

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Code of Financial Management and Code of Procurement update for 2016/17

Meeting/Date: Corporate Governance Panel
9 March 2016

Executive Portfolio: Resources: Councillor J A Gray

Report by: Finance Manager
Procurement Manager

Ward(s) affected: All Wards

Executive Summary:

The Code of Financial Management and the Code of Procurement are reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. These policies underpin financial governance in the Council and are annexes to the Council's Constitution.

The Code of Financial Management is the Council's primary financial policy which sets out the financial responsibilities and is updated on an annual basis to ensure that the Code provides clear and updated guidance of responsibility and accountability for the 2016/17 financial year.

The Code of Procurement provides the Council with policy and rules for compliance with public procurement legislation. EU directives have changed the thresholds applicable to public procurement (effective from 1 January 2016) and clarified processes relating to concessions and some types of social services contracts. The Code has also introduced processes to manage potential conflicts of interest in the procurement process and simplified procedures for receipting tenders.

Recommendation(s):

It is recommended that the Panel agrees the report and recommends to Council the approval of:

- The Code of Financial Management, **Appendix 1**
- The Code of Procurement, **Appendix 2**

1. WHAT IS THIS REPORT ABOUT/PURPOSE

1.1 The Code of Financial Management and the Code of Procurement are reviewed on an annual basis to ensure that they reflect current legislation and the changing needs of the Council. These policies underpin the financial governance of the Council and are incorporated in the Constitution.

2. WHY IS THIS REPORT NECESSARY/BACKGROUND

2.1 The Code of Financial Management is the Council's primary financial policy and sets out the financial responsibilities, financial and service planning, control of financial plans, cash and credit management and accounting procedures.

2.2 The Code of Procurement provides the framework for compliance with current legislation as well as the basis for 'best practice'. Procurement documentation and training will be revised to comply with the changes detailed at paragraph 3 below.

3. OPTIONS CONSIDERED/ANALYSIS

Code of Financial Management

3.1 The main changes to the Code of Financial Management are included in the table below.

Para.	Section	Summary of the Changes
1.1	General	Removal of reference to Responsible Financial Officer, widening the responsibility for informing financial implications to relevant officers accountable for budgets.
1.7, 1.8	Budget Managers and Managers & Executive Councillors	Assigning of accountability to budget managers/managers and relevant Executive Councillors. Being responsible for planning for the budgetary cycle, so far as it relates to their budgets.
1.19	Budget Managers	Revised vacant post authorisation. Inclusion of requirement to report fraud and corruption to the Internal Audit & Risk Manager. Increasing accountability for delivery of services etc and financial performance, including comparisons to service standards and organisational comparators.
3.2, 3.3	Controlling financial plans	On a monthly basis financial and overall performance will be reviewed by the budgets managers and relevant Executive Councillor. Removal of the specific compilation of the Financial Performance Monitoring Suite to facilitate improvements during the year.
3.8, 3.9, 3.10	Controlling financial plans	Increase in additional spending with net impact from £350,000 to £500,000
3.14	Controlling financial plans	Clarifying the limitations and increasing the budget virement from £4,000 to £5,000.
3.15	Controlling financial plans	Increase in CMT budget virement approval limit from £150,000 to £250,000.

3.16	Controlling financial plans	Increase in Cabinet budget virement approval limit from £350,000 to £500,000.
3.17	Controlling financial plans	Inclusion of Cabinet approval for Earmarked Reserve allocation if within net budget.
3.20, 3.21	Controlling financial plans	Update on the approval of capital schemes process.
5.3	Accounting requirements	Clarified budget manager responsibility in respect of financial record keeping and removed reference to contract processing in the financial management system.
5.8	Accounting requirements	Clarification on the approval for write offs
5.11	Accounting requirements	Earmarked reserves will be operated in line with the Earmarked Reserves Strategy.
5.12	Accounting requirements	Section 6 Assets has been incorporated into section 5 as the detail is now included within the Disposals and acquisition policy with the approval limits noted within 5.14

The Code of Procurement

3.2 There are 3 significant changes to this Code:

- (a) The EU has issued revised thresholds (effective 1st January 2016) and clarified the how the thresholds apply to concessions and certain types of service contracts. Described as a “Light Touch Regime Services” these service contracts are principally health and social related services and now benefit from higher threshold values.
- (b) Although rare, the potential for conflicts of interest exists in procurement and the Code had been silent on the subject. The Public Procurement Regulations 2015 are not prescriptive but the expression “might be perceived to compromise their impartiality and independence” sets a high standard for the legal test. Should a potential conflict of interest be identified the new paragraph seeks to isolate the affected Officer from the process to protect both the Council and the individual.
- (c) The Code duplicated information contained in the Procedure for the Receipt of Tenders and Formal Quotations. Following a review and revisions of the Procedure for the Receipt of Tenders and Formal Quotations the duplicated sections have been removed from the Code.

3.3 There are some minor changes including to layout. The table below sets the proposed changes for 2016/2017

Para.	Section	Summary of the Change
2.2.	Advertising	The EU thresholds change on 1 January 2016 2 specific process Concessions and the “Light Touch Regime Services” are now subject to differing thresholds. Both are now incorporated into the table.

2.3	Advertising	The wording of this paragraph has now been simplified and included in paragraph 2.2.
13.2	Contracts	The paragraph now mandates the use of the Council's Standard Terms and Conditions (T&Cs) except where the value is greater than £75k, or there is appreciated risk to delivery or performance, or specific T&Cs are needed for the category. Exceptions remain subject to approval by the Legal Services Officer.
16	Contract Award Notices	The amendment clarifies the need to announce low value contract awards.
20	Conflict of Interest	The new paragraph seeks to manage any identified potential conflict of interest by ensuring independent oversight in specification writing and evaluation of lower value procurements (less than £75k) and maintaining an arm's length approach to higher value procurements (greater than £75k).

4. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED

- 4.1 The emphasis of this report is to recognise the risks that underpin the financial operation of the Council and ensure that these are kept relevant to the organisation.
- 4.2 The Finance Governance Board (FGB), an officer led governance arrangement adds an additional level of control in mitigating financial risks with its scrutiny and challenge.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 Upon approval, these codes will be the requirements for financial and procurement operations.

6. LINK TO CORPORATE PLAN

- 6.1 The Codes of Procurement and Financial Management come under the "Ensuring we are a customer focused and service led council delivering value for money services" aspect of the corporate plan, and enabling the Council to "*Become more business-like and efficient in the way we deliver services*".

7. LEGAL IMPLICATIONS

- 7.1 The Code of Procurement and the Code of Financial Management have been updated to reflect current legislation and regulations, aiding the Councils' compliance.

8. RESOURCE IMPLICATIONS

- 8.1 There are no direct cost implications arising from this report, however the both of these codes promote best practice and best value in the management of the Councils resources.

9. OTHER IMPLICATIONS

- 9.1 There are no known other implications at this time.

10. REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 The Code of Financial Management and the Code of Procurement support the internal governance framework of the Council, they also form part of the Councils constitution. This annual review seeks to ensure that they continue to be relevant and up to date, reflecting any new statutory regulations or changes in local management and practice.

11. LIST OF APPENDICES INCLUDED


Appendix 1 – Changes to Code of Financial Management
Appendix 2 – Changes to Code of Procurement

BACKGROUND PAPERS


Working papers in Resources.

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