REVIEW OF FINANCIAL REGULATIONS

1 SUMMARY

1.1 This report seeks Members' approval of proposed changes to the Financial Regulations.

2 BACKGROUND

2.1 The current Financial Regulations were introduced in January 2003.

2.2 Good practice requires these regulations to be reviewed on a regular basis. Since the existing regulations were introduced, E-procurement has been introduced to the Authority and a review of Contract Procedure Rules was finalised in February 2005.

3 CHANGES PROPOSED

3.1 Attached as Appendix 1 of this report is a list of proposed changes. Each change includes a brief explanation of the reason for the proposal.

4 RISK IMPLICATIONS

4.1 Strategic Risk

Comprehensive Financial Regulations and Contract Procedure Rules are core to Local Authorities' Corporate Governance requirements.

4.2 Resource Risk

Resources are at risk without sound Financial Regulations and Contract Procedure Rules.

4.3 Operational Risk

Poor Corporate Governance may lead to problems at operational level and thereby adversely affect service provision.

4.4 Reputation Risk

Local Authorities must be seen to be operating to the highest standards. Sound Financial Regulations and Contract Procedure Rules help to ensure robust and transparent Corporate Governance. Failure of Corporate Governance would have a disastrous effect on the reputation of an Authority.

4.5 Regulatory Risk

Robust procedures within Corporate Governance are taken into account in any Comprehensive Performance Assessment.

4.6 **Third Party Risks**

Sound regulations imbedded within the structure and culture of an organisation help to prevent errors which could lead to third party claims.

5 FUTURE CONSIDERATIONS

5.1 As Members will see from Appendix 1, the post of Corporate Director (Finance & External Services) is the nominated S151 officer for the Authority.

5.2 Following the imminent management restructuring, it may be necessary to re-allocate the S151 duties. In the event, the Financial Regulations will need to be changed accordingly.

5.3 It is suggested that these changes could be delegated to the Chief Executive.

6 RECOMMENDATION

6.1 It is proposed that the Committee **RESOLVES**

(1) That the changes to Financial Regulations, as set out in Appendix 1 of this report, be agreed.

(2) That the Chief Executive be authorised to amend the Financial Regulations in line with the revised management structure, as and when it is introduced.

Roger Crofts

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Background Papers:-

None

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APPENDIX 1

	Current Financial Regulation	**Proposed Change**
1.1	The Corporate Director (Finance & External Services) is responsible for the proper administration of the Council's financial affairs for the purposes of Section 151 of the Local Government Act 1972.	Name HFS as Deputy S.151 Officer in the absence of Corporate Director. *Formalises current arrangements*
3.11		Add new paragraph to allow Chief Executive in consultation with Corporate Director (Finance &External Services) to approve virements between capital projects up to 10% (maximum £25,000) of the capital programme budget. (in line with Contract Rules para 5.2)
3.16	A Corporate Director, in consultation with the Corporate Director (Finance & External Services), may approve virement of up to £5,000 within a Head of Service's budget, but not between the budgets of Committees without the approval of the Chairman of the Committee affected.	A Head of Service, in consultation with the Corporate Director (Finance & External Services), may approve aggregate virements of up to £500 within a Head of Service's budget. A Corporate Director, in consultation with the Corporate Director (Finance & External Services), may approve aggregate virements of up to £5,000. *Permission for virements between committees not required owing to centralised budgetary control. And budget agreed by full Council.*

	Current Financial Regulation	**Proposed Change**
4.3	All orders shall be made on standard order forms approved by the Corporate Director (Finance & External Services). No other form or order shall be used	All orders shall be made on standard order forms or using the prescribed on-line procurement system approved by the Corporate Director (Finance & External Services). No other form or order shall be used *Required for E-procurement*
4.5	All copies of orders shall show the estimate votes involved and the estimated amount chargeable to each vote.	All copies of orders shall show the cost centre code involved and the estimated amount chargeable. *Simplified wording.*
4.7	All orders shall bear the personal signature of a Head of Service or other authorised officer, in accordance with the Scheme of Delegations.	All manual orders shall bear the personal signature of a Head of Service or other authorised officer, in accordance with the Scheme of Delegations. All electronic orders shall be authorized on-line by a Head of Service or other authorised officer, in accordance with the Scheme of Delegations. *Required for E-procurement*
4.8	Before signing an order, the Head of Service or authorised officer shall be satisfied, by means of competitive quotations or otherwise, that it will obtain the best value for the price to be paid.	Before authorising an order, the Head of Service or authorised officer shall be satisfied, by means of competitive quotations or otherwise, that it will obtain the best value for the price to be paid and that the order complies with the Contract Procedure Rules *Tie in with revised Contract Procedure Rules*

	Current Financial Regulation	Proposed Change
5.7		5.7 Paragraphs 5.1 to 5.5 do not apply to invoices related to orders raised using an on-line procurement system. In these cases the following apply: 5.8 The Corporate Director (Finance & External Services) shall be responsible for the examination, verification and certification of the related invoices. The Corporate Director (Finance & External Services) shall make such checks, arithmetical and otherwise, as are deemed necessary and shall be given all information and explanations as are required. 5.9 Each Head of Service shall be responsible for ensuring that all discounts have been recorded in the order. 5.10 Each Head of Service shall be responsible for ensuring that the electronic order is updated when goods or services are received in line with the current procedures. 5.11 The Corporate Director (Finance & External Services) shall be responsible for ensuring that duplicate payments are not made. 5.12 All invoices for payment shall be certified by the Corporate Director (Finance & External Services) or other authorised officer. *Required for E-procurement*

