

OVERVIEW AND SCRUTINY

DATE OF MEETING: 17 JANUARY 2023

TITLE OF REPORT: Review of Financial Regulations and Contract Standing Orders

Report of: Executive Director of Corporate Services and Section 151 Officer

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To advise Overview and Scrutiny of proposed updates to the Financial Regulations and Contract Standing Orders as set out in the Council's Constitution.

RECOMMENDATION

2. Overview & Scrutiny Committee consider the proposed updates to the Council's Financial Regulations, as set out in Appendix 1, and the Council's Contract Standing Orders, as set out in Appendix 2 and pass any comments to the Cabinet ahead of Council adoption in February.

BACKGROUND

3. Hart District Council has agreed a Constitution that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are effective, transparent and accountable.
4. The Financial Regulations (Part 4-7) and Contract Standing Orders (Part 4-8) provide the framework of 'rules' for managing the Council's financial affairs and for securing value for money through its purchasing activity. These documents contribute to good corporate governance, internal control, and the management of risks, including compliance with legal requirements. As part of good governance, it is important that these rules are reviewed and updated on a regular basis. The documents were last reviewed in early 2020 and prior to that, in 2013.
5. The updates proposed in Appendix 1 and 2 of this report have been drafted in consultation with Strategic Leadership Team, Management Team and key officers.

MAIN ISSUES

6. The S151 Officer has reviewed the Financial Regulations and considers that, overall, they provide a sound framework to guide the council. The proposed changes to the Financial Regulations are, therefore, limited. The changes take into account recommendations from internal audit reviews, to strengthen the rules and procedures, and they seek to bring the delegated budget transfer (virement) threshold up to today's price base, taking account of cumulative

inflation. These have been presented as track changes in Appendix 1, to show the current and proposed wording side by side.

7. The changes to the Contract Standing Orders are far broader, including the proposed change of title to Contract Procurement Rules. This is due to several factors including:
 - The changes in legislation, Policy Statements and best practice guidance that have taken place since the last update
 - The principles set out in the upcoming Procurement Bill, currently with Parliament
 - Recommendations from recent Audits and the learning from projects undertaken, that have suggested improvements to the rules
 - The feedback from Officers on the need to improve readability and clarity of the rules
8. It is therefore not practical to include track changes in the proposed changes to the Contract Standing Orders as they have been fully re-written to accommodate the above factors and the updated version is presented at Appendix 2. The existing document is listed as a background paper with a link for Members' reference if required.
9. A list of Frequently Asked Questions about the changes has been produced to assist Officers and is available on the Council's intranet alongside updated Procurement Guidance which covers procedural details to help those undertaking procurement activity.
10. Existing Annex A – Scheme of Delegation and Annex B – Land Disposals of the Contract Standing Orders are proposed to remain as currently written in the Constitution, except for an update of job titles.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. The alternative 'do nothing' option would mean the Council's procedures and rules would not take into account important developments, and would risk becoming no longer fit for purpose.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

12. The regular review and updating of the rules set out in the Council's Constitution supports the delivery of an Efficient and Effective Council.

Service Plan

- Is the proposal identified in the Service Plan? NO
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal?
Yes

Legal and Constitutional Issues

13. This paper proposes changes to the Constitution, which will require Cabinet to propose a motion to adopt such changes.

14. As set out in Part 4 of the Constitution, specifically Part A paragraph 25; Any motion to change the Constitution [at Cabinet] will, when proposed and seconded, be referred without discussion to the next ordinary meeting of the Council.
15. A [Procurement Bill](#) has been put to Parliament and, at the time of publishing this report, is with the House of Commons. The contents of the Bill are therefore still subject to change, but where it is feasible to do so, the proposed changes to the Contract Standing Orders have been drafted with the principles of the Bill in mind. Should the Bill reach Royal Assent, the rules will be reviewed again to ensure they are fully aligned with the subsequent Act.

Financial and Resource Implications

16. There are no direct Financial or Resource implications with adopting the proposed updates.
17. It should be noted that changes to the Contract Standing Orders will impact on the cost of the Council procuring services. Some of this is driven by requirements that tighten governance, others by Council ambitions (for example the lowering of the threshold at which to consider carbon reduction factors from £75,000 to £50,000). Having clearer guidance and simplified procedures will offset some of these costs. It is not possible to accurately quantify the indirect implications, but the consultation with relevant officers suggests the any increase in overall burdens is likely to be manageable.

Risk Management

18. The proposed updates will address recommendations put forward by Audit and ensure the risks highlighted by Audit have been addressed.

EQUALITIES

19. The proposed changes set out in this paper are not considered to impact on equalities directly, rather the accompanying Procurement Guidance to be used by Officers, sets out the requirement to carry out an Equality Impact Assessment, where it is required for procurement activity that is to be undertaken.

CLIMATE CHANGE IMPLICATIONS

20. The proposed updates include the lowering of the financial threshold at which to consider carbon reduction factors in procurement from £75,000 to £50,000 and together with the Procurement Guidance places greater emphasis on promoting carbon reduction strategies as part of the procurement process on a wider range of council activities.

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Appendices

- Appendix 1 – Proposed Financial Regulations (with track changes)
- Appendix 2 – Proposed Contract Procurement Rules

Background Papers:

- Existing Contract Standing Orders within the [Constitution](#) (Part 4-8, Page 212)
- Procurement Guidance for Officers and FAQs about the CPRs– Published on the Council's intranet