

**SURREY COUNTY COUNCIL****CABINET****DATE: 27 NOVEMBER 2018****REPORT OF: MR DAVID HODGE, LEADER OF THE COUNCIL****LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF FINANCE****SUBJECT: FINANCIAL REGULATIONS****COMMUNITY COUNCIL****VISION****OUTCOME:****SUMMARY OF ISSUES:**

This report presents new Financial Regulations for the Council, providing a framework within which Members and officers can carry out their responsibilities in an open and consistent manner.

The Financial Regulations have been designed to promote and maintain the highest standards expected of the public sector in dealing with resources, and fully reflect the Council's current financial position and the requirements of the Budget Accountability Statement (BAS).

The report also recommends that approval of the Council's annual Treasury Management Strategy Statement be delegated to the Audit and Governance Committee, and the Constitution be amended accordingly.

**RECOMMENDATIONS:**

It is recommended that Cabinet:

1. Consider the new Financial Regulations and recommend Council approval on 11 December 2018.
2. Consider, and recommend to Council the delegation of approval of the annual Treasury Management Strategy Statement to the Audit and Governance Committee. Members of the Audit and Governance Committee will receive appropriate training.
3. Consider and recommend the necessary amendments to the Council's Constitution.

**REASONS FOR RECOMMENDATIONS:**

The Council's Annual Governance Statement for 2017/18 identified that actions were required to strengthen governance, including the need to revise and reinforce the Financial Regulations. As the Council is facing unprecedented financial

pressures, a comprehensive review is required to reflect the new financial environment.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and Treasury Management Code of Practice (2017) requires local authorities to prepare a Capital and Investment Strategy from April 2019. The introduction of this new strategy means that approval of the annual Treasury Management Strategy Statement may be delegated to a sub-committee. Delegation of this function to the Audit and Governance Committee should facilitate more active discussion of the strategy by Members who have received specific training in this area.

#### **DETAILS:**

1. Financial Regulations provide a set of rules which apply to all Members and Officers of the Council. They aim to provide a comprehensive framework for everyone acting for or on behalf of the Council, to carry out their responsibilities in a consistent manner.
2. Financial Regulations are reviewed annually, and have therefore been developed over a number of years. As the Council is now facing unprecedented financial pressures and is in the process of embracing new working practices in a number of areas, a full revision has been undertaken to reflect the current financial environment.
3. There is no "best practice" template for local authority Financial Regulations, and therefore no standard approach to fit all. The new Financial Regulations are based on extensive research and best practice, and provide a clear and concise framework that fully reflects up to date requirements. They outline the financial responsibilities for Members, Senior Officers, Budget Managers and everyone with financial responsibilities.
4. The main difference between the current Financial Regulations and the new version is that the new version fully reflects the new Budget Accountability Statement, and more clearly outlines Budget Managers' responsibilities in setting and monitoring revenue and capital budgets. The financial limits contained within the Financial Regulations are considered to be appropriate and have therefore not been changed.
5. The new Financial Regulations include new sections on Asset Management covering estates, inventories and stocks and stores, including processes for disposal, stock adjustments and write off. The asset related sections are consistent with current practice and have been agreed with Property Officers.
6. Financial Regulations are supported by various handbooks for budget managers, these will be updated in due course. Training and workshops will be provided across the Council's services.
7. The revised CIPFA Prudential Code (2017) introduced the requirement for a new capital strategy from 1 April 2019. Alongside this new requirement, the Code allows authorities to delegate the detailed management of Treasury Management to a sub-committee from April 2019. This means that approval of the annual Treasury Management Strategy Statement can be delegated to the Audit and Governance Committee, which is currently only required to

“review” the Treasury Management Strategy Statement prior to approval by Council.

8. Treasury Management can be seen as complicated and inaccessible to non-finance specialists. Delegation of approval of the detail of the Treasury Management Strategy Statement and ongoing monitoring can facilitate more active discussion of the strategy and performance by those with the most appropriate skills and knowledge. Responsibility at all times, however, remains with full Council who will have access to the full Treasury Management Strategy Statement, annual report and in-year monitoring and the ability to seek clarification and ask questions.
9. It is proposed that approval of the Treasury Management Strategy Statement is delegated to the Audit and Governance Committee, and the wording in the Constitution is amend from “review” to “review and approve” the annual Treasury Management Strategy Statement. Appropriate training will be provided for all Members of the Audit and Governance Committee.

#### **CONSULTATION:**

10. Consultation has been undertaken with the Leader of the Council, Chief Executive, Monitoring Officer, Internal Audit Manager, Democratic Services, Property Services and Human Resources.
11. Once approved, it is proposed that comprehensive training will be rolled out across the Council’s services.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

12. There are no significant risks involved in updating the Financial Regulations.
13. Delegation of the annual Treasury Management Statement may reduce Members’ involvement in Treasury Management. It is important to stress that overall responsibility for the Council’s Treasury Management function remains with full Council, and all Members will have access to the full suite of documents of polices and strategies, and will be able to seek clarification and ask questions about all aspects of Treasury Management activity. Members of the Audit and Governance Committee will receive annual training to fulfil the new responsibilities.

#### **Legal Implications – Monitoring Officer**

14. Under section 151 of the Local Government Act 1972, local authorities must make arrangements for the proper administration of its business affairs. The revised Financial Regulations attached to this report update the Council’s practices and procedures and strengthen financial governance, as highlighted in the Annual Governance Statement.
15. In line with the recent changes to the CIPFA Prudential Code, the report also proposes that approval of the annual Treasury Management Statement be delegated to the Audit and Governance Committee, which will allow for more detailed consideration of the strategy and further strengthen governance in this area.

16. If the report's recommendations are accepted, Members and Officers should be alerted to the revised regulations, as the Council could be at risk of legal challenge if they are not complied with.

#### **Equalities and Diversity**

17. There are no Equalities or Diversity implications

#### **WHAT HAPPENS NEXT:**

- The new Financial Regulations will be implemented as soon as practicable after Cabinet and Council approval
- Following approval, comprehensive training will be provided across Council services
- Financial Regulations will continue to be reviewed and updated on an annual basis
- Members of the Audit and Governance Committee will receive training

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#### **Contact Officer:**

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#### **Consulted:**

Leader of the Council, Chief Executive, Monitoring Officer, Democratic Services, Internal Audit Manager, Property Services, Human Resources

#### **Annexes:**

Annex 1 – Financial Regulations

#### **Sources/background papers:**

- Existing Financial Regulations
  - The Prudential Code for Capital Finance in Local Authorities 2018
  - The Treasury Management Code of Practice
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