| **West Surrey Shadow Authority** | | |
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| **Report title:** Finance Procedure Rules | | |
| **Report to:**<br>Audit and Governance Committee<br>Constitution Working Group<br>Standards Committee | | |
| **Date**:<br>Audit & Governance Committee - 29 October 2026<br>Constitution Working Group – 29 October 2026<br>Standards Committee – 2 November 2026 | | |
| **Executive Portfolio Holder:** Cllr Victoria Kiehl & Cllr Leslie Rice | | |
| **Report of:** Vicky Radford, Interim Section 151 Officer | | |
| **Report author(s):** Georgina Mistry, Head of Finance Business Partnering (Corporate), LGR Finance and Property Theme - Sub-workstream Lead for Financial Governance | | |
| **Wards affected:** All<br>**Ward councillors informed:** No | | |
| **Exempt from publication:** No | | |
| **Key Decision:** No | **If a Key Decision, date registered on Forward Plan:** N/A | |
| **Report cleared for publication by:** | | |
| **People Workstream** | Shella Smith | 21 October 2026 |
| **Equalities Impact Assessment complete** | N/A | N/A |
| **Senior Responsible Officer (or their delegate)** | Rachel Wigley | 14 October 2026 |
| **S151 Officer** | Vicky Radford | 21 October 2026 |
| **Monitoring Officer** | Susan Sale | 21 October 2026 |

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| **Executive Portfolio Holder consultation** | Cllr Leslie Rice | 16 October 2026 |
| **Committee Chair consultation** | Cllr Matt Furniss | 20 October 2026 |
| **Head of Paid Service** | Andy Brown | 21 October 2026 |

## 1. Executive Summary

**1.1** This report presents the proposed final Financial Procedure Rules for West Surrey Council which shall form a section of the new Standing Orders and be contained within the Constitution from 1 April 2027.

**1.2** Section 9P of the Local Government Act 2000 requires every local authority to prepare, maintain, and keep up to date a formal constitution. This document controls how the local council operates, makes decisions, and handles its governance. The sections relating to Finance set out how the Council governs the manner in which the financial activity is conducted and its financial interests are safeguarded.

**1.3** It is therefore essential that the new unitary authority of West Surrey Council establish new Standing Orders to be effective from vesting day on 1 April 2027, and that the detail of the financial regulations is agreed in time to establish required process and controls ahead of vesting day.

## 2 Recommendations:

**2.1 <u>The Audit & Governance Committee is recommended to</u>:**

*2.1.1* **Consider the draft Financial Procedure Rules, attached at appendix 1 to this report, and provide any proposed amendments, comments and feedback to the Constitution Working Group and Standards Committee.**

**2.2 <u>The Constitution Working Group is recommended to</u>:**

*2.2.1* **Consider the feedback from the Audit & Governance Committee, and support the adoption of the Financial Procedure Rules, attached at appendix 1 to this report, and recommend them to the Standards Committee for inclusion in the West Surrey Council Constitution, to be effective from 1 April 2027.**

**2.3 <u>The Standards Committee is recommended to</u>:**

***2.3.1*** **Endorse the proposed Financial Procedure Rules attached as appendix 1 to this report, as recommended by the Constitution Working Group, and recommend them to the West Surrey Shadow**

**Authority for approval and inclusion into the West Surrey Constitution, from Vesting Day.**

## 3 Reason(s) for recommendation:

**3.1** It is a legal requirement for West Surrey Council to have an approved Constitution for Vesting Day. Officers are requesting endorsement and approval from Members, of the Finance Procedure Rules, and their adoption into the Constitution.

## 4 Next steps

**4.1** The proposed Finance Procedure Rules are due to be considered at the following sessions:

4.1.1 Audit and Governance Committee – 29 October 2026

4.1.2 West Surrey Constitution Working Group – 29 October 2026

4.1.3 West Surrey Standards Committee – 2 November 2026

4.1.4 West Surrey Shadow Authority – date to be confirmed

4.1.5 The Audit and Governance Committee discussed the proposed rules at their meeting on 29 October 2026 and noted various amendments that had been made to the proposals in advance of the meeting.

4.1.6 The amended rules were considered by the Constitution Working Group on 29 October 2026 who made no further amendments and agreed to recommend the amended rules to the Standards Committee.

## 5 Exemption from publication

**5.1** None of this report is exempt from publication.

## 6 Background and Proposal

**6.1** Local Government Reorganisation (LGR) and the formation of the new unitary authority of West Surrey Council requires the development of a new Constitution. That Constitution must contain key governance procedures in respect of finance.

**6.2** An early draft of the Finance Procedure Rules were discussed at West Surrey Shadow Audit and Governance Committee and West Surrey Shadow Constitution Sub Committee in September 2026. This early draft

did not contain any financial thresholds, but feedback was given on its form and content.

**6.3** Feedback from Members and senior Officers has been incorporated into the Finance Procedure Rules as follows:

6.3.1 A glossary of terms has been added;

6.3.2 Resolution to review the Finance Procedure Rules half-yearly has been made explicit;

6.3.3 Reference has been made to hosting arrangements and the requirement for hosted teams to abide by the Finance Procedure Rules of the authority for which they are completing work, not where they are based;

6.3.4 Wording has been amended to ensure it is clear where rules apply to income as well as expenditure;

6.3.5 Clarification has been provided as to professional valuations;

6.3.6 The need to report disposal of assets to officers has been extended to include purchases and elected members;

6.3.7 Clarification given on the carry-forward of unspent budgets;

6.3.8 All non-compliance will now be reported to the Audit and Governance Committee; and

6.3.9 Responsibilities of the Chief Finance Officer (Section 151 officer) have been extended to cover the reporting on the delivery of savings and transformational programmes.

