

Financial Regulations

Report by Councillor Finch, Deputy Leader, Finance and Transformation Programme
Enquiries to Margaret Lee, Executive Director for Finance. Telephone 01245 431010

1. Purpose of report

The current Financial Regulations were approved by Council on 13 October 2009. This report explains changes required to those Financial Regulations, and presents updated Regulations for approval, set out in Appendix 'A' to this report.

2. Recommended:

- (1) That the Council's Financial Regulations, as set out in Appendix 'A' to this report, be approved to take effect from 7 February 2012.
- (2) That, in recognition of the importance of keeping the financial regulations up to date, the Financial Regulations be subject to annual review.

3. Background

The Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs. They seek to ensure that the Council conducts its financial affairs in a way that complies with specific statutory provisions and best professional practice.

The Financial Regulations need updating to reflect the current management structure and policy framework, legislative changes and latest best practice guidance. Section 4 of this Report provides an overview of the main changes.

The updated Financial Regulations have been presented to the following as part of the sign-off process

- Corporate Governance Steering Board;
- Commissioning Executive Board;
- Corporate Leadership Team;
- Political Leadership Team; and
- the Audit Committee.

4. Overview of changes

The following paragraphs explain the changes that have been made to the Financial Regulations. Particular note is made of those changes requested by the Audit Committee.

(i) Section 1: Introduction

A new paragraph (1.3 – Review of Financial Regulations) has been added to this section specifying that there will be an annual review of the Regulations.

(ii) Section 2: Financial roles and responsibilities

This section reflects the current Constitution, which was refreshed in December 2010.

(iii) Section 3: Financial Planning

The policy framework section has been updated to reflect the current elements of financial planning, and an overview of the budget process has been added (see paragraph 3.3.3). The financing of capital expenditure (paragraph 3.4.3) has been updated to reflect current financing arrangements.

Audit Committee requested change

- Paragraph 3.3.3 (Budget Preparation) has been amended to make it explicit that the actions taken by the Executive Director for Finance in relation to (i) guidance and timetable; and (ii) challenge and review of the budget proposals by Executive Directors will be in conjunction with the Cabinet Member for Finance and the Transformation Programme. Approval of the budget by full Council following recommendation by the Cabinet has also been highlighted within the Regulations.
- Paragraph 3.6 (Medium Term Resources Strategy) has been expanded to refer to the link between the MTRS and the Corporate Plan.

(iv) Section 4: Financial Management

Virements within the same Portfolio

The current virement rule differentiates approval required for moving budgets within the same policy budget heading and approval for movement between policy budget headings of a portfolio.

The proposal, which is set out in section 4.3.3 of the draft regulations, removes this differentiation and instead focuses entirely on financial limits. This simplification of the virement rules will make it easier for budget

holders to understand and comply with the requirements, and is in line with the Council's overall aim of assisting service managers to become more self-sufficient.

Virements between Portfolios

The current financial regulations require that where it is proposed to vire any amounts between policy budget headings which are the responsibility of different Cabinet Members, the prior approval of the Cabinet Member for Finance and the Transformation Programme is required, after consultation with the Director(s), the Executive Director for Finance and the relevant Service Cabinet Members.

The updated regulations propose that a threshold is set for this so that only virements in excess of £250,000 require prior approval of the Cabinet Member for Finance and the Transformation Programme in consultation with the Executive Director for Finance. Virements below £250,000 between portfolios will only require the approval of the relevant Executive Director(s) and relevant Service Cabinet Members.

Exceptions to the virement rules

The current regulations state that Member approval is not required where a budget will continue to be used for the approved purpose but is being transferred to reflect a change in budget holder responsibilities. The approval of the Executive Director for Finance is required where the transfer crosses policy budget headings.

The updated regulations propose that this approval is obtained from the relevant Senior Finance Business Partner(s) instead.

Section 4.3.5 Treatment of year end balances

A section on dividends policy with regards to arms length delivery vehicles has been added

(v) Section 6: Risk Management and Internal Control

The need for Executive Directors to mitigate the risks to service delivery where third party providers and / or delivery vehicles are engaged has been added to this section.

Reference has been made to the Bribery Act, and further guidance on the use of hospitality registers and registers of interest has been added. Reference has been made to the 'How We Get Things Done' web pages and the responsibilities of Executive Directors to ensure that all staff undertake the mandatory governance e-learning tool released throughout the year.

The money laundering section has been updated to include the Bribery Act and add references to the Council's 'How We Get Things Done' webpage.

(vi) Section 7: Control of Resources

The asset registers section has been updated to include a requirement for the maintenance of a register of the Council's IT assets. In addition to this the section on disposal of assets now includes the decommissioning of IT equipment.

(vii) Section 8: Income and Expenditure

This has been updated to include guidance on the use of Purchase Cards. The requirement to consult with the Executive Director for Finance prior to making emergency payments in excess of £1m has been added.

Audit Committee requested change

- Paragraph 8.4.2 (Allowances) has been updated to include arrangements for the certification of the Members' allowance claims.
- Paragraph 8.4.3 (Ex-gratia payments) approval limits have been revised as follows:
 1. Upper limit for approval by Head of Service has been changed from £600 to £1,000
 2. Where payments in excess of £600 and up to £6,000 could be approved by the Executive Director for Finance, the lower limit has been changed to £1,000
 3. Payments in excess of £6,000 (with no specified limit) could be approved by Service Cabinet Members. The Regulations have been revised to specify an upper limit of £10,000 above which approval of the Cabinet Member for Finance and the Transformation Programme is required.
- Paragraph 8.6 (Emergency payments) has been expanded to provide clarity on payments that qualify as emergency payments and as such are subject to the approval limits specified within the Regulations. The requirement to report emergency payments to the Cabinet has been added.
- Paragraph 8.7 (Transparency) – a new section added in to highlight the Council's arrangements for publishing details of payments on its website.

(viii) Section 9: External arrangements

A new paragraph (9.2) has been added on commissioning.

Reference to the mandatory bid process for external funding has been added to paragraph 9.3.

Audit Committee requested change

- Paragraph 9.4 (Work by the Council for Third Parties) has been expanded to make it clear that work can only be undertaken for third parties if the Council has the legal powers to undertake the work.

(ix) Section 11: Other key policies and documents

Links have been added for Gifts and Hospitality, Declaration of Interests policy, Anti Bribery Policy and the Members Allowance Scheme.

5. Conclusion

The attached Financial Regulations, which are presented for approval, have been updated to reflect the current management structure and policy framework, legislative changes and latest best practice guidance.