

# The Assembly

23 February 2011

## Report of the Corporate Director of Finance & Resources

This report is submitted under Agenda Item 8. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order to enable the Council to continue to demonstrate good governance in relation to matters subject to the Council's Financial Regulations.

<b>Title:</b> Review of the Financial Regulations 2011	<b>For Decision</b>
<p><b>Summary:</b></p> <p>At its meeting on 15 December 2010, the Public Accounts &amp; Audit Select Committee (PAASC) considered the attached report, '<i>A Review of Financial Regulations</i>',</p> <p>The existing financial regulations had become out dated, particularly due to a lack robustness and relevance to the current operating environment.</p> <p>The attached covering report to PAASC (Appendix A) sets out the background to the finance regulations, and the need for this review. In summary, the Financial Regulations set out procedures and good practice guidance in respect of all aspects of the Finance and Audit agenda, including budget setting, budget monitoring, closure of accounts, treasury management, fraud, insurance, and the control of resources. The attached report also sets out the main drivers for change in this review (both internally and externally), which include new Council structures, new CIPFA guidance and International Financial Reporting Standards, and the rollout of i-Procurement.</p> <p>Following this review, a number of amendments have been made to the financial regulations particularly around links to the contract rules, timescales, and the monthly finance monitoring process. A copy of the proposed regulations are detailed in Appendix B.</p> <p>The Assembly is now being asked to approve the new regulations for full adoption across the Council.</p>	
<p><b>Recommendation(s)</b></p> <p>The Assembly is recommended to:</p> <ul style="list-style-type: none"><li>(i) approve the new financial regulations for full adoption across the Council as set out in Appendix A; and</li><li>(ii) approve any consequential amendments to the Constitution and Scheme of Delegation contained in the regulations.</li></ul>	
<p><b>Comments of the Chief Financial Officer</b></p> <p>The comments of the Director of Finance &amp; Resources are contained within the body of this report.</p>	

**Comments of the Legal Partner**

Revisions to the financial regulations should assist the Council demonstrate good governance in relation to matters subject to the regulations. Members will further note that the new regulations also cover the new arrangements with Elevate.

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<b>Cabinet Member:</b> Cllr C Geddes	<b>Portfolio:</b> Cabinet Member for Finance, Revenues & Benefits.	<b>Contact Details:</b> Tel: 020 8724 2892 E-mail: <a href="mailto:cameron.geddes2@lbbd.gov.uk">cameron.geddes2@lbbd.gov.uk</a>

**PUBLIC ACCOUNTS AND AUDIT SELECT COMMITTEE****15 December 2010****REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES**

<b>Title: Review of Financial Regulations</b>		<b>For Comments</b>
<b>Summary:</b>		
<p>Attached at Appendix A to this report is the proposed Financial Regulations, which members of PAASC are asked comment on, prior to submission to Assembly for their final approval and adoption.</p> <p>The Financial Regulations set out procedures and good practice guidance in respect of all aspects of the Finance and Audit agenda, including budget setting, budget monitoring, closure of accounts, treasury management, fraud, insurance, and the control of resources.</p> <p>The current Financial Regulations have now become out of date, and lack robustness and relevance in the current environment. There has therefore been the need to undertake a complete review of them in order to ensure they remain adequate and fit for purpose. Specific drivers for change, which have now been reflected in the new draft regulations, include CIPFA's good practice guide on financial regulations; international accounting standards; external audit comments, new Council structures; the arrangements in respect of the Joint Venture; and the development of I-Expenses and I-Procurement. Other specific changes / additions to the regulations have also been made in order to improve / strengthen them, and these are summarised in the body of this report.</p>		
<b>Wards Affected: All</b>		
<b>Recommendation(s):</b>		
PAASC is asked to comment on the proposed Financial Regulations		
<b>Implications :</b>		
<b>Legal:</b>		
<b>Financial:</b> There are no direct financial implications arising from this report		
<b>Risk:</b> The procedures laid out in these regulations represent sound and robust financial practice. If these regulations 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.		
<b>Contact Officer:</b> Jonathan Bunt	<b>Title:</b> Corporate Financial Controller	<b>Contact Details:</b> Tel: 020 8724 8427 E-mail: jonathan.bunt@lbbd.gov.uk

**The following people were consulted in the preparation of this report:**

- The Finance Management Team (Jonathan Bunt, Jo Moore, Steve Whitelock, Lee Russell, Kathy Freeman, and Alex Anderson)

