

Financial Regulations Review

Head of Service/Contact:	Lee Duffy, Chief Finance Officer
Annexes/Appendices (attached):	Annexe 1 – Updated Financial Regulations Annexe 2 – Amendment agreed at Strategy and Resources Committee (31 January 2019).
Other available papers (not attached):	Previous Financial Regulations (see Constitution Part 4)

Report summary

The Financial Regulations form part of the Constitution and ensure that there are adequate rules to govern the Council's financial affairs.

This report sets out recommendations of the Strategy and Resources Committee regarding proposed changes to the Financial Regulations in Part 4 of the Council's Constitution.

Recommendation (s)

That the Council:

- (1) Note the comments of Financial Policy Panel and Strategy and Resources Committee on the proposed amendments to the Financial Regulations at paragraphs 3.4 to 3.6;
- (2) Approve the revised Financial Regulations, as set out in Annexe 1, for inclusion in Part 4, Section 5 of the Constitution.

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 The updated Financial Regulations will support the delivery of the Council's Corporate Plan, particularly the key priority of 'Managing our Resources' and the delivery of the Medium Term Financial Strategy, by ensuring that there are adequate rules to govern the Council's financial affairs.

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2 Background

- 2.1 The Financial Regulations form part of the Council's Constitution and were last updated in 2013. Since then, the Council has undergone a number of changes to officer structures.
- 2.2 The Financial Regulations need updating to reflect these organisational changes, and to ensure its processes and procedures meet the needs for organisational efficiency and achieve good governance.

3 Proposals

- 3.1 The updated Financial Regulations are attached at Annexe 1. Job titles have been amended to reflect the current organisational structure and references to statutory regulations have also been updated as appropriate.
- 3.2 The other main changes are summarised in the following table:

Section	Description of Change
4. Financial Planning - Revenue Reserves	<p>New authorisation limits are proposed for the use of revenue reserves, as follows;</p> <ul style="list-style-type: none">• Up to £20,000 – Chief Finance Officer• From £20,000 to £50,000 – Chief Finance Officer in consultation with the relevant Committee Chairman• Above £50,000 – Committee approval required <p>Previously, no authorisation limits were specified in the Financial Regulations. The introduction of limits is intended to clarify the responsibilities of officers and members.</p> <p>The limits do not apply to reserves held for accounting purposes.</p>
6. Revenue Budget Control - Virements	<p>Virement rules have been clarified and there is a proposed increase in the threshold - from £20,000 to £50,000 - for virements that require Committee approval.</p> <p>The proposed increase reflects that the previous threshold has been unchanged since the Regulations were introduced in 2001.</p>
6. Revenue Budget Control – Supplementary Estimates	<p>Following feedback from Financial Policy Panel on 4 December 2018, paragraph 6.9 has been added to clarify the recommended course of action for adverse budget variances.</p>

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Section	Description of Change
6. Revenue Budget Control - Emergencies	Regulations for emergencies have been updated to ensure consistency with the Constitution's Scheme of Delegation.
7. Capital Programme	<p>Where capital schemes are expected to exceed the budget, a new provision would permit the Chief Finance Officer to authorise additional expenditure of up to £5,000.</p> <p>The CFO, in conjunction with the Committee Chairman, could also authorise additional expenditure between £5,000 and £20,000.</p> <p>Any additional expenditure >£20,000 will still require Committee approval.</p>
12. Treasury Management	The annual Treasury Management Strategy will now to be presented to Full Council in February (previously S&R Committee in April), in line with recommended CIPFA practice.
15. Income - Writing-Off Debts	<p>A new provision would permit the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer, to authorise the write-off of business rates debts, where the liable party is subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council is not legally able to continue with recovery action.</p> <p>Previously, all business rate debt write-offs > £20,000 required the authorisation of Strategy & Resources Committee.</p>
20. Partnerships and External Arrangements	A new provision allows Heads of Service, the Chief Operating Officer and Chief Executive to bid for external funds, provided they first inform the Chief Finance Officer, and if appropriate the Chief Operating Officer and Chief Executive, and can evidence that the bid will have no negative impact on the Council's budget. Should a proposed bid involve a significant issue of policy, it should also be reported to the relevant policy committee for approval.

- 3.3 The proposed changes were considered at Financial Policy Panel (FPP) on 4 December 2018.
- 3.4 FPP requested one further change to the Financial Regulations – *“the inclusion of the definition of a ‘material sum’”* in relation to adverse budget variances.

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- 3.5 Subject to this change, which has now been incorporated into the updated Financial Regulations at Annexe 1 paragraph 6.9, FPP recommended that Strategy & Resources approve the updated regulations.
- 3.6 Following Financial Policy Panel, Strategy & Resources Committee considered the updated Financial Regulations on 31 January 2019 and recommended to Full Council that the Financial Regulations be approved, subject to one amendment, which is shown at **Annexe 2**.
- 3.7 The amendment has been included in the version attached to this report and Full Council is asked to approve the Financial Regulations for inclusion in the Constitution.

4 Financial and Manpower Implications

- 4.1 There are no additional cost implications to the implementation of the Financial Regulations.
- 4.2 **Chief Finance Officer's comments:** *It is important that the Financial Regulations be kept up-to-date, in order for the Council to properly manage its financial affairs and discharge its duties.*

5 Legal Implications (including implications for matters relating to equality)

- 5.1 None for the purposes of this report.
- 5.2 **Monitoring Officer's comments:** *None for the purposes of this report.*

6 Sustainability Policy and Community Safety Implications

- 6.1 No implications for the purposes of this report.

7 Partnerships

- 7.1 No implications for the purposes of this report.

8 Risk Assessment

- 8.1 Failure to update the Financial Regulations would place the Council at risk of having unclear officer/member responsibilities following organisational changes. This could result in business being conducted less effectively or failure to achieve value for money or best practice.

9 Conclusion and Recommendations

- 9.1 The Financial Regulations need updating to reflect organisational changes and to ensure the processes and procedures meet the needs for organisational efficiency and achieve good governance.
- 9.2 Members are asked to:

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- 9.2.1 Note the comments of Financial Policy Panel on the proposed amendments to the Financial Regulations at paragraphs 3.4 and 3.5 of this report;
- 9.2.2 Note the comments of Strategy and Resources Committee on the proposed amendments to the Financial Regulations at paragraph 3.6 of this report;
- 9.2.3 Approve the incorporation of the updated Financial Regulations in the Council's Constitution.

Ward(s) Affected: (All Wards);