

Report

Audit Committee

Part 1

Date: 26 May 2016

Subject Revised Financial Regulations and Contract Standing Orders

Purpose To present the revised Contract Standing Orders and revised Financial Regulations.

Author Head of Finance

Ward General

Summary The report proposes updated Contract Standing Orders which have been reviewed in light of recent changes to legislation and updated internal governance and processes

A review of Financial Regulations has also been undertaken, which includes changes to the regulations regarding budget virements, an update of job titles and other minor amendments to update the document.

Proposal To consider the attached revisions of the Contract Standing Orders and Financial Regulations to form part of Newport City Council's Constitution and provide any comments.

Action by Head of Finance

Timetable Immediate

This report was prepared after consultation with:

- Councillor Gail Giles Cabinet Member
- Head of Finance
- Head of Law and Regulation
- Head of People and Transformation
- Key stakeholders in all service areas including partners Newport Norse and Newport Live
- Finance colleagues

Background

1. As part of the review of the Council's Constitution and related policies following recommendations stemming from the Council's Corporate Assessment, officers have updated the Contract Standing Orders and Financial Regulations as needed.
2. Changes to the Contract Standing Orders have come from, amongst other things, new internal processes relating to how we manage our procurement exercises and processes and these in turn have been developed from a new 'Procurement Strategy' for the Council. The need for an updated strategy was flagged up in a Welsh Government funded assessment of our procurement service and arrangements. This has been reviewed and agreed by the Cabinet Member for HR and Assets and requires endorsement from the Council.
3. A summary of the key drivers for change and the changes to the Contract Standing Orders and Financial Regulations are noted below

Procurement Strategy and Contract Standing Orders:

When undertaking any form of procurement, the Council needs to consider the application of the European Union Public Sector Procurement Directive 2014/24/ which is supported by the UK's Public Contracts Regulations 2015, which came into effect on 26 February 2015. The Council's CSOs reflect and supplement the above legal requirements whilst ensuring robust, clear and accountable organisational processes are in place.

This review of the Contract Standing Orders aims to deliver a comprehensive procurement process for all aspects of governance, strategy and transformation and will assist in embedding improved and modernised procurement practices across the Council; critical to ensuring the delivery of future procurement related savings.

The proposed Contract Standing Orders and Strategic Procurement Strategy, set out in the appendix, deal with the overarching principles reflecting procurement legislation, contract management, the procurement process and relevant authorisation requirements for 2016-2019. It is proposed that the detailed requirements for conducting procurement activity will be dealt with by the Strategic Procurement team with detailed guidance provided through the intranet through the use of the recently implemented Procurement Gateway Process and electronic tendering, implemented by the Head of Finance.

Financial Regulations:

As part of the wider review of the Constitution, the Financial Regulations have been updated in the area of budget virements only and some job titles have been updated following Council services re-structure.

The regulations were updated back in September 2004 and whilst the virement limits remain unchanged since that time, the Financial Regulations have been updated to provide clarification of which budget transfers need to be treated as a virement (requiring authorisation in line with the limits below), and which transfers are treated as technical adjustments.

As previously, all budget virements undertaken will be reflected in budget monitoring reports to the Cabinet as presented from time to time.

A number of other small amendments were made to the financial regulations, these were mainly in relation to job titles and inclusion of the new Procurement Gateway Process.

Financial Summary

There are no direct financial implications as a result of this report but these documents are designed to protect financial resources as well as ensure best value is achieved in use of the Council's financial resources.;

Risks

Without concise, clear and relevant Contract Standing Orders and Financial Regulations, Officers and Members may contravene legislation and place the organisation at risk. This risk may take the form of legal challenges, which could result in compensation being paid. There is also a greater risk of fraud, loss of income and the organisation not making the best use of its resources.

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
The Council Fails to maintain an adequate system of internal control	H	L	<ul style="list-style-type: none"> - Updated CSO's and Financial regulations ensure relevance and control issues are embedded - Communication of these changes to the organisation - Internal Audit and Procurement Team reviews and processes 	<ul style="list-style-type: none"> - HoF - All levels of management
The council does not achieve value for money	M	L	<ul style="list-style-type: none"> - Updated CSO's and processes which ensure robust procurement decisions are taken - On-going change programme 	<ul style="list-style-type: none"> - HoF - All levels of management
Financial Regulations and CSO's are not adhered to	H	M	<ul style="list-style-type: none"> - Review and update of financial regulations & CSO's to ensure relevancy - Internal, transparent processes which require compliance - Robust monitoring. - Internal Audit Reviews 	<ul style="list-style-type: none"> - HoF - All employees with responsibility for financial resources

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

Effective financial management is essential if an organisation is to achieve its stated objectives. Providing management assurance on procurement policies and procedures in operation gives confidence that there is sound financial management in place, that more effective services can be provided and ensuring necessary compliance with EU and UK Legislation preventing legislative breaches, theft, fraud and corruption..

Options Available

1. To provide any comments on the revised Contract Standing Orders and Financial Regulations as part of the Council's Constitution.

Preferred Option and Why

To provide any comments on the revised Contract Standing Orders and Financial Regulations.

Comments of Chief Financial Officer

There are no direct costs related to these updates though both the Financial Regulations and Contract Standing Orders are key documents that impact significantly on financial resources.

Comments of Monitoring Officer

Any proposed changes to Financial Regulations must be approved by the full Council. The Council's constitution will need to be updated to show any changes to financial regulations

Staffing Implications: Comments of Head of People and Business Change

There are no HR impacts

Comments of Cabinet Member

I have been briefed and approve the reports and understand the necessity for the proposed changes to the Contract Standing Orders and Financial Regulations

Local issues

Not Applicable

Scrutiny Committees

N/A

Equalities Impact Assessment

N/A.

Children and Families (Wales) Measure

Not applicable

Consultation

Councillor Gail Giles

Heads of Service

Head of Law and Regulation

Finance Colleagues

Key Stakeholders

Strategic Procurement

Internal Audit

Commissioning and Contracts Team – Social Services

Newport Norse

Newport Live

Background Papers

None