

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Evolution of Financial Regulations for the 2020-21 financial year
Meeting date	12 March 2020
Status	Public Report
Executive summary	<p>Evolutionary changes to the Council's Financial Regulations are summarised in this report and shown in red text throughout the document.</p> <p>Several minor editing changes have been made to align to BCP Council convention and terminology.</p> <p>More material changes have been made to Part G, Procurement and contract procedures, incorporating new requirements for commissioning officers and the strategic procurement team to follow which respond to the Council's climate and ecological emergency declaration and which will result in more 'sustainable procurement' activity.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Financial Regulations as shown in Appendix A be approved and referred to Council on 31 March 20 for adoption.</p>
Reason for recommendations	The Council's Financial Regulations are subject to annual evolution and require approval of Council.

Portfolio Holder(s):	Councillor David Brown, Cabinet Member for Finance
Corporate Director	Julian Osgathorpe, Corporate Director Resources
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Wards	Council-wide
Classification	For Recommendation

Background

1. BCP Council's Financial Regulations are Part 5 of The Constitution and have been in place since 1 April 2019 having been agreed by the Shadow Executive in February and March 2019. *
2. Financial Regulations (the Regulations) will be subject to a business as usual 'annual evolution' so they remain up-to-date and receptive to the rapidly changing internal and external environment in which the council operates. Such 'annual evolution' will always be approved by Council.
3. Therefore, from now, and every year hereafter, BCP Council will have a new evolution of the Regulations aligning to the start of the financial year.
4. Annual evolutionary changes are show in red text, this transparently highlights the changes and negates the need for a page turn comparison to find out what has changed. Only the latest evolution will be shown in red text, going forward changes from any previous year will revert to standard black text.
5. The Chief Finance Officer (CFO), is responsible for maintaining and updating the Regulations and the Corporate Schedule of Financial Delegations, which is appendix 1 of the Regulations. The CFO had delegated authority from Council to make in-year amendments and editing changes which may be occasionally necessary such as in cases of new or revised legislation or UK law or to correct errors, ambiguity or where unintended interpretation matters arise.
6. This annual evolution is formally known as BCP Financial Regulations EVO20.v1. (where 20 stands for the financial year and v1 stands for the version agreed by Council. If the CFO makes any delegated amendments as per paragraph 5 above then this will be shown as v2, v3 and so on, as required).

*BCP Council Financial Regulations are a modern interpretation of more traditional versions of Financial Regulations in place across the local government sector. Being just over 50 pages in length it is typically about 50 pages shorter than more traditional versions. This is achieved without a 'dumbing down' by removing any 'How to guides' which are instead included in complimentary procedures and guidance. More concise language and the use of bullet points also helps to reduce page and word count.

Minor editing changes in BCP Financial Regulations EVO20.v1

7. Throughout the document certain convention and terminology changes have been made to reflect those now being used by BCP Council. Such changes include:
 - Councillor(s) now used instead of Member(s)

- Cabinet Member now used instead of Portfolio Holder
- Service Director now used instead of Service Head or Service Unit Head
- Corporate Director now used instead of Executive Director or Strategic Director

More material changes in BCP Financial Regulations EVO20.v1

8. The table below summarises the more material changes within the evolution of the Regulations.

Part	Part title	Summary of changes
Part A	Status of Financial Regulations	No material change (minor changes as per paragraph 7)
Part B	Financial Management Roles and Responsibilities	No material change (minor changes as per paragraph 7)
Part C	Financial Planning and Budgeting	Added clarity on 'alternative budget' procedure.
Part D	Financial Monitoring and Control	No material change (minor changes as per paragraph 7)
Part E	Internal Control, Audit and Risk Management	No material change (minor changes as per paragraph 7)
Part F	Financial Systems and Procedures	<p>Added clarification wording.</p> <p>Strengthens requirements for options appraisal (of subsidiary financial systems) to include compatibility and interfacing requirements to main financial and accounting systems.</p> <p>Abolition of petty cash, creation of 'client cash floats' in exceptional circumstances.</p> <p>New requirements for leases, all leases must now be approved by the CFO (not just finance leases) to ensure compliance with new accounting requirements for leases.</p>
Part G	Procurement and Contract Procedures	<p>Significant reordering of the Regulations to more intuitively follow the order in which a procurement process is undertaken.</p> <p>New requirements which respond to the Council's climate and ecological emergency declaration and which will result in more 'sustainable procurement'. See sustainability summary section below for details.</p>

		Removal of exemption and defined circumstances procedures, now simplified in single 'waiver' process.
Part H	External Arrangements (including partnerships, external funding bids and trading)	No material change (minor changes as per paragraph 7)
Appendix 1	Corporate Schedule of Financial Delegations	Changes to reflect convention and wording as per paragraph 7. Clarification of sundry debt write off and cancellation requirements. More explicit requirements for business case and transparent budget source when incurring expenditure on interim staff and consultants. Approvals revised to include those of the Chief Executive where costs will exceed £100,000 or the day rate is greater than £750 per day.
Appendix 2	Functions of the Audit & Governance Committee	Significant re-write to comply with best practice, thoroughly reviewed and formally agreed by Audit & Governance Committee
Appendix 3	Contracts to be executed by Deed (& sealed accordingly)	Currently being drafted by Legal Services (may not be completed by 1 April 2020, delegate to CFO to add to Regulations when available).
Old Appendix 4	Hot Topics	This appendix was effectively repetition and raised issues where legacy council staff had previously failed to comply and had breached legacy council Regulations. It is proposed to delete this Appendix, it has caused some confusion in the first year of BCP Council.

Options Appraisal

- The Council could choose to update, refresh, evolve the Financial Regulations on a less frequent basis than annually. There is an inherent and obvious risk with such an approach that the Financial Regulations could become out of date and fail to keep pace with the rapidly changing internal and external environment in which the Council operates.

Summary of financial implications

- The Financial Regulations provide the governance framework for managing the Council's financial affairs. 'How to' guidance and procedures are in place to compliment the specific requirements of the Regulations.

Summary of legal implications

11. The Financial Regulations are Part 5 of the Council's Constitution, they apply to every councillor and officer acting behalf of the Council.
12. The Local Government Act 1972 (Section 151) makes the Chief Finance Officer responsible for the proper administration of the Council's financial affairs. The Regulations are issued pursuant to these responsibilities.

Summary of human resources implications

13. The Financial Regulations apply to every councillor and officer acting behalf of the Council.

Summary of sustainability impact

14. The Council has declared a climate and ecological emergency. Part G of the Financial Regulations now includes added requirements for commissioning officers and the Strategic Procurement Team (SPT) to follow to ensure the Council considers environmental sustainability when procuring works, goods and services.
15. A requirement to obtain local supplier quotes (BH, DT and SO postcodes) is included for purchases which are less than £25,000.
16. In the case where open tendering is required, over £25,000, a minimum 10% sustainable evaluation criteria must be included within the quality element of the tender evaluation process (and thus also factored into tender specifications).

Summary of public health implications

17. There are no direct public health implications from this report.

Summary of equality implications

18. There are no direct equality implications from this report.

Summary of risk assessment

19. Lack of compliance and awareness is the most significant and impactful risk in a Financial Regulations context. A continuous and evolving training, supporting and promoting programme exist utilising a range of activities including formal training, one-off bespoke awareness sessions, blogs and staff communications

Background papers

None

Appendices

The proposed Financial Regulations and appendices are attached to this report