

**TITLE OF REPORT: ITEM REFERRED FROM CABINET: 27 JANUARY 2015 – AMENDMENTS TO THE COUNCIL’S FINANCIAL REGULATIONS**

*The following is an extract from the Draft Minutes of the Cabinet meeting held on 27 January 2015.*

**107. AMENDMENTS TO THE COUNCIL’S FINANCIAL REGULATIONS**

The Portfolio Holder for Finance and IT presented a report of the Strategic Director of Finance, Policy and Governance in respect of proposed amendments to the Council’s Financial Regulations. The following appendices were submitted with the report:

Appendix A – Summary of main changes;  
Appendix B – Revised Financial Regulations; and  
Appendix C – Revised Financial Regulations, showing track changes.

The Portfolio Holder for Finance and IT advised that the amended Financial Regulations had been considered by the Finance, Audit and Risk Committee, and no changes had been recommended.

The Portfolio Holder for Finance and IT stated that he wished to make one amendment to the third bullet point of Paragraph 6.5.2.1 of Section B – Financial Planning, so that Councillors shall (instead of “may”) be appointed to the Project Board depending on the risk and/or profile of the project, as agreed with the Leader of the Council.

The Portfolio Holder for Finance and IT referred to some of the key changes recommended by the review (key text underlined):

- Under or overspends on any separate line entry in the Council’s approved budget book which exceed that budget by at least £10,000, or 5% of annual budget, which ever is the smaller, must be recorded by Accountancy Services with explanations for the variance. Arbitrary sub-divisions of budgets in order to minimise individual variances will not be allowed. These under or overspends must be analysed on at least a quarterly basis, in discussion with service managers, and may be addressed by virements within delegated authority limits;
- All virements are subject to a de-minimis of £100. Below this value it is considered sufficient for budget holders to ensure they remain within their overall budget, even though there may be minor variances on individual budget lines;
- proposals for improvements and alterations to any asset must be with the prior agreement of the Head of Finance, Performance and Asset Management and Senior Management Team;
- In the case of credit notes raised in order to correct errors, then approval can be given by the relevant budget holder for credit notes up to £500; and
- Purchase cards will be authorised for certain officers, with an individual transaction threshold specific to the card holder. Purchase cards are generally suitable for low value transactions enabling us to shorten the purchase to pay cycle and reduce processing costs, noting also that purchase orders are not required for purchase card transactions. Where Corporate contracts exist, Purchase cards should not be used to access alternative suppliers.

**RECOMMENDED TO COUNCIL:** That the amendments to the Council’s Financial Regulations, as set out within Appendix B to the report, as amended, and summarised in Appendix A to the report, be adopted.

**REASON FOR DECISION:** To ensure that the Council’s Financial Regulations remain relevant and fit for purpose, thereby contributing to effective organisational internal control.

*The following is the report considered by Cabinet at its meeting held on 27 January 2015 (including amended appendices).*

**TITLE OF REPORT: AMENDMENTS TO THE COUNCIL'S FINANCIAL REGULATIONS**

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

**1. SUMMARY**

1.1 This report sets out recommended changes to the Council's Financial Regulations for adoption by Council following the review by the Strategic Director of Finance, Policy & Governance and consideration by the Finance, Audit & Risk Committee. A summary of the main changes is given in Appendix A, with a full copy of the Financial Regulations, with amendments included, set out in Appendix B to this report. The Financial Regulations, showing track changes, are provided in Appendix C.

**2. RECOMMENDATION**

2.1 That the amendments to the Council's Financial Regulations, as set out within Appendix B to this report, and summarised in Appendix A, be agreed and recommended to Council for adoption.

**3. REASON FOR RECOMMENDATION**

3.1 To ensure the Council's Financial Regulations remain relevant and fit for purpose, contributing to effective organisational internal control.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 None. Financial Regulations form part of the Council's Constitution and are an important element within the overall control framework.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

5.1 These revised Financial Regulations were considered by the Finance, Audit & Risk Committee on 11<sup>th</sup> December 2014.

**6. FORWARD PLAN**

6.1 This report was first notified to the public in the Forward Plan on 30<sup>th</sup> June 2014.

**7. BACKGROUND**

7.1 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the authority.

