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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	21 February 2019
<b>Subject:</b>	Financial Regulations – Approval of Updated Set
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance
<b>Portfolio Holder:</b>	Councillor Adam Swersky, Portfolio Holder for Finance and Resources
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	No, as the decision is reserved to Council
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Current Financial Regulations (as approved by Council in November 2014) Appendix 2 – Proposed updated Financial Regulations (as at February 2019)

This report sets out the revised updated Financial Regulations which form part of the Council's Constitution.

**Recommendations:**

Cabinet is recommended to:

- 1) Agree the revised Financial Regulations for final approval by Council, as detailed at Appendix 2

**Reason: (for recommendations)**

The Chief Financial Officer (CFO) has the duty to maintain an up to date set of Financial Regulations. The previous version was agreed by Council in November 2014. Updating the Financial Regulations will ensure that the Council has effective governance arrangements in place.

**Section 2 – Report****1.0 INTRODUCTION**

- 1.1 In order to conduct its business efficiently a Local Authority must have in place financial management policies which are strictly adhered to. Part of this process is the creation of a set of Financial Regulations that set out the financial policies of the Authority.
- 1.2 Section 151 of the Local Government Act 1972 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.
- 1.3 Changes in this Authority’s structure, it’s systems and procedures requires the financial regulations to be reviewed and updated where appropriate to ensure that all risks and safeguards are appropriate.

**BACKGROUND**

- 1.4 The Authority’s financial regulations were last updated in November 2014 when a full refresh was made.
- 1.5 On recent review it was evident that some areas of the financial regulations were inconsistent with the current organisational structures and processes.

A small working group of key stakeholders was established to review the Financial Regulations. The stakeholder group included Internal Audit, Corporate and Technical Finance, Procurement and Legal. The updated Financial Regulations has been reviewed by the Portfolio Holder for Finance and Resources, the Corporate Strategic Board and individual management teams. The Financial Regulations were taken to the Constitutional Review Working Group on 25<sup>th</sup> September 2018 and subsequently shared with Members of the GARMS Committee.

**KEY Changes from November 2014**

- 1.6 The main changes to the Financial Regulations are outlined below:-

#### Raising Awareness of the Financial Regulations (para B7)

A new paragraph has been included explaining how the Financial Regulations will be communicated to all staff and by what means. It is important that the profile of the regulations is raised and explained.

#### New Additions to the Capital Programme – Financial Limit Updated (para B48)

Previously the Constitution was amended to allow for additions to the Capital Programme, which are externally funded, to be approved by Cabinet up to and including a value of £500,000 for each individual project but with total additions not exceeding £2.5m in any financial year. The proposed regulations have increased the value to £5m for any individual project with a maximum total addition for the year of £20m. This will remove the need for reports to go to Council that are best dealt with by Cabinet.

#### Circumstances when a capital scheme is aborted (B66 and new table within Section F)

Corporate Directors must inform the Director of Finance of any capital expenditure where it becomes necessary to take the decision to abort that scheme as the expenditure will need to be reclassified as revenue expenditure.

#### Responsibility of Portable IT Equipment (C77)

Service managers are responsible for the security of IT equipment in their section and must ensure all such equipment is returned when a member of their staff leaves.

#### Use of Agency Staff and their Employment Status (para C114)

HMRC have tightened up on their definition of employment status.

#### Creation of New Supplier on Accounts Payable (para D57)

The process and controls are explained between Procurement, Accounts Payable and the SAP system support team.

#### Awareness of Corporate Criminal Offence Legislation (D77)

This legislation covers all forms of loss of taxation to HM Treasury through the facilitation of tax evasion and imposes duties on a person acting on behalf of the Authority to ensure all taxation matters are declared correctly to HM Treasury.

