

ASSEMBLY

4 December 2013

Title: Constitutional Amendments to the Council's financial regulations and rules.	
Report of the Chief Finance Officer	
Open Report: Yes	For Decision: Yes
Wards Affected: All	Key Decision: Yes
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Accountable Director: Jonathan Bunt, Chief Finance Officer	
Summary: This report sets out the review of the Council's Financial Regulations and Rules, which forms Part D of the Constitution. 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. The Financial Regulations and Rules have been amended reflect the operational needs of the business and to address the proposed changes to the Contract Rules. The Contract Rules are also being put forward to Assembly for consideration. The Assembly is ask to note that the approval levels for revenue budget virements as set down in Appendix B , and the allocation of contingency monies have not been amended as part of this current review. Instead they will be considered as part of the overall Constitution review which will be presented for approval in the lead up to the establishment of a new Council in May 2014	
Recommendations: The Assembly is recommended to: <ol style="list-style-type: none">1. Approve the new Financial Regulations and Rules for full adoption across the Council as set out in Appendix A of this report;2. Authorise the Chief Finance Officer to vary the revised corporate limits set out in section 2 and Appendix B of this report where changes are considered to improve the efficiency of the Council's financial operations without unacceptably increasing risk and;3. Authorise the Monitoring Officer to make the necessary amendments to the Council's Constitution.	

Reason(s)

It is good practice to periodically review the Rules to ensure that they balance the need to 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 business. The Rules define the operational boundaries for officers, what they can do and cannot do without higher approval.
- 1.2 It is good practice to periodically review the Rules to ensure they are relevant and up to date.
- 1.3 The Financial Regulations and Rules have been amended to reflect the operational needs of the business and to address the proposed changes to the Council's Contract Rules.

2. Proposals and Issues

- 2.1 The Rules sets out guidance regarding revenue and capital budget monitoring, budget setting, use of reserves, ordering of goods and services, risk management, fraud, insurance, treasury and investment activities.
- 2.2 In order for efficient administration of the Council, the Rules have been amended as such. A summary of the proposed changes to financial limits is attached in **Appendix B**. The main changes are set out in paragraphs 2.3 to 2.7 below:
- 2.3 *Revenue Budget Monitoring*
The Rules propose that overspends in excess of £250,000 will result in an action plan to Cabinet which sets out proposals for offsetting it and the impact of corrective actions on service delivery. Any overspends below this value will be addressed by the Corporate Director in consultation with the Chief Finance Officer.
- 2.4 *Use of Reserves*
The Rules propose that all virements to and from Reserves must be approved by Cabinet.
- 2.5 *Approval Limits*
Contracts greater than £500,000 must be reported to Cabinet before the procurement process begins. Procurement of lower value contracts is subject to a series of procedures and controls set out by the Constitution's Contract Rules. As specified by the Contract Rules, any procurement activity relating to expenditure funded from the Public Health grant, or from Adult Social Care can be approved by either Cabinet or the Health and Wellbeing Board.
- 2.6 *Ordering and Paying for Goods and Services*
In order to meet the operational needs of the business, the i-Procurement authorisation levels have been amended. For revenue purchases, the limits will be increasing for Group Managers from £5,000 to £50,000, Divisional Directors from

£250,000 to £500,000 and unlimited approval for Corporate Directors. Nominated commissioning managers are able to approve requisitions up to £100,000. The limits have been increased to reflect the operational needs of the business however, it should be noted that there must always be full compliance with the relevant provisions of the Contract Rules. Any procurement over £500,000 will require Cabinet approval or where appropriate approval of the Health and Wellbeing Board. Therefore, Directors can only approve requisitions above £500,000 once the said Member approval has been sought. As with paragraph 2.5, expenditure funded from the Public Health Grant and Adult Social Care budgets can be approved by either Cabinet or the Health and Wellbeing Board. For Capital requisitions, the Rules propose that only project managers can approve requisitions up to £50,000, with the limits for Programme Managers, and Project Sponsors remaining the same. These changes are set out in **Appendix B** of the report.

2.7 Capital Appraisal Process and changes to the Capital Programme

The Rules have been amended to better define the Capital Appraisal Process. All proposed capital schemes must go through a Capital Appraisal Process. The Appraisal Process will assess the options analysis, financial implications, procurement options, legal and risk implications, prior to schemes being submitted to Cabinet.

2.8 Use of Contingency

The contingency as set in each year's budget may be called upon by Corporate Directors in consultation with the Chief Finance Officer, for individual items of expenditure up to £100,000. Contingency requests over £100,000 must be approved by Cabinet. This remains unchanged.

3. Options Appraisal

- 3.1 The Financial Regulations and Rules were recently reviewed in December 2012. As such, a general update to the Rules has been made to reflect the changes put forward by the Contract Rules.

4. Consultation

- 4.1 Amendments to the Rules have been discussed at CMT.

5. Financial Implications

Implications completed by: Kathy Freeman, Group Manager Corporate Finance

- 5.1 Although there are no direct financial implications arising from this report, the revisions include a number of changes to the Financial Rules that govern how the Council conducts its financial transactions. These changes are highlighted in section 2 of this report, and further details are attached in **Appendix B**.

6. Legal Implications

Implications completed by: Eldred Taylor-Camara, Legal Group Manager

- 6.1 A periodic review of the Council's financial regulations is 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 Council would be exposed to the risk of having financial malpractice; incurring fraud/corruption or loss. This would also lead to a negative external audit report.

7.2 Contractual Issues

None

7.3 Safeguarding Children

None

7.4 Health Issues

None

7.5 Crime and Disorder Issues

None

7.6 Property / Asset Issues

None

Background Papers Used in the Preparation of the Report:

Draft Contract Rules October 2013

Financial Regulations and Rules December 2012

List of appendices:

Financial Regulations and Rules (Part D of the Constitution) – Appendix A

Summary of the Financial Limits – Appendix B