

FINANCE, AUDIT & RISK COMMITTEE

20 NOVEMBER 2017

*PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

11

TITLE OF REPORT: UPDATED FINANCIAL REGULATIONS

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update to the Council's Financial Regulations. Whilst the proposed new regulations are significantly different in presentation, the overall content is very similar. The change to the presentation is to make them shorter and easier to find the key information.

2. RECOMMENDATIONS

- 2.1 To request that FAR Committee notes and comments on the proposed Financial Regulations and recommends them on to Council for adoption.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The Financial Regulations have been updated to reflect:
- Changes to the staffing structure, including the retirement of the Strategic Director for Finance, Policy and Governance.
 - To make them shorter and easier to find information.
 - Other minor updates

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Financial Regulations form part of the Constitution and are the key framework for the financial operation of the Council. It is therefore essential that they are kept up to date.
- 4.2 It would have been possible to just update the existing regulations. As Officers and Councillors are required to comply with the Regulations, it is important to try and make them as accessible as possible.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 This report and appendices are being presented to FAR Committee for consideration, prior to referral to Council.

5.2 The Executive Member for Finance and IT has been consulted on the proposed changes.

5.3 The Senior Management Team has also commented on the proposed changes.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

7.1 The Financial Regulations are reviewed on a periodic basis to ensure they remain relevant and appropriate to the Council's needs. This review has been led by the Head of Finance, Performance and Asset Management. Responsibility for the rules lies with the Head of Finance, Performance and Asset Management as Chief Finance Officer. The changes have also been agreed by the Senior Management Team.

7.2 The last major review of the Financial Regulations was agreed by Council at its meeting on 12th February 2015.

8. RELEVANT CONSIDERATIONS

8.1 The current Financial Regulations are based on a format and guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2001. They include quite a lot of duplication of information which can make it difficult to find the key rules and guidance that needs to be followed.

8.2 The current regulations (Part B, Section 19 of the Constitution) also make a lot of reference to the post of Strategic Director for Finance, Policy and Governance. This post previously acted as Chief Finance Officer (or s151 Officer). Following the postholder's retirement the post was deleted. The new regulations instead refer to the Chief Finance Officer. As this is a post that the Council is required to have it would make the Regulations more adaptable to future changes.

8.3 The new regulations make reference to both Heads of Service and Service Directors. This is so that they cover the interim period until the Council's new management structure is in place. Once the new structure is in place all references will be changed to the appropriate Service Director. This change will be carried out by the Chief Finance Officer under the delegation to make minor changes under Section 2.6.2(a) of the Constitution.'

8.4 Most of the changes made to the regulations relate to presentation and job titles i.e. they do not make changes to the actual regulations to be followed. However the significant changes to the presentation make it impossible to provide a tracked changes version of the regulations. The actual changes to the regulations are therefore detailed in the following paragraphs.

8.5 There are two changes to the reporting of revenue budget variances (section 3.8 of the proposed new regulations). The previous version required that variances (overspends and underspends) that were greater than 5% of budget or £25,000 were reported to Cabinet. Given that there are some budgets which are quite low in value (especially where they are a combination of expenditure and income) this could require some very

low variances to be reported. The new version proposes that the variance has to be greater than 5% **and** £25,000. This does mean that variances on larger budgets would not get reported until they got very high (e.g. 5% of a £4m budget would be £200k). However, the regulations further state that the Chief Finance Officer will determine whether to report any variances that do not meet the value criteria.

- 8.6 The second change in section 3.8 relates to the first quarter revenue budget monitor. From now on the financial accounts need to be approved by Finance, Audit and Risk Committee by the end of July. To avoid having an additional meeting of the Committee, it is proposed that this meeting will also review the first quarter finance reports. To meet the deadlines for this meeting, it may be necessary for the first quarter revenue monitor to be based on the first two months, updated for significant changes that have occurred during month 3.
- 8.7 Section 5.5 refers to the same changes referenced in paragraphs 8.5 and 8.6, but in relation to capital monitoring instead.
- 8.8 The previous lower limit for virements (where budget is moved from one area to another) was £100. The proposal is that this is increased to £1,000 (section 7.2). This reflects the work involved and that there is no value in moving budget for very small amounts.
- 8.9 The previous regulations included a provision for where the Council was passed property for safekeeping by the owner. Given that there are significant risks in looking after property, the revised version details that Officers and Councillors should not accept property for safekeeping (section 12.12).

9. LEGAL IMPLICATIONS

- 9.1 The Local Government Act 1972 requires the Council to have a written constitution. Full Council adopts and changes the Constitution, and documents such as the Financial Regulations that are appended to the Constitution (Constitution 4.4.1 (p)).
- 9.2 The Finance, Audit and Risk Committee “maintain an overview of the Council’s Constitution in respect of Contract Procurement Rules and Financial Regulations, consider any major changes and make recommendations to Council for approval” (Constitution 10.15 (g)).
- 9.3 The Chief Finance Officer is responsible for keeping the Financial Regulations under review (Constitution 2.4). This is currently delegated to the Head of Finance, Performance and Asset Management as Chief Finance Officer.

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 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.

12.2 There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

13.1 The Social Value Act and “go local” policy do not apply to this report.

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 - Proposed Financial Regulations.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

Part B of the Constitution Section 29 Financial Regulations

<https://www.north-herts.gov.uk/sites/northherts-cms/files/Constitution%20PART%20B%20Financial%20Regulations%2014%2007%2016.pdf>