	Current Financial Regulation	**Proposed Change**
6.1	Payments to Members, including co-opted Members of the Council or its Committees, who are entitled to claim allowances, will be made by the Corporate Director (Finance & External Services) upon receipt of the prescribed form duly completed by the Member and certified by the Head of Administrative and Member Services	Payments to Members, including co-opted Members of the Council or its Committees, who are entitled to claim allowances, will be made by the Corporate Director (Finance & External Services) upon receipt of the prescribed form duly completed by the Member. *Responsibility and accountability lies with Members to make appropriate claims*
10.1	The relevant Head of Service shall notify the Corporate Director (Finance & External Services) as soon as possible and in the prescribed form of all matters affecting such payments, and in particular:- (a) appointments, resignations, dismissals, suspensions, secondments, and transfers; (b) absences from duty for sickness or other reasons, apart from normal annual leave;	The relevant Head of Service shall notify the Corporate Director (Law, Planning and Admin) and/or Corporate Director (Finance & External Services) as soon as possible and in the prescribed form, of all matters affecting such payments, and in particular:- (a) appointments, resignations, dismissals, suspensions, secondments, and transfers; (b) absences from duty for sickness or other reasons, apart from normal annual leave;
	(c) changes in remuneration, other than normal increments and pay awards and agreements of general application; (d) information necessary to maintain records of service for superannuation, income tax, national insurance and the like.	(c) changes in remuneration, other than normal increments and pay awards and agreements of general application; (d) information necessary to maintain records of service for superannuation, income tax, national insurance and the like. *Formalises the need for Human Resources to receive information relating to staff matters.*

	Current Financial Regulation	**Proposed Change**
11.7	Collecting officers should immediately bank all cheques (irrespective of their value) if they have any doubt as to the credibility or credit worthiness of the customer or client making the payment.	Collecting officers should immediately pay in all cheques (irrespective of their value) to the main Cash Office, particularly if they have any doubt as to the credibility or credit worthiness of the customer or client making the payment. *As we no longer bank cheques at a local branch,*
11.8	The Corporate Director (Finance & External Services) shall pay into the Council's Bank no later than the next following business day after receipt, all monies received by the Financial Services Division.	The Corporate Director (Finance & External Services) shall ensure that all monies received are collected by the next Security collection, for payment in to the Council's bank account. *We no longer bank cheques at a local branch.*
11.11	The Corporate Director (Finance & External Services) is authorised to write off amounts due to claimed by the Council up to £5,000 and after consultation with the Leader of the Council between £5,000 and £15,000.	The Corporate Director (Finance & External Services) is authorised to write off amounts due to claimed by the Council up to £5,000 and after consultation with the Leader of the Council between £5,000 and £15,000. Amounts over £15,000 must be reported to Policy and Finance Committee. *Formalises reporting limit over £15,000*
19.2	The following Treasury Policy Statement is adopted. (a) Subject to any statutory restrictions, the Corporate Director (Finance & External Services) shall be responsible for all borrowings of the Council, including the selection of borrowing instruments, sources of financing and borrowing strategy.	The one in the Financial Regulations is not the one recommended by the Code of Practice. It should read: **Treasury Management Policy Statement** (a) This Council adopts CIPFA's "Treasury Management in the Public Services: Code of Practice 2001"

	Current Financial Regulation	Proposed Change
	(b) Subject to any statutory restrictions, the Corporate Director (Finance & External Services) shall be responsible for all investments of the Council, including the selection of investment instruments and investment strategy. At all times, as far as is possible, security of the Council's funds is the overriding factor and for this purpose the Corporate Director (Finance & External Services) shall maintain a list of organisations with whom funds may be invested. (c) External fund managers may be appointed by the Council and any such fund managers shall be informed that they are expected to comply with the Council's approved treasury policy statement. (d) All borrowing and investment instruments shall be in the name of Rochford District Council.	(b) The Council defines its treasury management activities as: "The management of the authority's cash, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." (c) The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly the analysis and reporting of treasury management activities will focus on their risk implications for the authority. (d) This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management. (e) All money in the hands of the Council shall be aggregated for the purposes of treasury management and shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972 or Section 95 of the Local Government (Scotland) Act 1973, referred to in the Code as the Chief Financial Officer.

	Current Financial Regulation	Proposed Change
		(f) All executive decisions on borrowing, investment or financing shall be delegated to the Chief Financial Officer or through him to his staff, who shall all be required to act in accordance with CIPFA's "Treasury Management in the Public Services: Code of Practice 2001" (g) The Chief Financial Officer shall report to the Policy and Finance Committee, on the treasury management policies, practices and activities including an annual strategy and plan in advance of the year and annual report after its close, and on the exercise of Treasury Management powers delegated to him.
19.3	All money in the hands of the Council shall be aggregated for the	Delete paragraph as part of above policy statement
19.4	At or before the start of the financial year the Corporate Director (Finance & External Services) shall report to the Council on the strategy for treasury management for the coming financial year.	
19.5	All executive decisions on borrowing, investment or financing shall be delegated to the Corporate Director (Finance & External Services) who shall be required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.	*The ensures compliance with CIPFA best practice*

	Current Financial Regulation	Proposed Change
19.6	The Corporate Director (Finance & External Services) shall report to the Council not less than once in each financial year on the activities of the treasury management operation and on the exercise of treasury management powers delegated to him. One such report shall comprise an annual report on Treasury Management for presentation by 30th September of the succeeding financial year.	