

AUDIT COMMITTEE	AGENDA ITEM No. 5
22 JULY 2024	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director of Corporate Services and Section 151 Officer
Cabinet Member(s) responsible:	Councillor Amjad Iqbal, Deputy Leader and Cabinet Member for Finance and Corporate Governance
Contact Officer(s):	Emma Riding, Service Director - Financial Management and Deputy Section 151 Officer

REVISED FINANCIAL REGULATIONS

RECOMMENDATIONS	
FROM: Executive Director of Corporate Services and Section 151 Officer	Deadline date: Audit Committee - 22 July 2024 Constitution and Ethics Committee – 29 July 2024 Full Council – 16 October 2024
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> 1. Reviews the draft amended Financial Regulations 2. Refers the draft amended Financial Regulations to the Constitution & Ethics Committee for recommendation to Full Council. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a revision to the Financial Regulations.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to request that Audit Committee reviews the updated Financial Regulations which are a key element of the Council's Constitution.

2.2 The report is for the Audit Committee to consider under its Terms of Reference:

- 3.30: To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	No	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	-----

4. BACKGROUND AND KEY ISSUES

- 4.1 The Council's Financial Regulations are a key component of the Council's Constitution and Corporate Governance arrangements, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure decision-making is efficient, transparent, and accountable to Peterborough residents.

The Financial Regulations apply to every Member and officer of the Council and anyone acting on its behalf. The Financial Regulations provide the framework for managing the council's financial affairs. They are a key component in ensuring the security of the assets under the council's control and for ensuring that the use of these resources is lawful, is properly authorised, and provides value for money

- 4.2 The Financial Regulations should be reviewed on a regular basis to ensure they are current, fit and proper. Recommended changes are to be reviewed by the Audit Committee and Constitution and Ethics Committee before being recommended to Full Council for approval.

- 4.3 A self-assessment of the council's compliance with the CIPFA Financial Management Code was undertaken during 2023/24 and an action plan for improvement has been put in place. This plan included the urgent review of the Council's Financial Regulations, as it was noted they were substantially out of date, with the last review having taken place in 2017.

This review has been led by the Service Director - Financial Management, with support from an external finance consultant and input from other key officers across the finance team.

- 4.4 This report sets out proposed changes to the financial regulations to bring them up to date. However, it should be noted that:

- Amended contract rules will be brought to a later committee meeting following a review due to changes as a result of the Procurement Act 2023, which is expected to come into effect in October 2024. A further review of the financial regulations will be undertaken at that time to ensure consistency between the two sets of rules.
- Local authority-controlled schools in Peterborough currently follow the Peterborough and Cambridgeshire Scheme for Financial Management of Schools, produced in 2007 and supplementary financial regulations produced in 2005. A Peterborough specific scheme (in line with these Financial Regulations) is in progress, and the schools forum will be consulted in Autumn.

4.5 Summary of Changes

The structure of the Financial Regulations is divided into six sections covering both revenue and capital resources, this has remained unchanged. Throughout the document updates have been made to reflect grammar and spelling, formatting, current job titles and references to up-to-date legislation and statutory guidance.

In a number of sections additional introductory explanation or context has been provided to help with understanding.

The following changes have been made within each specific section:

1. INTRODUCTION

- Strengthened the purpose, status and responsibilities.

2. FINANCIAL PLANNING

- Strengthened the narrative to include the role of corporate plans as the start of the financial planning process.
- Included more information into the responsibilities section.
- New section added on Medium Term Financial Planning, to recognise the requirements of a Medium Term Financial Strategy (MTFS).

- Following the addition of the Medium Term Financial Planning Section the budgeting section has been updated to include annual budgeting and setting the budgets.
- Reserves section amended to refer to the reserves strategy and more clarity on it being the responsibility of the s151 officer to decide on the treatment of overall underspend.

3. FINANCIAL MANAGEMENT

- Virement section now includes further explanation as to what they are.
- Treatment of year end balances includes more clarity on s151 Officer role.

4. RISK MANAGEMENT AND CONTROL OF RESOURCES

- A new section covering corporate governance had been added.
- Internal controls section now has a strengthened narrative and includes reference to other relevant policies.
- Assets section now includes reference to red book valuations.
- Treasury Management includes further background explanation.
- New section on Corporate Governance added.
- New section on Money Laundering added in line with Money Laundering 2017 regulations.

5. FINANCIAL SYSTEMS AND PROCEDURES

- Where there was reference to debt write offs, this was originally for the approval of the Cabinet member for Resources, this has now been updated to Cabinet, in line with transparent financial reporting.
- Delegated approval limits for debt write off previously not reflected within the Financial Regulations, these were just set out in an internal debt policy. This has now been updated to separately reflect the approval levels for Council Tax, NNDR and Sundry debt.
- Procurement section now includes more information about purchase to pay, the need for a purchase order and sets out allowable exemptions from this purchase order process. This will be reviewed again alongside the changes to contract procedure rules.
- A section has now been included on the use of Government Purchasing Cards (otherwise known as P-Cards).
- A section has been included with more information on special severance payments which have a specific process to follow

6. EXTERNAL ARRANGEMENTS

- Added a section on Alternative delivery models, including local authority trading companies.

4.6 Due to the scale of the changes made to the current Financial Regulations the revised version included within the appendix is the final proposed document. A version with “tracked changes” will be made available for members of the committee on request.

It should be noted that a further proofread of the document will take place between the Audit Committee meeting on 22nd July and Constitution and Ethics Committee on 29 July. It is anticipated that only minor grammatical changes will result from this.

5. CORPORATE PRIORITIES

5.1 The Financial Regulations provides the framework for how the Councils revenue and capital resources should be effectively managed. Therefore, this supports all the Council’s priorities, but it is strongly geared towards enabling the Council to deliver on the following priority:

Supported by a Sustainable Future City Council - adjust how we work, serve, and enable, informed by strong data and insight capability, and led by a culture of strong leadership.

6. CONSULTATION

6.1 Finance Leadership Team have been actively involved in the review of the financial regulations.

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 It is anticipated that this will enable the Council to have fit and proper Financial Regulations in place.

8. REASON FOR THE RECOMMENDATION

8.1 The review of the Financial Regulations by this Committee is a vital part of effective financial management and governance arrangements across the Council. This report allows the Audit Committee the opportunity to review and comment prior to submission to Ethics and Constitution Committee.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 To continue with the existing regulations was not considered to be a suitable option as these are out of date.

10. IMPLICATIONS

Financial Implications

10.1 There are no direct financial implications because of this review but the regulations set the standard for financial implications of all council activities.

Legal Implications

10.2 Section 151 of the Local Government Act 1972 requires the council to make arrangements for the proper administration of its financial affairs.

A regular review of the Council's Financial Regulations is part of the mechanism of ensuring sound governance arrangements in accordance with good practice. Local authorities are under an explicit duty to ensure that their financial management is adequate and effective and that they have a robust system of internal control and management of financial risk. The measures in this report support that requirement.

Equalities Implications

10.3 None

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 [CIPFA statement on the Role of the Chief Financial Officer.](#)
[The Peterborough City Council Constitution](#)

12. APPENDICES

12.1 Appendix A: Financial Regulations