- Miriam Adams, Treasury Management
- Sandy Hamberger – Audit & Risk Controller
- David Greenfield – Audit Manager
- Sharon Roots – Risk and Insurance Manager
- Winston Brown – Legal Partner
- John Dawe – GM, Democratic Services
- Alan Dawson – Team Leader, Democratic Services
- Martin Rayson – Head of Human Resources
- Sue Lees – Divisional Director, Strategic Asset Management & Capital Delivery
- Kevin Sullivan – GM, Asset Management
- David Robins – Procurement Manager

**The following documents were consulted in the preparation of this report:**

- ‘Financial Regulations: A Good Practice Guide for an English Modern Council’ (CIPFA).
- Treasury Management: Revised CIPFA Treasury Management Code of Practice 2009; Cross-Sectoral Guidance Notes 2009; and Revised CIPFA Prudential Code

## **1. Background**

- 1.1 The financial regulations govern the way the Council undertakes financial management and planning, and the way the day-to-day financial administration and controls are carried out.
- 1.2 These financial regulations apply to every Member and Officer of the Council. They set out the financial responsibilities of the Assembly, Cabinet, Committees, and the senior officers of the Council; and each Corporate Director is responsible for ensuring that they are adhered to throughout their Department. Any breaches of these regulations would be dealt with through the disciplinary process.
- 1.3 These regulations are also supported by other elements of the Council’s constitution, including contract standing orders, the scheme of delegation, the roles of committees, and employee codes of conduct.
- 1.4 As noted in the Summary above, the Council’s current financial regulations are in need of review, in order to make them more robust and relevant, and to take into account the various changes that have occurred in the external environment as well as internally across the Council.
- 1.5 The main changes and additions to the regulations are set out below.

## **2. Updates / Changes to the Financial Regulations**

- 2.1. These Regulations have been updated to reflect various drivers for change that have occurred both within the external environment and internally across the Council, as follows:
  - (a) CIPFA’s good practice guide on financial regulations: – The Councils regulations have now been divided into five main sections, consistent with CIPFA’s guide: (A) Financial Management, (B) Financial Planning, (C) Risk Management & Control of

Resources, (D) Systems & Procedures, and (E) External Arrangements. There have also been specific content changes and additions within each of these headings accordingly, and particularly within sections D and E, in order to align our regulations with best practice.

- (b) International accounting standards: - All Authorities in England are now required to adhere to international financial accounting standards, and this is reflected in the regulations for example with a new section on leases.
- (c) New Council structures: - The wording of the procedures now reflects the Council's current management structure, committees, lines of reporting/delegation, and job titles (e.g. the post of Corporate Director of Finance & Resources).
- (d) Joint Venture: - The regulations now contain a new section on the Joint Venture arrangements, within Section E, subsection 23, which includes the new client role the Council will be taken on. There are also changes in the Income Accounts section to reflect the new role of Elevate East London in raising accounts, previously carried out by the internal Revenue & Benefits Service.
- (e) I-Procurement and I-Expenses: - The regulations now reflect the rollout of I-Expenses and the proposed rollout of I-Procurement, and thus, the new requirements for ordering and paying, including to staff, to be carried out electronically, rather than using physical paper and cash.
- (f) Treasury Management: Sections have now been added to the regulations to reflect the Revised CIPFA Treasury Management Code of Practice 2009, Cross-Sectoral Guidance Notes 2009 and Revised CIPFA Prudential Code

2.2. Other specific changes / additions have also been made to the regulations in order to strengthen them, and make them more robust and fit for purpose, and these most notably include:

- (a) Responsibilities (Section A) – this section has been greatly expanded in order to clearly set out the responsibilities of the Assembly, Cabinet, Committees, Chief Executive, Corporate Director of Finance & Resources, and other Directors and Chief Officers.
- (b) Closure of Accounts (Section B, 5) – this section has been added in order to clearly set out the responsibilities and procedures in respect of closing the accounts and producing the Statement of Accounts (including audit and inspection).
- (c) Risk Management and Whistleblowing (Section C, 8) – this section has been added to the regulations in order to reflect best and current practices in risk management and the Councils whistleblower scheme.
- (d) External Funding (Section E, 24) – this section has been added in order to set out the critical responsibilities and procedures in respect of attracting and recording funding from external organisations.
- (e) Financial approval limits, for example in respect of budget virements, have also been amended throughout in order to make them more relevant and up-to-date.