

## Executive

6 October 2009

Report of the Assistant Director of Resources (Customer Service & Governance)

### Revised Financial Regulations

#### Summary

- 1 The purpose of this paper is to present to Executive for discussion and approval the revised Financial Regulations following deferral at Executive in July 2009.

#### Background

- 2 The Financial Regulations were deferred at Executive on 21 July to enable further refinements to be made to the draft Regulations before they are considered by the Executive and recommended to the next scheduled meeting of full Council in October. The key issues were:
  - a) *changes in officer delegation levels;*
  - b) *virements that would normally be an officer, joint, Executive Member or Executive decision also had a policy implication then it should be referred on to full Council.*
- 3 The council's current Financial Regulations were introduced in 2006 and formed supplementary guidance to the Constitution. The purpose of the regulations is to lay down the rules and guidelines to be followed by the organisation to ensure the integrity of its financial arrangements.

#### Proposed additional changes

4. The proposed changes to the virement limits within the revised Financial Regulations have been made to ensure the regulations are aligned with the Executive Key Decision limit of £500k as set out in the council's constitution. Decisions below this amount are not considered as Key and it is important that the supporting documents to the Constitution including the Financial Regulations are consistent. Whilst virements between £100k and £500k will be within a Director's delegated powers, decisions can only be taken in consultation with the relevant Executive Member.
5. The virement tables have been amended to ensure that all officer decisions that may affect the council's policy framework are referred to full Council. The rest of the revised regulations remain unchanged from those presented

in July. The key changes to the 2006 regulations are set out in the following paragraphs.

### The Regulations

6. The purpose of the revised Financial Regulations (Annex A) is to provide a more flexible set of regulations maintaining the key principles of the current regulations but reflecting the more devolved decision making framework adopted by the council. The revised regulations also take out unnecessary repeated elements of the Constitution to try to provide a more concise user-friendly document.
7. A second part of the current regulations is often referred to as the Procurement Regulations. In line with many other authorities this element has been separated into a devolved set of regulations and renamed as the Contract Procedure Rules (CPRs). The Financial Regulations along with the CPRs are underpinned by a set supplementary guidance documents to form a comprehensive set of financial procedures as shown at Table 1 below:

**Table 1**

<b>Financial Procedures</b>	
<b>Financial Regulations &amp; Contract Procedure Rules</b>	
Supporting supplementary guidance:	Asset Disposal Policy
	Income Policy
	Corporate Procurement Guidance Manual
	Risk Management Policy & Strategy
	External Funding/Grant Guidance Manual
	Petty Cash Rules

8. The chronological history of the amendments made to the financial regulations is available on the following the link ([Track changed chronology of the regulations](#)). In summary there are a number of key changes to the regulations some of these are relatively minor and include:
  - a) removing duplication of information already contained elsewhere in the Constitution;
  - b) separating the contract procedure rules (CPRs) into a single document;

- c) future proofing in terms of electronic solutions;
- d) updating of terminology to reflect current regulations, corporate policy and strategy;
- e) provision of a proper index and page numbering;
- f) reference to new supplementary guidance (as set out at Table 1 above) where appropriate;
- g) provision of a consolidated summary section showing all delegated thresholds.

Further changes provide an improvement in the clarity and consistency in relation to the levels of delegation including:

Individual Revenue virements:

- a) Executive's approval threshold increased from £250k to over £500k;
- b) Executive Member only delegation merged with Directors delegation. New Directors' delegation in consultation with Executive Member increased to over £100k and up to and including £500k;
- c) Chief Officer delegation within service plans increased from £25k to up to and including £100k.

Individual Capital virements:

- a) Executive's approval threshold increased from £250k to over £500k;
- b) Executive Member only delegation merged with Directors' delegation. New Directors' delegation in consultation with Executive Member increased to over £100k and up to and including £500k;
- c) Directors' delegation between schemes up to and including £100k.

Individual Debt Write-Off:

- a) Executive threshold over £200k;
- b) Executive Member over £10k and up to and including £200k;
- c) Executive Member in consultation with CFO raised from £2k to over £5K and up to and including £10k;
- d) CFO raised from less than £2k to over £100 and up to and including £5k;
- e) Head of Financial Procedures up to and including £100.

Finally in the spirit of encouraging medium-term financial planning the regulations seek to allow directorates greater flexibility and certainty over their funding allocations including:

- a) Directorates will be allowed to retain a percentage of any underspend to be carried forward into a general directorate reserve this could be as high as 50% of any underspend at the discretion of the Director of Resources;
  - b) Directorates will be able to make further specific requests to the Executive for carry forward on particular schemes;
  - c) Where an overspend has to be carried forward by a Directorate there will be a facility to spread any repayment over a maximum three year term.
9. Any changes to the financial regulations, key procedures and thresholds can only be approved by full Council. There are however, times where minor changes in terminology or wording may be needed which do not change either the fundamental procedures, their intent or thresholds and this report asks Executive to recommend to full Council that the power to make these minor changes to be delegated to the Director of Resources.
10. The revised CPRs are in a draft format and will be presented to Executive in the November for approval to go to full Council. The Income Policy and Corporate Procurement Guidance Manual have already been approved by Executive. The Asset Disposal Policy was approved by Audit & Governance Committee in March 2009. The External Funding/Grant Guidance Manual was approved at Audit & Governance Committee on 21 September 2009.
11. The regulations and supporting documentation will not be effective unless all relevant officers and members are aware of the changes and any new rules. It is intended that once approved by full Council a formal training programme will be delivered later in the financial year to help raise awareness and embed the regulations across the organisation.

### **Consultation**

12. The draft Financial Regulations have been issued to all finance managers for consultation purposes along with other key officers across the council. Member consultation has also been undertaken at Audit & Governance Committee on 29 June 2009.

### **Options**

13. There are only two options associated with this report:
- a) Agree the revised Financial Regulations ;
  - b) Retain the existing Financial regulations.

## Analysis

14. Not applicable to this report.

## Corporate priorities

15. The implementation of effective financial control is critical in contributing to the delivery of an 'Effective Organisation' and helps to underpin and support all the priorities that form the Corporate Strategy.

## Implications

- (a) **Financial** – Financial implications are contained within the Annex to the report.
- (b) **Human Resources (HR)** - There are no implications.
- (c) **Equalities** - There are no implications.
- (d) **Legal** - There are no implications.
- (e) **Crime and Disorder** - There are no implications.
- (f) **Information Technology (IT)** - There are no implications.
- (g) **Property** - There are no direct implications.

## Risk Management

16. The organisation is at risk if it does not have effective and appropriate financial regulations that provide for proper stewardship and integrity of its financial arrangements. The regulations also need to ensure that the council can operate efficiently in delivering its services and projects.

## Recommendations

17. Executive are asked to:
- a) comment on and approve the changes to the revised Financial Regulations attached to this report at Annex A for onward approval at Full Council.

### Reason

*To gain Executives approval that the revised Financial Regulations are appropriate in improving and maintaining the integrity of the council's financial arrangements and the concerns of the Shadow Executive are met.*

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Report  
Approved



Date 23/09/2009

**Specialist Implications Officer(s)**

**Wards Affected** Not applicable

All

For further information please contact the author of the report

**Background Papers**

Draft Revised Financial Regulations Report to A&G 29 June 2009  
Revised Financial Regulations report to Executive 21 July 2009

**Annexes**

Annex A – Draft Financial Regulations