

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **22 September 2014**

Report of: **Director of Finance and Resources**

Subject: **REVIEW OF FINANCIAL REGULATIONS**

SUMMARY

Officers are currently carrying out a detailed review of each Financial Regulation in order to streamline them down to the key controls that members and officers are required to adhere to.

One more regulation has now been reviewed and is submitted for comment. This covers Regulation 21 – External Arrangements. Further changes are also proposed to Financial Regulation 4 – Authorisation Limits.

RECOMMENDATION

That the proposed changes are considered and any comments forwarded to the Council, to aid its decision in approving the revised regulations.

INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs. There were originally twenty-one Financial Regulations.
2. Since November 2010, officers have been reviewing individual regulations and streamlining them down to the key rules that are necessary for the Council to adequately manage its financial affairs. Nineteen regulations have been completed to date.
3. The review has been completed for one more regulation which is now being brought to members for comment. In addition further changes are proposed to one of the previously reviewed regulations.

REGULATION 21 – EXTERNAL ARRANGEMENTS

4. [Appendix A](#) and [Appendix B](#) give the current regulation and the proposed new regulation. Key changes proposed to the regulation are:
 - The Regulation to become more generic about alternative methods of service delivery, rather than having specific sections just for Partnerships and working for Third Parties.
 - A definition is included of a significant partnership, in which case the Executive or other appropriate Committee approval should be sought before commencing the arrangement.
 - The rules on external funding to be separated out into their own Regulation 22.
 - Specific rules on member conduct and confidentiality in relation to partnerships to be removed as they sit better as general themes in the constitution.
 - Duplication with other regulations or policies on authority to sign an agreement and record keeping for contracts to be removed.

REGULATION 4 – AUTHORISATION LIMITS

5. Regulation 4 on Authorisation limits was redrafted in 2012. Implementation of the revised regulation over the last 2 years has highlighted a couple of rules which would benefit from further revision. [Appendix C](#) shows the 2012 Regulation with the suggested changes.
6. **Signing of Expenditure on Behalf of Other Approved Bodies**

Current rule 4.8, which requires a written agreement to be in place to allow an employee to authorise expenditure on behalf of another body, is now considered impractical given the number of different working arrangements and organisations that officers may be involved with.

7. Instead it is recommended that the essence of this rule is covered by the new Financial Regulation 21 which requires the Statutory Chief Finance Officer to consider whether the governance arrangements of an alternative method of delivery are clear as to who is the accountable party for the funds in the new arrangement.

8. **Level of Expenditure Authorisation below Head of Service**

Only employees who have been nominated by their Head of Service or Director can authorise Council expenditure up to the level 3 threshold (currently £5,000). Above this amount authorisation is required from the Head of Service up to £75,000. However, it is recommended that the level 3 threshold is now increased to £10,000 to help allow a higher number of transactions to progress if the Head of Service is not available. There are about 50 employees with this level of authorisation.

9. **Documentation of Posts Referred to Regulation 4**

Regulation 4 stipulates authorisation powers which are restricted to “Finance Team authorisers” (Financial Management transactions), and “Super Users” (authorisation of an employee’s expenses in place of their manager).

10. The list of post titles which are given these powers are currently documented in Appendix 1 of the Regulation. It is proposed that the list is updated given the departure of the Director of Regulatory and Democratic Services and that instead the Head of Personnel and IT is now included as a “Super User”.

11. It is also recommended that this table is amalgamated with the supplementary document “Posts fulfilling the Roles in Financial Regulations”. This will allow the individual posts designated these powers to be kept up to date under the delegated power of the Statutory Chief Finance Officer, rather than requiring a report to the Audit and Governance Committee and Full Council.

12. **Expansion of Employee Expenses Authorisations for Senior Officers**

Regulation 4 is currently silent on who can authorise expense claims for Senior Officers. Additional rules are therefore recommended which stipulate that only a Director or a Super User can authorise a Director’s claim, and only another Statutory Officer can authorise a claim submitted by the Chief Executive Officer.

RISK ASSESSMENT

13. There are no significant risk considerations in relation to this report

CONCLUSION

14. The proposed new approach to streamlining Financial Regulations will continue to guide the strategic and operational financial affairs of the authority in accordance with the latest national and local requirements.

Appendices:

Appendix A: Financial Regulation 21 – External Arrangements - Current version ([separate attachment](#))

Appendix B: Financial Regulation 21 and 22 – Alternative Ways of Delivering Services / External Funding – Proposed version ([separate attachment](#))

Appendix C: Financial Regulation 4 – Authorisation Limits – Revised version with changes highlighted ([separate attachment](#))

Background Papers: None

Reference Papers: Report of the Director of Finance and Resources to the Audit Committee on 30 November 2010 “Annual Review of Financial Regulations”.

Enquiries:

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