



East  
Northamptonshire  
Council

## Finance Sub-Committee 1 December 2014

### Financial Regulations

#### Purpose of report

To present to Members proposals for key changes to the Financial Regulations elements of the Council's Constitution.

#### 1. Background

1.1. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law; others are a matter for the Council to choose. At present the financial regulations are spread over parts 4.3 (Budget and Policy Framework Rules), 4.5 (Finance Procedure Rules), 4.6 (Procurement Rules) and 4.6A (Operational Financial Decision Procedures)

#### 1.2. Review of Financial Regulations

1.3. It is best practice to review the financial regulations regularly to ensure they remain up to date.

1.4. During October 2014 a review was undertaken of the Financial Regulations within the constitution including comments by the council's legal advisers LGSS. This review covered parts 4.3, 4.5 and 4.6a.

1.5. The review identified areas where improvements could be made to ensure the regulations are easy to read and understand and reflect the current financial environment the Council is operating within.

1.6. Whilst the review was being carried out, research was undertaken into the constitutions and financial regulations within other Councils across local government. A sample was reviewed to ensure that the revised financial regulations are consistent and demonstrate best practice.

1.7. This report seeks feedback from the committee surrounding the proposed changes. Any additional feedback received from the committee will be incorporated into the financial regulations prior to the changes being submitted to Policy and Resources Committee in due course.

1.8. The review highlighted two main areas for improvement:

- a) streamlining parts 4.3, 4.5 and 4.6A into one document with a simple structure based on respective responsibilities and the financial cycle. Section titles would be: Framework, Financial Management, Financial Planning, Financial Control, Risk Management, Systems & procedures and External Arrangements. Work is progressing on the consolidated text.
- b) reviewing the authorisation roles and limits for activities such as virement and urgent items to reflect changed council structures and the significant time period since the last major review.

1.9. In terms of the second area identified above the views of this committee are sought on the following proposed changes:

- a) Removal the requirement for (full) Council to annually specify the level of virement and policy changes but (full) Council will retain the responsibility for authorising changes when needed
- b) Changes to virement authorisation limits as follows to increase flexibility within overall budget agreed by Council;

<b>Current Arrangements (part 4.3, para 3)</b>	<b>Proposed Arrangements</b>
Chief Executive and Executive Director – up to £1000	Chief Executive and Executive Director – up to £10,000
Chief Finance Officer – up to £10,000	Chief Finance Officer – up to £25,000
Policy and Resources Committee – over £10,000	Chief Finance Officer in consultation with Chair of Finance Sub-Committee or Chair of Policy and Resources Committee – up to £50,000
	Policy and Resources Committee – over £50,000

- c) Changes to urgency provisions as follows to better respond to possible emergency scenarios and reflect proposed changes to virement limits noted above

<b>Current Arrangements (part 4.3, para 6)</b>	<b>Proposed Arrangements</b>
For sums over £10,000, Leader of Council and Chair of Policy and Resources (or in their absence their deputies) after written report from Chief Executive/Executive Director countersigned by Chief Finance Officer. To be reported to next Policy and Resources Committee	For sums between £25,000 and £100,000, the Chairman of the Finance sub-Committee and the Chair of Policy and Resources shall be authorised to approve such urgent expenditure by Chief Finance Officer. To be reported to next Finance Sub Committee.
	For sums over £100,000 Leader of Council and Chair of Policy and Resources (or in their absence their deputies) shall be authorised to approve such urgent expenditure after written report from Chief Executive / Executive Director countersigned by Chief Finance Officer. To be reported to next Policy and Resources Committee

- d) Reference to the use of the Council Improvement Reserve as follows: “The Council Improvement reserve is to provide the investment the Council requires to deliver transformation projects. The use of this reserve will be on strict criteria linked to a business case and will require sign off by the Chief Finance Officer and Finance Sub Committee”
- e) Changing the interval between reviews of the Financial Rules from 2 years to 5 years in line with other key policies.

## **2. Equality and Diversity Implications**

2.1. There are no equality and diversity implications arising from this report.

### 3. Legal Implications

3.1. There are no legal implications arising from this report.

### 4. Risk Management

4.1. There is a risk of financial maladministration if the Council's financial regulations are not up to date and fit for purpose.

### 5. Financial Implications

5.1. There are no financial implications arising from this report.

### 6. Constitutional Implications

6.1. This report sets out proposed updates to the financial regulations contained within the Council's constitution.

6.2. The Council's Contract Procedure Rules (Part 4.6 of the constitution) are currently being reviewed by Officers in consultation with Welland Procurement Unit. The outcome of this review will be reported to Members during 2015.

### 7. Corporate Outcomes

7.1. This report links to the following Corporate Outcome:

- Effective Management  
*Ensuring robust processes are in place to manage the Council's financial management processes.*

### 8. Recommendation

8.1 The committee is recommended to:

- consider the changes to the financial regulations proposed at paragraph 1.8 and agree which should be included in the revised Financial Procedure Rules, and
- agree that the draft revised text for the consolidated Financial Procedure Rules should be circulated to Committee members for comment before being presented to Policy and Resources Committee for recommendation to (full) Council

*(Reason – to allow this committee to input into the revised procedures before wider consideration and ensure the Council's financial regulations are up to date)*

<b>Legal</b>	Power: <b>Local Government Act 2003</b>				
	<b>Audit and Accounts Regulations</b>				
Other considerations:					
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Iain Jenkins, Interim Finance Manager ☎ 01832 742267 ✉ ijenkins@east-northamptonshire.gov.uk					
<b>Date:</b> 18/11/14					
<b>CFO</b> 21/11/14		<b>MO</b>		<b>CX</b> 21/11/14	

