

Report To: Corporate Governance Committee

Date of Meeting: 15th June 2016

Lead Member/Officer: Councillor Julian Thompson-Hill/Richard Weigh

Report Author: Richard Weigh, Head of Finance

Title: Updating the Council's Financial Regulations

1. What is the report about?

The council's Financial Regulations should be reviewed and updated periodically and this report is presented proposed amendments for consideration and recommendation to full council.

2. What is the reason for making this report?

To outline the factors for making amendments and to present the key areas of change.

3. What are the Recommendations?

To consider the report and the proposed amendments to Financial Regulations and recommend to full council.

4. Report details

Financial Regulations form part of the council's constitution and provide a framework for managing the council's financial affairs and apply to every officer and member of the council and people acting on its behalf.

Financial regulations set out a number of principles and rules that help to ensure the council operates with a robust system of internal control and effective governance. These principles and rules tend to be consistent over time but the organisation and application can change as the council reorganises, as technology changes and as statute is updated. Regulations can be limited to a set of rules with separate financial procedures maintained separately. The council's Financial Regulations include procedural application as well as setting out the rules, which makes the document significant in length but is based on the model recommended by the Chartered Institute of Public Finance & Accountancy.

Appendix 1 sets out some of the main changes to the Regulations. In summary these include the following themes:

- Updating to reflect the latest management structure and terminology
- Removal of redundant regulations
- Updating procedures to reflect the latest technological changes

- Noting changes to or new legislation, such as the Wellbeing of Future Generations Act

This is a substantial review of the Regulations. It is proposed that in future, the Regulations are reviewed in sections annually to make the process more manageable. Clearly if there are any significant specific changes required before the review period, these will be implemented.

5. How does the decision contribute to the Corporate Priorities?

Financial Regulations underpin the council's financial management and governance framework and therefore impact upon the way priorities are delivered and accounted for.

6. What will it cost and how will it affect other services?

The review has been undertaken internally with no additional cost.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

Not applicable to this report.

8. What consultations have been carried out with Scrutiny and others?

Finance managers and Internal Audit have been consulted. Heads of Service will be consulted on the changes prior to adoption by full council.

9. Chief Finance Officer Statement

Financial regulations underpin the financial management framework. The basic principles and controls tend to remain consistent over time but the council's Regulations include financial procedures which are more prone to change as structures, technology and legislation change. The latest updates reflect changes in these areas over recent years and current practices across the council so should not create new administrative burdens or changes within services.

10. What risks are there and is there anything we can do to reduce them?

Updating financial regulations ensures controls and procedures take account of new or changing risk as systems, technology, structures and legislation changes.

11. Power to make the Decision

Section 151 of the Local Government Act 1972.

Local Government Finance Act 1988, The Local Government and Housing Act 1989, The Accounts and Audit Regulations 2005 and The Local Government Act 2003.

Appendix 1 Financial Regulations - Summary of Key Changes

Area	Key Changes
General	Updated to reflect the latest structures, legislation and statutory titles. For example, this removes references to directorates and inserts reference to the Wellbeing of Future Generations Act.
2. Accounting Policies	Changed to reflect that the accounting policies are set out in detail in the Statement of Accounts and prescribed by accounting regulations – rather than list the policies separately in Financial Regulations.
4. Financial Planning	This section was previously focussed on the requirements of the 'Best Value' agenda and has been updated to focus more on financial and budgetary planning.
5. Budget Monitoring & Control	Principles unchanged but strengthened with new paragraphs covering Medium Term Financial Planning.
6. Virement & Year-end Balances	Virement approvals updated to reflect latest structures. Year-end balances section moved to the next section.
7. Reserves, Provisions & Balances	Clarifies processes for the creation and use of reserves and provisions and clarifies the existing processes for use of service in-year balances.
8. Capital Programme & Expenditure	Updated to reflect current approval and reporting arrangements (i.e. involvement of the Strategic Investment Group in the authorisation process). Also refers to assessment of long-term sustainability per the Wellbeing of Future Generations Act.
9. Risk Management	Removed section – included within internal control section.
12. Audit Requirements	Updated Internal Audit requirements and removed External Audit section. External audit requirements are covered by statute and so do not need to be set out specifically in Financial Regulations.
13. Preventing Fraud & Corruption	Updated with a link to the Money Laundering Guidelines

14. Assets	Largely unchanged. Requirements re inventories updated to reflect current practice. Stores procedures updated to reflect move from manual systems – whilst retaining integrity of internal controls. Note re reintellectual property rights added.
15. Treasury Management	Updated to reflect latest legislation and regulations. This area is covered in much more detail in the Treasury Management Strategy – a link to the document will be provided.
17. Staffing	Section removed. This predates the current systems in place (central staffing database, etc.). The key financial controls around staffing are within Pay and Pensions section.
19. Income	Updated to require regular review of fees and charges, to be considered as part of the budget process.
20. Ordering & Paying for Goods & Services	Changes to this section reflect latest technological changes or system changes. These include references to purchasing cards, electronic ordering and payment and subsequent procedural changes.
21. Pay & Pensions	Changes to reflect technology. Strengthens authorisation process for termination payments.
22. Travelling, Subsistence & Allowances	Updated to allow for electronic claims.
23. Taxation	Updated to reflect latest HMRC procedures.
27. Partnerships & Alternative Service Delivery Models	The former 'Partnerships' section has been updated and broadened to include alternative service delivery models. The Partnership Framework is now provided as a link, as will the procedures for assessing alternative service delivery model options and the governance framework to be followed thereafter. The Framework for Delivering Services with Council-funded Service Providers is also now appended as a linked document.