



OFFICER REPORT TO COUNCIL

AMENDMENTS TO FINANCIAL REGULATIONS

KEY ISSUE/DECISION:

This report seeks Council's approval to the proposed changes to the Financial Regulations.

BACKGROUND:

The Financial Regulations provide the framework of control, responsibility and accountability for the proper administration of the Council's financial affairs. This review ensures that the Financial Regulations remain current and reflect changes in the Council's processes and procedures since the last update in December 2015. The key changes highlight the significance of budget accountability of the Chief Executive, Executive Directors, Heads of Service (referred to as senior leaders throughout the regulations), budget holders and the duty of all employees, as well as members, to enable unrestricted access and timely information for Internal Audit.

A summary of the changes to the document are detailed below and highlighted in the revised Regulations, attached as Annex 1.

As the Council enters a period of significant change in the way it operates it is planned to further review these regulations alongside the councils constitution once the changes are finalised and complete, likely to be later in 2018.

DETAILS:

1. The Financial regulations have been updated to reflect the changes made to the Corporate Leadership Team roles, the budget planning process, to clarify budget holder accountabilities and Members roles since the new Chief Executive joined the council in March 2018.
2. Regulation 1 covering officers' roles and responsibilities has been rewritten to clarify responsibilities and accountabilities of senior leaders (previously senior managers) and budget holders. In particular, senior leaders are accountable for managing revenue and capital budget variations within agreed tolerances, and ensuring their nominated budget holders are similarly held to account. Budget holders should make staff aware of financial regulations and highlight the importance of compliance and their relevance to team members.

3. Regulation 1 also outlines changes in the risk criteria assessment for budget monitoring. The risk criteria will be based on gross expenditure, prior year variance, level of savings, complexity, political sensitivity, and budget holder experience. Depending on the risk assessment (High, Medium, Low), the budget will be reviewed either monthly or quarterly, and reported to Cabinet likewise or by exception.
4. Regulation 2 and 3 covering revenue and capital financial planning and management have been updated to reflect time changes in the budget preparation. Draft revenue and capital budget will be presented to Council in November rather than February, as it was in previous years. The timing of council tax precept remains unchanged (late January or early February).
5. Other changes to the Financial Regulations are summarised below:
 - a. Fees and charges annual review directions in Regulation 2 have been simplified in preparation for future changes, which will be part of the transformation programme.
 - b. Additional monthly reporting to the Corporate Leadership Team, Cabinet and Overview Scrutiny Committee, focused on tracking pressures and savings, has been included in Executive Director of Finance reporting section in Regulation 2.
 - c. Regulation 2 clarifies the accountability of Executive Directors for their budget management and reporting to be reflected in performance contracts.
 - d. Regulation 2 includes the scrutiny role for members in reviewing budget proposals ahead of budget setting and then in monitoring progress subsequently.
 - e. The role of Investment Panel within the capital planning and management is clarified in Regulation 3.
 - f. The appointment of consultants and contractors has not been changed and stays consistent with Procurement Standing Orders. All consultant or contractor engagements with an aggregate value of £100,000 or over must be referred to procurement tender, for approval by the Sourcing Governance Board. The Leader and the Chief Executive must approve consultant or contractor appointments where the fee exceeds £50,000 per annum, pro rata, before the contract can be started. Under no circumstances may this approval be sought retrospectively.
 - g. Section 4 Management of Risk was amended to underline the significance of unrestricted and timely access of the Internal Audit staff to all records, property and assets to ensure effective function of internal controls. This section also highlight Members and staff responsibility for the security of assets under their control.
 - h. Section 7 related to Trust Funds has been simplified to reflect the significant decrease in the number of trust funds where the council is a corporate trustee.

RECOMMENDATIONS:

6. That the Council approve the changes summarised above and contained in the revised Financial Regulations in Annex 1.

Lead/Contact Officers:

Sheila Little, Executive Director of Finance for Orbis and Surrey County Council

Sources/background papers:

Constitution of the Council

Consulted:

Joanna Killian, Chief Executive

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