



OFFICER REPORT TO COUNCIL

FINANCIAL REGULATIONS

KEY ISSUE/DECISION:

At its meeting on 27 November 2018, Cabinet considered the new Financial Regulations and recommended that Council approve the necessary changes to the Constitution.

Cabinet also recommended that Council approves delegation of the annual Treasury Management Strategy Statement to the Audit and Governance Committee, and necessary changes to the Constitution.

BACKGROUND:

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 (CIPFA)'s 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.

RECOMMENDATIONS:

- a. That Council approves the new Financial Regulations attached in Annex A.
- b. That Council approves the delegation of approval of the annual Treasury Management Strategy Statement to the Audit and Governance Committee.
- c. That Council approves the necessary amendments to the Council’s Constitution, to allow the Audit and Governance Committee to “review and approve” the annual Treasury Management Strategy Statement.

Lead/Contact Officers:

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Sources/background papers:

- Existing Financial Regulations
 - The CIPFA Prudential Code for Capital Finance in Local Authorities 2017
 - The CIPFA Treasury Management Code of Practice 2017
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