

REPORT TO	ON
Governance Committee	Tuesday, 23 March 2021

TITLE	REPORT OF
Proposed Updated Financial Regulations & Financial Procedure Rules	Deputy Director of Finance (Section 151 Officer)

Is this report confidential?	No
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Purpose of the Report

1. This report reviews and updates the financial regulations and financial procedure rules which form part of the Council's Constitution

Recommendations

2. Committee notes the proposed changes to the financial procedure rules and recommends their adoption.

Reasons for the Recommendations

3. As part of the Annual Governance Statement Action Plan there was a requirement to review the financial procedures within the Council's constitution. This report describes the review of the financial procedure rules, the proposed changes and the proposed financial procedure rules documents.

Other options considered and rejected

4. None

Corporate Outcomes

5. The report relates to the following corporate priorities:

An exemplary council	✓	Thriving communities	
A fair local economy that works for everyone		Good homes, green spaces, healthy places	

Background to the report

6. As part of the Annual Governance Statement Action Plan there was a requirement to review the financial procedures within the Council's constitution.

Findings of the Review

7. The main outcomes of the review were as follows:

- That the current financial regulations and financial procedures are sufficient to provide officers and members with the necessary powers and oversight to manage the administration of the council's budget and other finance related activities.
- This includes the processes for applying for external funding, it is clear within the financial procedure rules what is expected from officers.
- However, some amendments and updates are proposed and are outlined in the remainder of this report and in Appendix A. As well as updating the financial procedures, these amendments will also align Chorley and South Ribble Council's financial procedure rules. This is crucial as both councils share senior budget holder responsibilities with further shared services likely in the future.
- That the finance team will provide training to all current and new budget managers to ensure the key elements of the financial procedure rules are understood and adhered to.

Key Proposed Changes to the Financial Procedure Rules

8. The review outlines some key changes to the Financial Procedure Rules that are listed below:

- Section 1.3 regarding relevant job titles has been moved to a more relevant position at the start of the report. Job titles have been updated throughout the report.
- Section 2.4 on estimates of income and expenditure has been amended to incorporate the annual production of a budget book.
- Sections 2.11 regarding the scheme of virements makes changes to the level at which budget movements can be authorised. The main changes being:
 - Allowing an authorised budget movement (but not a budget increase) of up to £50k to be made by the Chief Executive, Director of Finance and relevant Chief Officer (Director) – previously the limit was up to £10k without member approval
 - Executive members can sign off budget movements up to £100k rather than £75k, anything at or above £100k must be authorised by Full Council. This will align the council's financial regulations with the key decision approval threshold administered through Full Council.
- Section 3.4 on capital expenditure has been brought in line with the changes to virement approvals outlined above. Note that this requires a report to Council for every scheme with requests for new or increased budgets over £100k. For any changes below £100k approval is via powers delegated to the relevant Chief Officer, with approval from the Head of Paid Service and Chief Finance Officer, and relevant Executive Member with financial appraisal requirements.
- Sections 3.14 to 3.20 regarding capital expenditure have also been brought in line with Sections 2.11 and 3.4 noted above.

9. Any breach of these Financial Regulations, unless they are made under the powers of urgent decisions outside of the budgetary framework, must be brought to the attention of the Chief Finance Officer and the Monitoring Officer, who may decide that disciplinary action should be brought against the individual(s) breaching the regulations.

Next Steps

10. If approved, the changes to the financial procedure rules will be proposed to Full Council for approval.
11. The council is undergoing changes to its induction and training procedures with training increasingly being brought online via the learning management system. The finance team will create a number of videos that will highlight the key areas of compliance for budget managers with regards to the financial procedure rules. This training will be made mandatory for all budget managers and as part of any new budget manager's induction.
12. The finance service continues to provide training for all staff responsible for requisitioning purchase orders and approving invoices. However, online video tutorials will also be uploaded to the learning management system to facilitate staff compliance with procurement and financial procedure rules.

Risk

13. The delivery of these actions, including training, will enable the council to manage any risks of non-compliance with the financial regulations.

Comments of the Statutory Finance Officer

14. The report outlines a number of changes to the financial procedure rules however none fundamentally change the responsibility for proper financial management. The report states that new training will be delivered to update existing and new budget holders as to their responsibility to the council's financial procedures.

Comments of the Monitoring Officer

15. The changes outlined in the report and in appendix A are in response to the Council's review of its constitution as outlined in the Annual Governance Statement.

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