

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Financial Regulations - Annual evolution for the financial year 2025/26</b>
Meeting date	27 February 2025
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 Financial Regulations document which is shown at Appendix A.</p> <p>No material changes have been made to sections A to F and H of Financial Regulations. Some minor changes have been made in a small number of places to clarify existing arrangements and to make expectations explicitly clear.</p> <p>Three changes have been made to Appendix 1, the Corporate Schedule of Financial Delegations at:</p> <ul style="list-style-type: none"><li>• EX13 Special severance payments, additional wording added to explicitly state each approver must ensure they follow statutory guidance in reaching a decision.</li><li>• New EX14 Approving any expenditure on external legal services – must be approved by the Monitoring Officer (or delegate).</li><li>• EA4 Accepting external funding, amended to ensure thresholds align to other parts of the Financial Regulations most notably CV1 capital virements.</li></ul> <p>It has been necessary to materially and substantially update Part G, Procurement and Contract Procedures of the Financial Regulations for 25/26, to reflect changes resulting from procurement regulations reform. The Council has very limited discretion or choice on the changes necessary. Changes include:</p> <ul style="list-style-type: none"><li>• 3h – clarification of the term 'turnover' in contracts for concessions.</li><li>• 5 - Procurement Decision Records (PDR's), cornerstone of good governance to explain decisions made during the procurement process.</li><li>• 6 – Pipeline, Procurement and Contract Management Team (PCM) to publish the Council's pipeline in the public domain.</li><li>• 9 – Preliminary Market Engagement, conflict of interest declarations must be made.</li><li>• 18 – Specifications, contracts over £5M must have at least 3 pre-defined key performance indicators.</li></ul>

	<ul style="list-style-type: none"> <li>• 22e – Competition requirements, between £30,000 and relevant threshold, local Financial Regulations should specify clearly the Council's 'normal expected' arrangements across the various categories of expenditure type, notwithstanding such arrangements may be varied by the PCM for good reason. This is instead of just a regulation that stated that the PCM will determine the most appropriate route to market.</li> <li>• 22e and 22f – Competition requirements &amp; public notices, PCM to publish opportunities in Find a Tender service via the Council's procurement system.</li> <li>• 26 - Award notification, link to PDR and communication with successful and unsuccessful bidders.</li> <li>• 27 - Contract register public domain information, stricter format, PCM to ensure compliance.</li> <li>• 32 - Contract &amp; Supplier Relationship Management, enhanced performance management expectations including compliance with key performance indicators and performance notices.</li> <li>• 34 - Contract Termination, contract termination (ending) notices need to be made on Find a Tender service.</li> </ul> <p>The PCM will determine, in the period between 24 February 2025 and 1 April 2025, whether legislation supersedes the current version of Financial Regulations, and any new wording, expectations and activity needs to apply.</p>
<b>Recommendations</b>	<p><b>It is RECOMMENDED that Audit &amp; Governance Committee:</b></p> <p><b>1. Approve the Financial Regulations as shown in Appendix A before referral to Council for adoption. The operational go live date will be 1 April 2025.</b></p> <p><b>It should be noted however that it may be necessary, at the discretion of the Procurement and Contract Management Team (PCM), to operationally implement some of the changes from 24 February 2025, which is the date new legislative requirements go live.</b></p>
Reason for recommendations	The Council's Financial Regulations are subject to annual evolution to align to the start of each financial year, or as close as is reasonably possible subject to how Council meetings fall.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Recommendation Approval

## Background

1. BCP Council's Financial Regulations currently form Part 5 of The Constitution.
2. Council agreed that the 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 be approved by Council.
3. As far as is practical, subject to when (full) Council meetings fall, the evolution of the Regulations will align to as close to the start of the financial year as possible. For 2025/26 (full) Council meets on 25 March 2025 so this evolution of Financial Regulations will be operationally live from 1 April 2025.
4. Evolutionary changes are shown in red text; this method transparently highlights the changes and negates the need for a page turn comparison to find out what has changed. Only the latest evolution is shown in red text, changes from previous year revert to standard black text.
5. BCP Council colleagues are now generally well versed in the annual evolution of Financial Regulations. Nevertheless a communication, training and awareness process will take place to ensure all colleagues, and particularly new colleagues, are aware of the annual evolution.
6. 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 has 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. This delegation will also be used if any officer designations (job or role names) need changing, for example as a result of any restructuring, most likely within Appendix 1.
7. This annual evolution is formally known as BCP Financial Regulations EVO25.v1, where 25 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.

