

ASSEMBLY

5 December 2012

Title: Review of Financial Regulations and Rules and proposed changes to the Financial Scheme of Delegation	
Open Report	For comment
Wards Affected: All	Key Decision: No
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Accountable Director: Graham Farrant, Chief Executive	
Summary: <p>At its meeting on 14 December 2011, the Public Accounts and Audit Select Committee (PAASC) considered a report looking at a review of the Council's Financial Regulations and Rules.</p> <p>These Regulations and Rules set out procedures and good practice guidance in respect of all aspects of the finance and audit requirements, including budget setting, budget monitoring, closure of accounts, treasury management, fraud, insurance, and the control of resources.</p> <p>The report to PAASC set out the background to the Financial Regulations and Rules and the changes proposed to them as well as the internal financial scheme of delegation. They are mainly for clarification and provide more detail as to what is required. The principle changes concern approval limits for purchase orders following the implementation of the Oracle iProcurement system and limits on amendments to approved budgets. A copy of the proposed Regulations and Rules is detailed in Appendix A, and the internal financial scheme of delegation at Appendix B.</p> <p>The delay in bringing forward the proposed changes has in part being as a consequence of the wider ongoing review of the Constitution.</p>	
Recommendations <p>That the Assembly:</p> <ol style="list-style-type: none">approve the new Financial Regulations and Rules for full adoption across the Council as set out in Appendix Aapprove the internal financial scheme of delegation as set out in Appendix B,authorise the Chief Financial Officer to vary the revised corporate limits set out in Appendix B where this is considered to improve the efficiency of the Council's financial operations without unacceptably increasing risk, and <p>authorise the Monitoring Officer to make the necessary amendments to the Council Constitution</p>	

Reason(s)

It is good practice to periodically review the Rules to ensure that they balance the need for efficient administration with the minimisation of any financial risks to the authority.

1. Introduction and Background

1.1 Within the Council's Constitution are the Council's Financial Rules, by which the Council controls itself and governs the manner in which it does its business. They define what officers can and cannot do without higher approval. It is good practice to periodically review the Rules to ensure that they balance the need for efficient administration with the minimisation of any financial risks to the authority. The Financial Rules were reviewed by the Public Accounts and Audit Select Committee (PAASC) on 14 December 2011.

2. Proposal and Issues

2.1 The report to PAASC set out the background and proposed changes to the Rules, which principally concerned approval for limits for purchase orders following the implementation of the Oracle i-Procurement system and limits on amendments to approved budgets.

2.2 The corporate limits to the internal financial scheme of delegation for purchase orders and payment of accounts had not been amended for over seven years and the introduction of i-Procurement provided an opportunity for review. The new limits are informed both by comparison with other boroughs' limits and the number of invoices processed by value. Currently 95% of invoices are below £5,000 and 72% are below £500. The proposed limits are shown in Appendix B, with revenue limits in column 4 and capital limits in column 6.

2.3 Other boroughs reviewed also allowed departments to apply to vary the corporate limits where it was considered that this would improve the efficiency of their operations without unacceptably increasing risk. It is proposed that the Chief Financial Officer (Section 151 Officer) be authorised to allow amended levels of approval, subject to the submission of an agreed business case.

2.4 **Budget Virements-** Comparison with a number of other London Borough's showed a range of officer approval limits for virements from £100,000 to £500,000, with this Council being at the lower end of the range with a £100,000 officer limit. In order to improve the flexibility of service delivery, it is proposed that the limit for virements is aligned with the Council's key decision limit of £200,000. This is shown in Appendix B, column 8.

2.6 **Budget Adjustments-** Whilst a budget virement covers a transfer of a budget from its original purpose, there are also occasions when budgets might move either within or between departments, for example during restructures, but retain their original purpose. For these occasions it is proposed that a new category of a budget adjustment is introduced. There would be no limit to the adjustment levels for Divisional Directors, subject to the agreement of the Chief Financial Officer. The proposed limits are shown in Appendix B, column 10.

- 2.7 Further changes and additions have been made in order to provide more clarity, and these include:
- (a) The introduction has been expanded to clearly explain the purpose of the Financial Regulations and Rules.
 - (b) Section 1 (Roles and Responsibilities) has been expanded to clarify officers' responsibilities and accountability
 - (c) Section 5 (Risk Management and Control of Resources) includes details of the requirements for payments to be transmitted electronically.

3. Options Appraisal

- 3.1 If the proposed Financial Regulations and Rules were not adopted or adhered to, the Council would be exposed to the risk of financial malpractice, incurring fraud/corruption or loss, and having a negative external audit report.

4. Consultation

- 4.1 Public Accounts and Audit Select Committee

5. Financial Implications

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- 5.1 Although there are no specific implications for the Council the revisions include a number of changes to the Financial Rules that govern how the Council conducts its financial transactions.

6. Legal Implications

Implications completed by: Paul Feild Corporate Governance Lawyer

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- 6.1 A periodic review of the Council's financial regulations and the resulting proposed changes to the scheme of delegation are part of the mechanism of ensuring sound governance arrangements in accordance with good practice. Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a robust system of internal control and management of financial risk. The measures in this report support that requirement.

7. Other Implications

7.1 Risk Management

The procedures laid out in the Financial Regulations and Rules represent sound and robust financial practice. If they were to not be adopted or adhered to then the Authority would be exposed to the risk of having financial malpractice; incurring fraud / corruption or loss; and having a negative external audit report.

Background Papers Used in the Preparation of the Report:

Report to PAASC – 14 December 2011

List of appendices:

Appendix A – Revised Financial Regulations and Rules

Appendix B – Revised Internal Financial Scheme of Delegation Limits