



AGENDA ITEM: 10

SUMMARY

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| Report for: | Audit Committee |
| Date of meeting: | 17 June 2014 |
| PART: | 1 |
| If Part II, reason: | |

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| Title of report: | Financial Regulations Revision |
| Contact: | Cllr Nicholas Tiley, Portfolio Holder for Finance & Resources James Deane, Assistant Director (Finance & Resources) |
| Purpose of report: | To provide details of the proposed changes to the Council's Financial Regulations. |
| Recommendations | That Committee scrutinise the proposed revisions to the Financial Regulations prior to submission for Cabinet approval. |
| Corporate objectives: | This report supports all of the Council's corporate objectives. |
| Implications: | Financial and Value for Money implications are contained within the body of the report. |
| Risk Implications: | Contained within the body of the report. |
| Consultees: | Corporate Management Team Finance & Resources OSC (4 June 2014) |
| Background papers: | None |

Introduction

1. The Financial Regulations provide the framework for managing the financial affairs of the Council. They are approved by the Council and they apply to every Member and employee of the Council and to anyone acting on its behalf.
2. In accordance with good practice, the Financial Regulations are reviewed periodically to ensure that they remain relevant throughout any structural or operational changes within the Council.

3. All sections of the Regulations have been reviewed, and in addition to the general updates relating to job titles and links to other documents, the following substantial amendments are proposed.
4. Members please note that due to the size of the document, hard copies of the revised Financial Regulations have not been made distributed to individual members of the committee. Instead, hard copies have been placed in the Majority and Minority rooms, and an electronic copy is available at the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/resources-14-06-04-item-12--financial-regulations-appendix-a.pdf?sfvrsn=0>

Proposed updates

5. **Annex B, Regulation B.11, clause 3.m** has been removed from the Regulations. The clause read as follows:

'The Section 151 Officer shall include in his/her quarterly financial performance report details of virements carried out since the previous report.'

The majority of virements are effectively 'tidying up' exercises and relate to low value changes made to assist Officers in managing their budgets at a detailed level. It is proposed that the best use of Member time is to request overview only of material virements, as defined by the Schedule of Authorisations, Annex H, Item 1.

6. **Annex D, Schemes of Delegation, Regulation D.4** – pre-revision did not specify approval levels by postholder, and gave scope for differing delegation levels across the Council. In practice, this proved difficult to control, and since the last edition of the Regulations the Council has moved to a more consistent scheme of delegation, which has been maintained by Financial Services.

It is proposed that this revised edition of the Regulations includes the following Scheme of Delegations:

| Postholder | Authorisation Level | |
|---------------------|---------------------|------------------|
| | Contract Letting | Agresso Approval |
| Chief Executive | £500,000 | £10,000,000 |
| Section 151 Officer | £500,000 | £10,000,000 |
| Corporate Director | £500,000 | £1,000,000 |
| Assistant Director | £250,000 | £250,000 |
| Group Manager | £50,000 | £50,000 |
| Team Leader | £10,000 | £10,000 |

The recommended authorisation levels have been set in conjunction with the Procurement Standing Orders to ensure that the Council has an efficient purchasing process.

7. **Annex H, Schedules of Authorisations, Item 1. Virement policy – hierarchy of authorisations**

The November 2011 Regulations contained the following two types of transaction within the hierarchy of authorisations, which should be removed from this section of the Regulations in the revised edition.

| Type | Applies to transfers between | Sanctioning Authority |
|-------------|---|------------------------------|
| 1 | Between General Fund and Housing Revenue Account | Council |
| 2 | Supplementary budgets funded from corporate and service-based reserves and balances | Council |

'Virement' is a term that refers to the transfer of budgets *within* a currently approved total budget. The two transfer types listed above both result in *changes* to the currently approved total budget, and should therefore be managed through Financial Regulation A.12 c) Supplementary estimates:

- Type 1 – the HRA is ringfenced from the General Fund and therefore transactions between the two will always result in changes to the total budget of both accounts.
- Type 2 – a supplementary budget, by definition, refers to a change in the currently approved total budget.

Virement Type 7 in the November 2011 Regulations contained the following conditions, which, if met would require all virement types to have Cabinet approval:

| Type | Applies to transfers between | Sanctioning Authority |
|-------------|---|------------------------------|
| 7 | For items where the amount to be vired is at least <ul style="list-style-type: none"> • £10,000 And <ul style="list-style-type: none"> • 10% of the transferring budget | Cabinet |

It is proposed that the monetary value within this condition is increased to £50,000, as below:

| Type | Applies to transfers between | Sanctioning Authority |
|-------------|---|------------------------------|
| 5 | For items where the amount to be vired is at least <ul style="list-style-type: none"> • £50,000 And <ul style="list-style-type: none"> • 10% of the transferring budget | Cabinet |

The basis for this proposal is that the Sanctioning Authority for the first four virement types is robust, and that Members need only scrutinise virements of higher value.

8. **Annex H, Schedules of Authorisations, Item 14. Exceptions to advance payments regulations**

The list of standing exceptions has been update to include those areas that for operational reasons require the Council to make payments in advance of the receipt of goods or services. These exceptions are:

- Software Support and Maintenance
- Software Licences
- Artist/Performer Fees

9. **Annex H, Schedules of Authorisations, Item 15. De minimis level for Procurement Standing Orders**

This item has been removed on the basis that all contracts are subject to the provisions contained in the Council's Procurement Standing Orders.