

Cabinet

6 May 2014

Report of the Cabinet Member for Finance and Performance

Draft Revised Financial Regulations

Summary

- 1 The purpose of this paper is to present to Cabinet for discussion, comment and approval to Audit and Governance Committee (A&G) the draft revised Financial Regulations.

Background

- 2 The council's current Financial Regulations were approved in 2009 and form supplementary guidance to the Constitution. The purpose of the regulations is to lay down the rules and guidelines to be followed by the organisation in ensuring the integrity of its financial arrangements.
- 3 The current regulations provide an effective regulatory framework that allows the organisation to operate with minimum risk. There have been minor amendments made since 2009 and these have been approved by the Chief Financial Officer (CFO) under the powers delegated to the role by Full Council in 2009. These changes have been made using version control and the council is currently using V10 of the 2009 regulations. The new draft regulations attached at Annex A are V11 and a number of the draft amendments are outside the powers granted to the CFO to make minor changes and require the approval of Full Council.

The Regulations

- 4 A key focus of the draft amendments is in relation to External Arrangements and specifically the provision of grants & loans to outside bodies. There are a number of other proposed draft amendments that are aimed at providing a more flexible set of regulations maintaining the key principles of the

current regulations but reflecting the changing nature of the environment in which the council operates. This also includes a recommended increase in the limit for acquisitions and approvals before Cabinet approval is required subject to specific caveats in relation to best consideration and the contract procedure rules.

- 5 The Loans & Grants Scrutiny Review Final Report on the 4th March 2014 made a number of recommendations with regard to the awarding of grants and loans. These recommendations are set out along with the solutions at Table 1 below.

Table 1

Scrutiny Recommendations		
	Recommendations	Solutions
1	An agreed common approach to be put in place for coding all loans and grants on the Council's finance system to make them easily identifiable	Ledger code to be set up for grants and loans on the council's finance ledger
2. In regard to New Service Level Agreements (SLA):		
a)	Where those agreements make reference to other documents e.g. performance management information, those documents must be attached as an appendix to the agreement	Within SLA
b)	A template together with officer guidance notes to be introduced to support the process of producing an SLA, in line with that shown at Annexes B & C	Officer Guidance Note
3	In regard to current SLAs, the new process detail above to be implemented as part of a phased approach, as and when each SLA is reviewed	Implement process into current SLA's
4	All Loans and grants over 50k to be agreed by Cabinet	In revised Financial Regulations (Part E)
5	All grants over £100k or those deemed to be of higher risk, to have a legally binding grant funding agreement (GFA) rather than an SLA	In revised Financial Regulations (Part E)
6	The Council to make greater use of its website to share information on the loans and grants it provides, together with information on how to make loan/grant applications and details of those available to the voluntary sector	Website to be developed
7	Applications for loans should detail the applicants other attempts to find the appropriate funding	In application process
8	In regard to monitoring arrangement for loans – introduce a six monthly minimum requirement for reporting back on loans to a specified named officer or in the case of higher level loans, to the Cabinet	In revised Financial Regulations (Part E)

- 6 The one change to these recommendations (Table 1) contained within the revised regulations (Annex A) is that the Cabinet limit for approval of loans & grants is increased to above £100K. The council currently only has one loan in excess of £100K and this is in respect of Yorwaste.

- 7 The full changes to External Arrangements are set out in Part E of the revised regulations (Annex A) and specifically look to tighten up the controls in relation to providing and managing grants & loans as highlighted within the scrutiny report recommendations including:
- Interest rates
 - State Aid
 - Monitoring
 - Approval
 - Recording
- 8 Other key changes are set out in table 2 below and in full within the revised regulations at Annex A:

Table 2

<u>Page</u>	<u>Change</u>	<u>Details</u>
7	New	Para 5 i) in the event of a disaster or other civil emergency the powers of the CFO in authorising necessary expenditure to support the Chief Executive and also the CFO's power to delegate this authority to any Chief Officer acting as their nominated deputy with a limit of £50K.
11	New	Para 5 Point J where relevant and appropriate seeking to recover the cost of the service overheads when 'trading' with other organisations
14	Change	Medium Term Financial Planning moved to Budget Monitoring & Control Section
20	New	Para 37 – 42 Rules for Delivery & Innovation Fund added
22	New	New para 4 Appointment of directors to Veriatau – Two council director appointments
22	New	Para 6 Veriatau client officer nominated by CFO
24	Add	Para 14 – 15 addition to risk management section

25	New	Para 18 – 19 Insurance section added
28	Change	Revised table - Change in Write Off Limits CFO up to £100K. Cabinet Member above £100K - £200K
28	New	Para 10 - Rules relating to the CFO's power to award DRR
30	New	Para 14 – Tighter control in relation to expenditure on travel outside the UK
33	New	Para 28 -Further restriction to none payroll payments
37	Change	Para 40a - de minimis value for the asset register increased from £5K - £10K
37	New	Para 40 c) - sales and acquisitions increase in limit from £100k to £500K
39	New	Para 2 - Grant definition
40	New	Para 5 g) & h) – tighter controls and monitoring in relation to grants and loans to outside bodies

Consultation

- 9 The draft Financial Regulations have been issued to all finance managers for consultation purposes along with other key officers across the council. Any recommended changes made by officers have been included within the draft regulations at Annex A.

Options

- 10 There are two options associated with this paper:

Option 1 – Recommend Audit and Governance Committee approval of the amendments to the Financial Regulations as set out at paragraph 5, 6, 7, 8 and Annex A;

Option 2 – Recommend to Audit and Governance Committee that the amendments are not approved.

Analysis

- 11 Not applicable to this report.

Council Plan 2011 - 2015

- 12 The maintaining of an effective regulatory framework is an important supporting element of delivering the council plan.

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

- 13 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 are required to ensure that the council can operate efficiently in delivering its services and projects.

Recommendations

- 14 Cabinet members are asked to consider the revised regulations (Annex A) the key changes set out at Paragraph 5, 6, 7 & 8 and recommend the regulations to Audit and Governance Committee for their consideration (and formal recommendation to Full Council) Option 1 Para 10.

Reason

To seek Cabinets members' views and approval as to whether the revised draft Financial Regulations are

appropriate in maintaining the integrity of the council's financial arrangements and can be recommended to Audit and Governance Committee.

Contact details:

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	Report Approved	√	Date 24 April 2014
Specialist Implications Officer(s) None			
Wards Affected: All			√
For further information please contact the authors of the report			

Background Papers

Revised Financial Regulations - 2009

Annexes

Annex A – Draft Financial Regulations