommend that the draft revised Financial Procedure Rules are adopted.

16. Background Papers

Existing Financial Procedure Rules (Part 4 of the GBC Constitution)

17. Appendices

Appendix 1 – Draft Financial Procedure Rules

Appendix 2 – Changes to Financial Procedure Rules