**6.4** Various financial thresholds have been proposed throughout the document. These have been based on existing thresholds in all current West Surrey authorities and, where information was available, have been benchmarked against organisations of similar sizes.

## 7 Consultation

**7.1** The Finance Procedure Rules have been developed in collaboration with Officers from the Finance and Property LGR workstream, Shadow Authority Interim Chief Officers and related stakeholders, and based on feedback from Members.

**7.2** The development of Procedure Rules is not considered something that should be subject to public consultation.

**7.3** Consultation has also been undertaken with the relevant Executive Portfolio Holders and feedback will be reported in the meeting.

**7.4** Formal consultation has been undertaken with the Audit & Governance Committee at their meeting on 29 October 2026 and their views and feedback incorporated into the agenda item when considered by the Constitution Working Group who must make a recommendation to the Standards Committee, and the Standards Committee, who must make a recommendation to the Shadow Authority.

## 8 Key Risks

**8.1** The principal risk is that West Surrey Council does not have a comprehensive set of Finance Procedure Rules in time for Vesting Day, which would put it in contravention of Section 151 of the Local Government Act 1972.

**8.2** This risk can be best mitigated by the engagement activity that has taken place to refine the proposed draft Rules and support for their progress through the democratic process, to ensure 'safe and legal' procedures are in place for Vesting Day, which will then be reviewed on a bi-annual basis.

## 9 Options

**9.1** The Audit & Governance Committee is asked to endorse the Financial Procedure Rules, or provide any comments, proposed amendments or feedback, to the Constitution Working Group, who will make recommendations to the Standards Committee, who shall recommend their adoption to the Shadow Authority.

## 10 Issues for consideration

### 10.1 Financial Implications

10.1.1 There are no direct financial implications arising from the proposed action. However, the proposed document is important for maintaining compliance with financial regulations, and ensuring the new unitary authority has sufficient controls and governance to minimise the risk of financial loss. This will ensure that value for money is embedded as a core value of the new authority and maximise value for money.

### 10.2 Section 151 Officer Commentary

10.2.1 West Surrey will operate in a very challenging financial environment, with significant budgetary pressures and limited financial resources

from 2027/28 (Vesting Day), coupled with increasing demand and costs of services, and reducing government funding. West Surrey Council will be increasingly reliant on Council Tax as the primary source of income.

10.2.2 Decisions made by the sovereign councils in West Surrey and the West Surrey Shadow Authority will need to consider the ongoing financial impact and ensure that expenditure does not exceed the resources available. It is vital that significant importance is placed on effective financial management and medium-term financial sustainability to deliver a balanced budget going forwards and protect service delivery.

10.2.3 Financial regulations provide the framework of financial controls across the organisation, providing the rules in which officers need to adhere to. They will be kept under review post vesting day once the adequacy of the levels proposed are tested.

**10.3 Legal Implications**

10.3.1 The Shadow Authority is required to ensure that appropriate constitutional arrangements are in place for West Surrey Council ahead of Vesting Day. Section 9P of the Local Government Act 2000 requires a local authority to prepare, maintain and keep up to date a constitution, and the financial procedure rules form an important part of that governance framework.

10.3.2 The draft Finance Procedure Rules will need to be aligned with the wider constitution, including the scheme of delegation, contract and procurement rules, decision-making arrangements and relevant officer roles, to ensure that the final constitution is internally consistent and capable of effective operation from Vesting Day.

**10.4** The principal risk is that the Council does not have a comprehensive set of Finance Procedure Rules in time for Vesting Day, which would put it in contravention of Section 151 of the Local Government Act 1972.

**10.5 Monitoring Officer Commentary**

10.5.1 Clear Financial Procedure Rules, adopted by the Shadow Authority into the West Surrey Council Constitution, effective from Vesting Day, upholds compliance with legislation, provides a robust governance framework and attributes to the council's best value duty of continuous improvement.

**10.6 People/Human Resources Implications**

10.6.1 There are no direct People implications of this report.

**10.7 Equality and Diversity Implications**

10.7.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

### 10.8 Climate Change and Sustainability Implications

10.8.1 There are no direct climate change and sustainability impacts arising directly from this report. However, the council's equality duty and equality impacts are considered in relation to each individual procurement or applicable financial transaction undertaken.

### 10.9 Stakeholders Implications

10.9.1 None anticipated

## 11 Overview & Scrutiny Comments

**11.1** Not applicable

## 12 List of Appendices

**12.1** Appendix 1 – Draft Financial Procedure Rules for West Surrey Council amended to take into account the feedback from the Audit and Governance Committee on 29 October 2026.

## *13* List of Background papers

**13.1** West Surrey Shadow Authority Audit and Governance Committee, 2 September 2026, West Surrey Constitution: Financial Procedure Rules: Financial Procedure Rules

**13.2** West Surrey Shadow Authority Constitution Sub Committee 17 September 2026.