#### Scheme of Approval and Delegation of Financial Transactions (Section F)

The financial limits for delegation of financial transactions have been updated at Section F with the main changes set out in the following paragraphs;

- Write off Approvals and Delegation Limits (para F3) The table incorporating debt write offs has been updated with delegation limits now also provided to the Deputy Section 151 officer and for write offs over a certain value to be authorised by the Portfolio Holder with Responsibility for Finance and Resources rather than being approved by Cabinet.

- Journal Authorisation Limits (para F9) A new table is now included within Section F showing the journal authorisation and approval limits required before a journal accounting entry can be loaded into the general ledger accounting system.
- Update of Approvals for HR Related Activities (para F10) The grade / level at which certain tasks are authorised have been updated.

#### Financial Procedure Notes, Policies and Strategies

The schedule has been updated

#### Improved Presentational Layout

The general layout has been improved to ease readability.

#### Replacement of Job Titles / Directorate Titles

Throughout the document job titles and directorate titles have been updated.

### **Constitutional Review Working Group**

The proposed updated Financial Regulations were taken to the Constitutional Review Working Group (CRWG) on 25<sup>th</sup> September 2018. It was agreed that the Members of the GARMS Committee be consulted on the Financial Regulations.

## **2.0 PERFORMANCE IMPLICATIONS**

- 2.1 Adhering to the Financial Regulations ensures that safeguards are in place for the Council's business.

## **3.0 RISK MANAGEMENT IMPLICATIONS**

- 3.1 Risk included in the risk register ?            No  
 Separate risk register in place ?            No

The Financial Procedure Rules contain clear guidance on risk management which is ultimately the responsibility of the Head of Paid Service, though it must be integrated into service management.

## **4.0 LEGAL IMPLICATIONS**

- 4.1 The Council is required by the Local Government Act 2000 to prepare and keep under review a written constitution. The Government's model constitution includes financial regulations.
- 4.2 Under the Functions and Responsibilities Regulations 2000 at paragraph 2 and 3 of Schedule 4 they confirm that the determination of the authority's budget and borrowing and capital expenditure cannot be the responsibility of Cabinet where the decision is contrary to or not wholly in accordance with the authority's budget or plan or strategy approved by the authority in relation to its capital expenditure. The authority's budget and borrowing and capital expenditure has to be the responsibility of Full Council. So there needs to be a limit of what the

executive can do in relation to these factors. These limits are shown in paragraph B48 of the regulations.

- 4.3 The Government and External Audit recommend that Council's should keep their Constitutions under regular review to ensure the provisions reflect current law and practice.

#### **5.0 FINANCIAL IMPLICATIONS**

- 5.1 Revising the Financial Regulations will have no direct financial implications for the authority. The Financial Regulations are however integral to ensuring the proper administration of the Council's financial affairs.

#### **6.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY**

- 6.1 The proposals described above do not adversely impact upon persons within the protected categories.

#### **7.0 COUNCIL PRIORITIES**

- 7.1 The Council's Financial Regulations (February 2019 version) have been prepared in line with the Council's vision:

#### **Working Together to Make a Difference for Harrow**

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families.

### **Section 3 - Statutory Officer Clearance**

Name: Sharon Daniels

on behalf of the  
Chief Financial Officer

Date: 6 February 2019

Name: Jessica Farmer

on behalf of the  
Monitoring Officer

Date: 13 February 2019

### **Section 3 - Procurement Officer Clearance**

Name: ...Nimesh Mehta

Head of Procurement

Date: 13<sup>th</sup> Feb 2019

**Ward Councillors notified:**

No, as it impacts on all Wards

**EqIA carried out:**

No

**EqIA cleared by:**

N/A

## **Section 4 - Contact Details and Background Papers**

**Contact:** Dawn Calvert, Director of Finance (S151 Officer),  
Tel: 020 8420 9269, dawn.calvert@harrow.gov.uk

**Background Papers:**

**Call-In Waived by the  
Chairman of Overview and  
Scrutiny Committee**

**NOT APPLICABLE**

*[Call-in does not apply as the  
decision is reserved to Council]*