

**PROPOSALS TO MAKE CHANGES TO THE FINANCIAL REGULATIONS
AND CONSTITUTION**

EXECUTIVE MEMBER: Cllr. Elaine Woodburn, Leader of the Council
LEAD OFFICER: Georgina Ayling, Head of Finance & Business
Development
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Summary and Recommendation:

This report proposes further changes to the Financial Regulations and Constitution and recommends that the revised Financial Regulations be approved.

1. INTRODUCTION

- 1.1 On 17 October 2007 the Resource Planning Working Group approved proposed changes to the current Constitution and Financial Regulations in respect of Virement procedures. These changes were proposed in support of the Good Governance Standard for Public Services adopted by the Council. The proposals were considered by the Executive on 31 October 2007 and were ratified by Full Council on 6 November 2007.
- 1.2 This report proposes some additional changes to the Constitution and Financial Regulations and Contract Standing Orders to further strengthen and define the level of delegation by the Council to the senior management team, to streamline financial processes, and to reduce some of the unnecessary administrative burdens on Members.
- 1.3 The proposals relate to the treatment of year end balances and the approval processes in respect of certain specific procedures and transactions. Each of the proposals contained in this report has been reviewed by Internal Audit in order to ensure that internal controls are not compromised. The proposals were considered by the Executive on 27 November 2007.

2. POLICY AND ACCOUNTABILITY FRAMEWORK

- 2.1 The changes proposed in this report will strengthen and improve the Council's governance in which Members drive policy and Corporate Team are held to account to members for implementing the policy and effective operations for delivery of the policy.

- 2.2 The full Council, as advised by the Executive, sets Council policies, agrees corporate plans (and hence service planned outcomes) and budgets for their delivery. Members are responsible to the local community for the decisions that they make on their behalf, and monitor the delivery of corporate and service plans through the quarterly monitoring reports provided to the Executive.
- 2.3 Corporate Team is responsible for the implementation of policies, corporate and service plans, working within budgetary constraints; they are accountable to the full Council, working with Portfolio Holders and the Executive in the delivery of these policies and plans.

Senior management report performance to the Executive on a quarterly basis, and hold regular meetings with Portfolio Holders to update them on how they are delivering against service plans; this will include the award of any contracts, as proposed by the Executive at the meeting of 27 November 2007.

- 2.4 Overview and Scrutiny Committees oversee the processes of setting and implementing policies, plans, and budgets, providing scrutiny and challenge.
- 2.5 Internal and External Audit review controls, processes, and outcomes providing assurance to Council and to Corporate Team on the robustness of the procedures for monitoring and control, and external validation of outcomes.

3. PROPOSAL

- 3.1 The changes proposed will, if accepted: -

- Remove the requirement for detailed reporting of some year end procedures and adjustments prior to the production of final accounts.

This will assist in the achievement of streamlined year end processes thereby facilitating earlier closedown processes as required by Government.

- Further clarify and segregate the policy decision making role of Members from the operational delivery of policies by the Corporate Team and officers.

This will strengthen the corporate governance of the Council and ensure that the responsibility for the delivery and management of operational matters is delegated to the paid officers.

- Simplify existing processes in order to allow managers to manage the delivery of approved corporate and service plans within the approved budget and policy constraints.

This will facilitate corporate and service plan delivery and support customer focus.

3.2 In respect of year end procedures, the proposals are that: -

- Corporate Team be responsible for the approval of year end carry forwards and balances on budgets, in line with approved policy and the identified risks as accounted for in the reserves strategy, which is currently being reviewed.
- that year end budget variances and any carry forward greater than £10,000 will be reported to Council in the annual outturn report. This will allow another opportunity for monitoring the delivery of priorities.