## Changes in BCP Financial Regulations EVO25.v1 – Part A to F, and H, Glossary and Appendices

8. No material changes have been made to these sections of Financial Regulations. Some minor changes have been made in a small number of places to clarify existing arrangements and to make expectations explicitly clear.
9. Three changes have been made within Appendix 1 Corporate Schedule of Financial Delegations.
  - EX13 Special Severance payments, additional wording added to explicitly state each approver must ensure they follow statutory guidance in reaching a decision.
  - New EX14 Approving any expenditure on external legal services, must be approved by the Monitoring Officer (or delegate).

- EA4 Accepting external funding, amended to ensure thresholds align to other parts of the Financial Regulations most notably CV1 capital virements.

## **Changes in BCP Financial Regulations EVO25.v1 - Part G PROCUREMENT & CONTRACT PROCEDURES changes**

10. It has been necessary to materially and substantially update Part G of the Financial Regulations for 25/26 to reflect changes resulting from procurement regulations reform. The Council has very limited discretion or choice on the changes necessary.
11. The changes derive from the secondary legislation (statutory instrument), The Procurement Regulations 2024 (PR24), which sits below the primary legislation The Procurement Act 2023 (PA23). Most of these changes were explained in some detail to the Audit & Governance Committee on 5 September 2024 during the Procurement Arrangements deeper dive presentation.
12. Some more minor changes, such as the renaming of the Procurement & Contract Management team (PCM), from the Strategic Procurement team (SPT) have also been incorporated.
13. The list of bullet points below summarises some of the more significant changes to Part G:
  - 3h – clarification of the term ‘turnover’ in contracts for concessions.
  - 5 - Procurement Decision Records (PDR's), cornerstone of good governance to explain decisions made during the procurement process.
  - 6 – Pipeline, PCM to publish the Council's pipeline in the public domain.
  - 9 – Preliminary Market Engagement, conflict of interest declarations must be made.
  - 18 – Specifications, contracts over £5M must have at least 3 pre-defined key performance indicators.
  - 22e – Competition requirements, between £30,000 and relevant threshold, local Financial Regulations should specify clearly the Council's ‘normal expected’ arrangements across the various categories of expenditure type, notwithstanding such arrangements may be varied by the PCM for good reason. This is instead of just a regulation that stated that the PCM will determine the most appropriate route to market.
  - 22e and 22f – Competition requirements & public notices, PCM to publish opportunities in Find a Tender service via the Council's procurement system.
  - 26 - Award notification, link to PDR and communication with successful and unsuccessful bidders.
  - 27 - Contract register, public domain information, stricter format, PCM to ensure compliance.
  - 32 - Contract & Supplier Relationship Management, enhanced performance management expectations including compliance with key performance indicators and performance notices.
  - 34 - Contract Termination, contract termination (ending) notices need to be made on Find a Tender service.
14. The Procurement Act 2023 and Procurement Regulations 2024 go live on 24 February 2025 for local authorities. It will therefore be necessary to operationally implement the relevant changes to the Council's Financial Regulations from this date for any new procurement activity.

15. The PCM will determine, in the period between 24 February 2025 and 1 April 2025, whether legislation supersedes the current version of Financial Regulations, and any new wording, expectations and activity needs to apply.

### **BCP Council Debt Management Policy**

16. The Financial Regulations, Part F, Financial Systems and Procedures, Income, provides the strategic framework for debt collection and debt management within BCP Council. The BCP Debt Management Policy contains the operational detail and procedures to supplement the Regulations.
17. This detailed operational policy is also subject to annual evolution to ensure it remains up-to-date and is approved by the Corporate Management Board for the 2025/26 financial year. Some very minor operational changes have been made.

### **Options Appraisal**

18. The Council could choose to 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**

19. 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**

20. The Financial Regulations are Part 5 of the Council's Constitution and apply to every councillor and officer acting behalf of the Council.
21. 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**

22. The Financial Regulations apply to every councillor and officer acting for or on behalf of the Council.

### **Summary of sustainability impact**

23. Part G of the Financial Regulations includes 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.
24. A requirement to obtain local supplier quotes wherever possible (BH, DT and SO postcodes) is included in Financial Regulations.

### **Summary of public health implications**

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

### **Summary of equality implications**

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

**Summary of risk assessment**

27. 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**

Appendix A - BCP Financial Regulations EVO25.v1