

Bath & North East Somerset Council		
MEETING:	Council	
MEETING DATE:	13 th September 2018	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Updated Financial Regulations and Budget Management Scheme	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report		
Appendix 1: Updates Financial Regulations and Budget Management Scheme		

1 THE ISSUE

- 1.1 The Financial Regulations and Budget Management Scheme were previously updated in 2015. These have now been reviewed and updated, and aligned with the new management structure that was put in place for April 2018.

2 RECOMMENDATION

That Council approves:-

- 2.1 The updated Financial Regulations and Budget Management Scheme attached in Appendix A.
- 2.2 Agree that the Key Decision financial threshold should be set at £500k as set out in paragraph 5.12;
- 2.3 That delegated authority is given to the S151 Officer in consultation with the Chief Auditor to make any updates or changes to the regulations of a non-material nature
- 2.4 That the Corporate Audit Committee overview any further changes to the regulations in line with their terms of reference

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 There are no direct financial implications of approving the revised regulations, however the rules and regulations under review enable the Council to adopt sound financial management arrangements and establish value for money, so have an indirect impact on all Council Services.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The Constitution must be in compliance with the terms of the Local Government Act 2000, Local Government and Public Involvement in Health Act 2007 and Local Democracy, Economic Regeneration and Construction Act 2009, Localism Act 2011 and any other relevant statutory acts or guidance.

5 THE REPORT

5.1 Why do we have Financial and Contractual Rules and Regulations?

This Council is responsible for many millions of pounds of public money and has a number of statutory responsibilities in relation to its financial affairs.

- 5.2 The Local Government Act 1972 directs that Authorities shall make arrangements for the proper administration of their financial affairs and that one of their officers be responsible for the administration of those affairs. The Director of Finance is the Council's designated Chief Finance Officer and hence the Section 151 Officer.

- 5.3 Under powers contained in the Local Government Finance Act 1982 (s23 and 35) the Secretary of State also makes regulations as to the accounts themselves and requires them to be audited. The "Accounts and Audit Regulations" 2011 require that the "Responsible Financial Officer" must determine and be responsible for the accounting systems and the form of both the accounts and all supporting records of the authority.

- 5.4 Further to maintain independence from the responsible financial officer 'a relevant body' must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 5.5 The relevant body must therefore ensure (by maintaining an effective and adequate internal audit) that rules so made are observed and that all records are maintained in a satisfactory manner.

- 5.6 To conduct its business efficiently, a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of Financial Regulations that set out the financial policies of the Authority, Budget Management Scheme that controls how the budget is managed in detail and Contract Standing Orders to set out the rules and guidance for how the Council commissions and procures goods and services.

The Principles of our Key Financial Rules and Regulations

- 5.7 As the Council is responsible for the stewardship of public money it needs to make arrangements to safeguard the interests of taxpayers and other stakeholders. The following eight principles therefore set out at a high level the overriding expectations that Members and Officers must follow to give confidence to all of its stakeholders –

- a) **Openness and Transparency** - The Council expects its elected Members and officers to exercise high standards in financial and contract management and administration and aims to stimulate openness and a climate of transparency that it will support through policies and regulations.
- b) **Leadership & Management** - The importance of developing clear objectives for the organisation and subsequent prioritisation planning, monitoring and controlling of its resources to achieve its objectives is of vital importance to the Council and it will therefore make arrangements for these activities to be undertaken effectively.
- c) **Integrity** - Issues of probity will be dealt with effectively and the Council will work to meet its duty to maintain proper accounts and related records.
- d) **Value for Money** - Value for money is at the core of the Council's financial activity and the way in which it administers its financial affairs.
- e) **Compliance** - Compliance with statutory requirements, directives, accounting standards and appropriate codes of practice will be inherent in the Council's arrangements for financial and contractual matters. The assets and resources of the Council must be protected from loss, damage and theft
- f) **Accountability** - Allocation of responsibility and authority in relation to financial and contractual matters will be clearly identified.
- g) **Risk Management** - Identifying and quantifying risks to the Council is of key importance and arrangements must be made to reduce, eliminate or insure against them as appropriate.
- h) **One Council Approach** - The Council is a large organisation and is mindful of the need for consistent standards in financial and contractual administration and management across all its operations and will set in place guidance to be adhered to by all its directorates. In particular, it expects staff to consult with and use all of the expertise in financial, legal and contractual matters that it has available and act on advice from such sources.

Overview of Changes

The Financial Regulations and Budget Management Scheme define the parameters of responsibility for financial decision making and managing the associated risks as detailed above.

- 5.8 It is the responsibility of the Chief Finance Officer supported by the Chief Auditor to review and amend these on a regular basis and for the Corporate Audit Committee to review and recommend amendments to Council.
- 5.9 Due to timing issues and the need for Financial Regulations to align with the new management structure the Chair of the Corporate Audit Committee has been briefed regarding the changes and the Financial Regulations will be fully discussed at the next Corporate Audit Committee in November.
- 5.10 The Budget Management Scheme has now been appended to Financial Regulations for ease of use and refresher training will take place for managers over the next few months to update them and increase awareness of the regulations.

5.11 The key changes to the Financial Regulations and Budget Management Scheme are:-

- To reflect the new Management Structure and clarify responsibility between Corporate Directors and Directors;
- To amend in line with the current Internal Audit Charter;
- To amend to reflect updated Procurement Strategy and IR35 regulations regarding agency staffing;
- To update the approved delegation agreed at February Full Council regarding approval of capital schemes from “Provisional” to “Full” approval and amend further to delegate decision to Directors in consultation with Corporate Directors;
- To update the Budget Management scheme to allow further delegation of virements within the Budget Management Scheme;
- To simplify and streamline the write off of bad debts;
- To amend to allow Cabinet some flexibility to utilise unearmarked General Balances so long as balances remain within the approved range set out by the Council’s Chief Finance Officer.

5.12 The section 151 Officer has reviewed the limit on key decisions and when they should be considered significant and her advice is that the current limit of £250k should be raised to £500k. This will ensure that relevant decisions are taken to Cabinet.

6 RATIONALE

6.1 Council is requested to agree the amendments to ensure that the Constitution is legally compliant and up to date with best practice. The amendments will also ensure transparency and openness of decision making and facilitate the efficient administration of the Council’s functions. It will provide robust arrangements to facilitate effective debate and decision making. An updated Constitution will ensure the Council is less likely to be challenged on its procedures and processes.

7 OTHER OPTIONS CONSIDERED

7.1 If the Constitution is not amended, it will not be up to date or reflect the correct legal position and therefore open to challenge

8 CONSULTATION

8.1 Consultation has been carried out with the Cabinet Member for Finance & Efficiency, Corporate Directors, Internal Audit, the Chair of the Audit and Governance Committee, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

9.2 The substance of this report is part of the Council's risk management process.

Contact person	<i>Donna Parham - 01225 477468 ; Jeff Wring - 01225 477323</i> Donna_Parham@bathnes.gov.uk Jeff_Wring@bathnes.gov.uk
Background papers	<i>None</i>
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