

<b>COUNCIL</b>
<b>29 JANUARY 2026</b>

## **\*PART 1 – PUBLIC DOCUMENT**

### **TITLE OF REPORT: UPDATED FINANCIAL REGULATIONS**

REPORT OF: *Director- Resources*

EXECUTIVE MEMBER: Resources (*Non-Executive*)

COUNCIL PRIORITY: SUSTAINABILITY

#### **1. EXECUTIVE SUMMARY**

The last full review of the Council's financial regulations took place in 2018. There have been partial changes made that have resulted from organisational changes. They have also been kept under review for the need for any significant changes over that period, but none have been required.

Given the passage of time, a full review has been undertaken. However, the regulations are still generally fit for purpose, and therefore the proposed changes are minor in nature and do not significantly change the workings of the Council.

#### **2. RECOMMENDATIONS**

2.1. That Council agrees to the adoption of the Financial Regulations as per Appendix A.

#### **3. REASONS FOR RECOMMENDATIONS**

3.1. Due to the passage of time since the last major review of the Financial Regulations, it was considered appropriate to carry out a full review. The proposed changes are detailed in Appendix A alongside the reasons for them.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

4.1. The alternative would be to keep the current Financial Regulations unchanged, but that was rejected as there are some areas where an update is useful.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 The Resources team were asked to put forward any proposed changes, as they are the ones that make the most practical use of the financial regulations framework. Leadership Team were consulted on these proposals and also asked if there were any other changes that they would like to see.

5.2 The proposed change in relation to purchasing cards arose from an Internal Audit report.

- 5.3 The Executive Member for Resources and Shadow Executive Members were also asked for any comments on the proposed changes.
- 5.4 Finance, Audit and Risk (FAR) Committee were asked to review and provide comment on the proposed changes. Their suggestions are generally incorporated into Appendix A. However, on reflection, one change is not recommended to be taken forward. The FAR Committee recommended that the thresholds in the table in paragraph 5.6 should be simplified. There is a need for a higher relative limit to be applied to lower value budgets compared with higher value budgets. If a 5% threshold was applied to all budgets, then a £20k capital budget would require Cabinet approval for a £1k overspend, which may make small value capital projects impractical, could lead to over-cautious contingencies when setting the budget and not be an effective use of Cabinet's time. A 5% threshold for a £5m budget would be £250k and would require monitoring/ approval by Cabinet. This is why the percentages taper down in the table in paragraph 5.6. At each transition between percentages there is a fixed value amount applied across a range of capital budget values. This makes the limits look complicated, but they are there to avoid inconsistencies. For example, if the 20% limit that is applied to capital budgets up to £250k, switched straight to 10% for capital budgets that were above £250k, then a £249k budget would have a £49,800 tolerance but a £251k budget would have £25.1k tolerance. It is to avoid this that it is recommended that the table in paragraph 5.6 is retained as it is.

## **6. FORWARD PLAN**

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

## **7. BACKGROUND**

- 7.1. The Financial Regulations form part of the Constitution, and are therefore an integral part of the Council's governance, decision making framework and control structure. They are kept under regular review by the Director- Resources, with a full review being undertaken when required. The current financial regulations can be found here: <https://www.north-herts.gov.uk/sites/default/files/2025-05/Section%2019-%20Financial%20Regulations.pdf>

## **8. RELEVANT CONSIDERATIONS**

- 8.1. There are no significant changes being proposed. All the proposed changes are detailed in Appendix A, which includes:
- A table of the changes with a reason given for each one, and:
  - A tracked changes version of the financial regulations.
- 8.2 The Financial Regulations include references to both the Director- Resources and Chief Finance Officer. Whilst these are the same role, for the purposes of delegations during periods of absence it is important to differentiate between the two.

## **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 Director of Resources and Section 151 officer has statutory duties in relation to the financial administration and stewardship of the council. This statutory responsibility cannot be over-ridden. The duty extends to the proper administration of the council’s financial affairs. A key part of the process for ensuring that sound financial management policies are in place and are adhered to is the establishment of Financial Regulations
- 9.4 The Chief Finance Officer is responsible for keeping the Financial Regulations under review (Constitution 2.4).

## **10. FINANCIAL IMPLICATIONS**

- 10.1. There are no direct financial implications arising from the proposed changes to the financial regulations.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. 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” requirements do not apply to this report.

## **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 *There are some minor HR implications arising from this report, which seek to reduce the workload impacts.*

## **16. APPENDICES**

- 16.1 *Appendix A- Proposed new financial regulations- list of changes and tracked changes version.*

## **17. CONTACT OFFICERS**

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## **18. BACKGROUND PAPERS**

- 18.1 *Current financial regulations <https://www.north-herts.gov.uk/sites/default/files/2025-05/Section%2019-%20Financial%20Regulations.pdf>*