

Subject:	Review of Financial Regulations	
Date of Meeting:	15 November 2011	Governance Committee
	15 December 2011	Council
Report of:	Director of Finance	
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Ward(s) affected:	All	

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 Following on from amendments to Contract Standing Orders recommended by this committee and subsequently approved by full Council on 20 October, this report proposes some technical modifications to Financial Regulations to reflect the practical application of the Scheme of Delegation to Officers, to ensure that the regulations cover new areas such as Purchasing Cards, and to address technical issues around the authorisation of officers.
- 1.2 The review of Financial Regulations includes a review of the associated 'Standard Financial Procedures' which set out a range of detailed operational procedures to ensure effective implementation of the Financial Regulations.
- 1.3 The purpose of this report is to request Members to consider and recommend to full Council the revised Financial Regulations.

2 RECOMMENDATIONS:

- 2.1 That the Governance Committee recommends to Council that the amendments set out in the report and more particularly indicated in the appendices be approved and that they come into force with immediate effect.

3 RELEVANT BACKGROUND INFORMATION:

- 3.1 Financial Regulations provide a control framework for the proper administration of the council's financial affairs. Their scope includes financial management, financial planning, risk management and control of resources, counter fraud, financial systems and procedures, and external arrangements.
- 3.2 Financial Regulations should be embedded in the heart of the organisation and are the responsibility of all Members and officers. The Audit Commission's experience is that good financial management, along with strong leadership and performance management, is a distinguishing characteristic of high-performing organisations and those with a track record of improving services.

- 3.3 A major revision of Financial Regulations was undertaken in 2005 to reflect new guidelines and good practice models for financial governance and control. A further revision was undertaken in 2008 to reflect the new Cabinet model adopted by the authority. Further changes are now needed in order to:
- i) Properly reflect recent organisational changes and in particular changes to the Scheme of Delegation to Officers. The regulations now need to recognise the roles of Strategic Leadership Board, Corporate Management Team and other officer changes and their role in ensuring effective financial management and control.
 - ii) Include a number of technical changes required to reflect increasing automation of controls, for example, controls embedded in the council's e-Procurement system, and to accommodate new areas where regulation of activity is required, for example, Purchasing Cards.
 - iii) Make some changes to the practical application of Financial Regulations to reflect the organisation's current operating model and good practice. For example, there is no longer a need for Senior Management to maintain lists of authorised officers or financial limits since these controls are now included in corporate financial systems.
- 3.4 The Chief Finance Officer (the Director of Finance) may review and issue Financial Regulations from time to time in consultation with the Chief Executive to ensure best practice and be consistent with legislation. However, this substantial revision is being submitted to Governance Committee and full Council to ensure full consideration and awareness of proposed changes. The revised Financial Regulations are at Appendix 2 with all changes highlighted in the document.
- 3.5 The Chief Finance Officer also issues a set of Standard Financial Procedures to establish sound practices. These are an annexe to the Financial Regulations and have also been reviewed. These Standard Financial Procedures clarify roles and responsibilities across the council and explain why each procedure is necessary. These run to over 70 pages and include substantial technical detail. They have therefore not been circulated with this report but copies are available on request and in the Members' room.
- 3.6 The main changes to the Financial Regulations are set out in Appendix 1 to this report.
- 3.7 Note that the Standard Financial Procedures cross-refer to other existing documents that require separate Governance Committee and full Council approval for changes such as Contract Standing Orders, the Treasury Management Policy Statement and Annual Investment Strategy.
- 3.8 The full set of Financial Regulations and Standard Financial Procedures will be publicised within the council on the Wave and will be brought to the attention of the council's Corporate Management Team, budget holders and others who have a role in ensuring that financial procedures are followed.

4 CONSULTATION

- 4.1 The revisions to Financial Regulations and Standard Financial Procedures have been made following a review of best practice and relevant guidance from CIPFA and the Audit Commission.
- 4.2 Consultation with colleagues responsible for risk management, procurement, HR and legal services has been undertaken.

5 FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

- 5.1 There are no direct financial implications arising from the proposed changes to Financial Regulations. However, having an effective set of Financial Regulations is an important part of ensuring the proper use of resources and public money and contributes to the overall quality of financial management and the lessening of fraud and corruption risks.

Finance Officer Consulted: Nigel Manvell

Date: 20/10/11

Legal Implications:

- 5.2 Under the council's Scheme of Delegation to Officers, the Director of Finance has power to make amendments to the Financial Regulations and Standard Financial Procedures to reflect best value, new legislation, and any changes to the council's standing orders and Scheme of Delegation.

Nonetheless, as indicated in paragraph 3.4 above, the amendments proposed by this report amount to a substantial revision, and in these circumstances it is appropriate that Governance Committee and Full Council have an opportunity to consider and approve the changes.

Lawyer Consulted: Oliver Dixon

Date: 25/10/11

Equalities Implications:

- 5.3 There are no equalities implications arising from this report.

Sustainability Implications:

- 5.4 There are no sustainability implications arising from this report.

Crime & Disorder Implications:

- 5.5 As mentioned above, effective Financial Regulations and Standard Financial Procedures contribute to the lessening of fraud and corruption risks both internally and/or in collusion with people or businesses external to the authority.

Risk and Opportunity Management Implications:

- 5.6 The revised Financial Regulations will minimise the risk of non-compliance with the regulations by removing obsolete controls or requirements, introducing controls and procedures for new areas, and bringing the regulations further in line with good practice and the current operating model of the authority.

Public Health Implications:

- 5.7 There are no Public Health implications arising from this report.

Corporate / Citywide Implications:

- 5.8 Financial Regulations are part of the council's constitution. An effective and current set of Financial Regulations is of reputational importance and demonstrates to partner organisations, external auditors and the general public that the council takes financial management and control very seriously in all of its transactions and has clearly set out how this will be applied and implemented across all levels of the organisation.

6 EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The current format of Financial Regulations and Standard Financial Procedures substantially follows the Chartered Institute of Public Finance & Accountancy (CIPFA) best practice guidance and model regulations. The revised Financial Regulations continue with this format which is widely adopted by local authorities and is recognised as good practice by the Audit Commission.
- 6.2 Not changing the Financial Regulations to reflect organisational changes and current delegations runs the risk of significant non-compliance and a subsequent diminution, perceived or real, of the importance of governance and controls. This could lead to greater risks of reputational damage, fraud and corruption and inefficient use and/or improper authorisation of resources.

7 REASONS FOR REPORT RECOMMENDATIONS

- 7.1 A review of Financial Regulations is required for the reasons stated in the report. The Governance Committee are being asked to consider the proposed changes and recommend them to full Council.

SUPPORTING DOCUMENTATION

Appendices:

1. Summary of changes to Financial Regulations
2. Full set of revised Financial Regulations (with changes highlighted)

Documents in Members' Rooms

1. Full set of revised Standard Financial Procedures (with changes highlighted)

Background Documents

None