7.2 The financial regulations provide clarity about the financial accountabilities of individuals - Cabinet members, the Head of Paid Service, the Section 151 Officer (the Strategic Director Finance, Policy and Governance), the Monitoring Officer, the Strategic Directors and Heads of Service. Each of the

sections within the financial regulations sets out the overarching financial responsibilities.

- 7.3 The Financial Regulations form part of the Constitution of North Hertfordshire District Council. They are written to follow CIPFA Guidelines and to support managers in fulfilling their duties regarding devolved financial responsibility and should be read in conjunction with the Scheme of Delegation in the Constitution. They aim to support the objectives of Corporate Business Planning, which requires that services achieve their objectives within the financial resources allocated to them in the budget setting process.
- 7.4 The Financial Regulations are an integral part of the Council's control framework. They help to ensure that we make financial decisions in a consistent way across the Council. This supports us in our duties to ensure that we are transparent in all our actions and are clearly accountable for all the decisions we make. By ensuring these Regulations are applied, the Council can be confident that economic, efficient and effective financial management supports the achievement of its Priorities.
- 7.5 The Strategic Director of Finance, Policy and Governance (SDFPG) reviews the Financial Regulations to ensure that they remain modern and relevant. The last review was undertaken in 2012.

## 8. ISSUES

- 8.1 The main amendments to the Financial Regulations are summarised in Appendix A, with a full copy of the Regulations provided in Appendix B. The Regulations have also been assessed for compatibility with the latest revision to the Constitution.
- 8.2 Some of the key changes recommended by this review (key text underlined) are:
- Under or overspends on any separate line entry in the Council's approved budget book which exceed that budget by at least £10,000, or 5% of annual budget, which ever is the smaller, must be recorded by Accountancy Services with explanations for the variance. Arbitrary subdivisions of budgets in order to minimise individual variances will not be allowed. These under or overspends must be analysed on at least a quarterly basis, in discussion with service managers, and may be addressed by virements within delegated authority limits
  - All virements are subject to a de-minimis of £100. Below this value it is considered sufficient for budget holders to ensure they remain within their overall budget, even though there may be minor variances on individual budget lines.
  - proposals for improvements and alterations to any asset must be with the prior agreement of the Head of Finance, Performance and Asset Management and Senior Management Team
  - In the case of credit notes raised in order to correct errors, then approval can be given by the relevant budget holder for credit notes up to £500.
  - Purchase cards will be authorised for certain officers, with an individual transaction threshold specific to the card holder. Purchase cards are generally suitable for low value transactions enabling us to shorten the purchase to pay cycle and reduce processing costs, noting also that purchase orders are not required for purchase card transactions. Where Corporate contracts exist, Purchase cards should not be used to access alternative suppliers.

- 8.3 Minor issues of paragraph numbering are resolved in the new version provided in Appendix B.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Local Government Act 1972 requires the Council to have a written constitution.
- 9.2 Full Council adopts and changes the Constitution, and paragraph 4.4.1(p) of the Constitution reserves to Council “agreeing procedure rules, standing orders and financial regulations”. Under its terms of reference Cabinet may, by recommendation, advise the Council in the formulation of those policies within the Council’s terms or reference.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no financial implications arising directly from the recommended amendments to the Financial Regulations.

## **11. RISK IMPLICATIONS**

- 11.1 Adoption of the proposed amendments will contribute to the Council’s internal control environment and the management of risk.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 The Financial Regulations in themselves do not generate equalities implications; however their application when undertaking financial activities must take full account of this legislation.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not, in themselves, constitute a public service contract, the measurement of ‘social value’ as required by the Public Services (Social Value) Act 2012 need not be applied. However, the application of Financial Regulations must take full account of this requirement when engaging in public spending.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct human resources implications arising from the report, although compliance with these regulations is a requirement of an employee’s contract of employment.

## **15. APPENDICES**

- 15.1 Appendix A – Summary of main changes.
- 15.2 Appendix B – Revised Financial Regulations.
- 15.3 Appendix C – Revised Financial Regulations, showing track changes.

## **16. REPORT AUTHOR**

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## **17. BACKGROUND PAPERS**

- 17.1 The Council's Constitution.
- 17.2 Contract Procurement Rules.