



Governance and Audit Committee – 30 January 2019

Updates to Part 4.3 of the Constitution

Purpose of report

This report proposes amendments to Part 4.3 (Budget and Policy Framework Procedure Rules) of the Constitution to enable appropriate but flexible controls on the use of earmarked reserves.

1.0 Background

1.1 The Monitoring Officer has a responsibility to regularly review the Constitution in the light of the changing context in which the Council operates, including changes in legislation. A full review of the Constitution was undertaken in 2015 by Internal Audit and the Council's legal advisors, LGSS, and a significant number of changes were implemented as a result. A smaller number of changes have been approved since: some via recommendation from the Governance and Audit Committee where there is a potentially more significant impact on the governance framework; some by direct report to Council; and some minor administrative changes via the Monitoring Officer under delegated powers. The most up to date version of the Constitution can always be found on the Council's website.

2.0 Proposed changes to Part 4.3 (Budget and Policy Framework Procedure) Rules. the Constitution

2.1 Currently, Earmarked Reserves are allocated and approved by full Council as part of the budget process. Any necessary and appropriate transfer from these reserves is made at year end to reflect activity during the year as part of the close down process. This report is brought as it is proposed to make the following changes to Part 4.3 of the Constitution to enable quarterly transfer to enable better monitoring of use of reserves during the year. (See Para 2.5 below). Other more minor updates to Part 4.3 have also been included in this report including the addition of the Deputy s151 Officer to the Chief Finance Officer in relation to the Scheme of Virement following an Internal Audit recommendation.

2.2 Please note that in the following paragraphs text marked ~~Text~~ is to be deleted and **text** is to be inserted

2.3 *Framework – Paragraph 2.9.* The Chief Finance Officer is responsible for maintaining a continuous review of these financial regulations and submitting any **proposed** additions or changes necessary before submitting ~~to the Policy and Resources Committee. The committee will consider any a report to the Governance and Audit Committee, which will by the Chief Finance Officer and make appropriate recommendations to (full) Council.~~

2.4 *Urgency procedure – Paragraph 3.69.* Items greater than £25,000 but less than £100,000 can be approved by ~~from~~ the Chief Finance Officer **(or the Deputy Chief Finance Officer in their absence) after consultation with** ~~can be approved by~~ the Chair of Finance and Performance Sub Committee or Chair of Policy and Resources Committee (or in their absence their deputies). A report outlining the details of the request and decision will be submitted to the next Finance and Performance Sub-Committee and Policy and Resources Committee [Reason: individual councillors cannot make decisions]

- 2.5 *Reserves* – Para 4.31 The number, type and level of earmarked reserves will be reviewed at least annually to take into account the risks faced by the council. The level of ear-marked reserves will then be approved by full Council annually as part of the budget setting process. Use of earmarked reserves **up to £100,000 per quarter per reserve**, ~~including authorisation of expenditure,~~ will be approved **on a quarterly basis by the Chief Finance Officer (or Deputy Chief Finance Officer in their absence) after consultation with the Chair of Policy and Resources or the Chair of Finance and Performance Sub Committee.** [Reason: to bring parity with virement and urgency procedures].
- 2.6 *Reserves* - Para 4.32 ~~Delivering the Corporate Plan Reserve and the Projects and other Investment Opportunities Reserve provide the investment the council requires to deliver transformation projects. The use of these reserves will be on strict criteria linked to a business case and will require sign off by the Chief Finance Officer and Finance Sub Committee.~~ [Reason: these Reserves will become obsolete as we move towards the creation of Unitary Councils].
- 2.7 *Scheme of Virement* – Section 5 - Paragraph 5.10 The scheme of virement is intended to enable the Policy and Resources Committee, Chief Finance Officer, chief officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by (full) Council, and therefore to optimise the use of resources. **Please note that where decision making authority is given to the Chief Finance Officer, the Deputy Chief Finance Officer may exercise the same authority in the absence of the Chief Finance Officer.** [Reason: to provide continuity in the case of absence as recommended in an Internal Audit recommendation as part of the Budgetary Management Internal Audit].

3.0 Privacy Implications

- 3.1 There are no additional implications as a result of this report.

4.0 Equality and Diversity Implications

- 4.1 There are no equality or diversity implications arising from this report.

5.0 Legal Implications

- 5.1 There are no known legal implications arising from the changes proposed in this report.

6.0 Risk Management

- 6.1 The changes in this report are designed to enable better monitoring of spend in relation to ear-marked reserves and thus reducing the associated risks.

7.0 Constitutional Implications

- 7.1 The proposed change to the Constitution will take effect immediately after the Council approves the amendments and will be included in the version published on the website as soon as possible after the meeting.

8.0 Resource and Financial Implications

- 8.1 This report seeks to confirm the arrangements for the use of ear-marked reserves given the likely increase in their use as we manage the transition to Unitary Councils; there are no other additional financial implications associated with this report.

9.0 Customer Services Implications

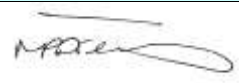
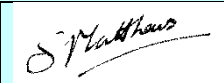
9.1 There are no direct customer services implications arising from this report.

10.0 Corporate Outcomes

10.1 The proposed amendments to the Constitution will contribute to the corporate outcomes of Effective Management by ensuring transparency in decision making and Effective Management by ensuring robust processes are in place to manage the Council's financial management processes.

11.0 Recommendation

11.1 That this Committee **resolves to recommend** to Council approval of changes to the Constitution as set out in paragraphs 2.3 – 2.7 of this report
[Reason: to ensure that the Constitution continues to provide appropriate guidance on Council decision making]

Legal	Power: Various – as noted in the report				
	Other considerations:				
Background Papers: Constitution of East Northamptonshire Council.					
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CFO 17/01/19		MO 17/01/19		CX 17/01/19	