3.3 In respect of specific procedures and processes the proposals are:-

- the paragraphs in the Constitution that refer to statutory requirements in relation to the Council's financial administration, and which are also included in the Financial Regulations, should be amended in the Constitution to be consistent with the legislation where the Council's Chief Finance Officer (Head of Finance and Business Development) is responsible for the administration of the Council's financial affairs, and that the Deputy Section 151 Officer shall be an individual named and authorised by the S151 Officer;
- the Head of Finance and Business Development shall be responsible for establishing procedures and practices in relation to the accounting and financial policies established by the Council;
- that the Council shall formally approve and adopt the Council's accounting and financial policies;
- that monthly high level budget and risk monitoring reports shall be presented to the Executive and the Leader of the Opposition.

3.4 It is anticipated that, as a result of these proposals the current requirement that the write off of all debts over £2,500 requires approval by the Executive will no longer apply.

Draft proposals envisage this operational function falling to Heads of Service, to be carried out with due regard to the Council's approved Debt Policy as established by the Executive.

It is also envisaged that the requirement to report the write off of all debts over £1,500 to Scrutiny will be removed. An analysis of write offs will be summarised and reported to the Executive on a quarterly basis.

- 3.5 It is proposed that the Council's existing Contract Standing Orders be updated to reflect the following changes:-
- For contracts over £10,000 and under £50,000, a minimum of 3 written quotes must still be obtained but without a requirement to advertise. The service manager may accept a tender that is not the most economically advantageous (subject to Contract Standing Orders), provided that the reason for the decision is explained in a report to the next Executive with reference to the Council policies / strategies which may be relevant.
 - For contracts over £50,000, existing contract standing orders will apply, with the exception of the requirement to report to the Executive. Provided that the transaction is in line with the approved budget, policy, and service plans and that the manager placing the order and approving the payment is authorised to do so, a further level of specific approval should no longer be required. However, portfolio holders will be regularly updated on the award of contracts. [See para. 2.3 above].
 - All contracts with a value of £100,000 or more must be approved by the Chief Executive prior to the offer being made, in order to ensure the Council's legal position is not compromised.
- 3.6 A copy of the proposed revisions to Financial Regulations has been placed in the Members Room. Any approved changes will be closely monitored and reviewed after 6 months by the Overview and Scrutiny Committees, as agreed by the full Council on 6 November 2007. Members should note that further revisions will be necessary to the wording of Financial Regulations in order to reflect procedural changes arising from the implementation of the new financial system.
- 3.7 Draft revisions to Contract Standing Orders will be brought to the Executive at a later date.
- 3.8 If the proposals contained in this report are approved, approval will also be sought to make any changes to the wording of the Constitution required as a consequence, together with any additional further changes to Financial Regulations arising from the implementation of the new financial system.

4. FINANCIAL AND HUMAN RESOURCES IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

- 4.1 There are no financial or human resource implications arising as a result of this report.

5. IMPACT ON CORPORATE PLAN

- 5.1 By supporting a more effective use of member and staff resources, this proposal will help to secure delivery of the Corporate Plan.

List of Appendices

Appendix 1 : Draft Financial Regulations – a copy has been placed in the Members Room.

List of Background Documents: None

List of Consultees: Leader of the Council, The Executive, Corporate Team.

CHECKLIST FOR DEALING WITH KEY ISSUES

Please confirm against the issue if the key issues below have been addressed. This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

Impact on Crime and Disorder	None
Impact on Sustainability	None
Impact on Rural Proofing	None
Health and Safety Implications	None
Impact on Equality and Diversity Issues	None
Children and Young Persons Implications	None
Human Rights Act Implications	None

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Item

S.151 Financial Monitoring Officer's comments	<p>The proposed changes will strengthen the triangulation process (Executive, Corporate Team and Overview and Scrutiny Committee), to ensure effective arrangements for:</p> <ul style="list-style-type: none">• identifying and managing risks to achieve priority outcomes• taking a cross cutting approach to tackling efficiencies, implementing priorities and reacting to opportunities as they arise
Monitoring Officer's comments	<p>The proposals in respect of Contract Standing Orders have been discussed with the Head of Legal and Democratic Services</p>