

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY, 13 NOVEMBER 2017 AT 2.00PM**

**COUNTY COUNCIL
TUESDAY, 21 NOVEMBER 2017 AT 10.00AM**

Agenda Item

No:

17

12

REVIEW OF THE COUNTY COUNCIL'S FINANCIAL REGULATIONS

Joint report of the Director of Resources and the Chief Legal Officer

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Executive Member: David Williams, Resources, Property and the Economy

1. Purpose of report

1.1 To seek Members' approval for amendments to the County Council's Financial Regulations which form Annex 12 of the Council's Constitution.

2. Summary

2.1 The Council's Financial Regulations are kept under continuous review to ensure that they comply with changing statutory requirements and continue to provide a secure framework for the developing business needs of the Authority. The last revision to these Regulations took place in February 2014.

3. Amendments

3.1 The Regulations have been reviewed to ensure they cover all current processes and statutory requirements relevant to the conduct of the Council's financial affairs. They have also been updated to give greater clarity and understanding for users of the document and a more logical layout. Where detailed policies are held in other documents, these are clearly signposted and duplicated information has been removed from the Regulations.

3.2 Content has been updated to include:

- Current job titles and responsibilities throughout;

- Explanation of the statutory and legal responsibilities of the Chief Finance Officer and Chief Legal Officer (Financial Regulations sections 2.1 and 2.3);
- Clarification of budget restructuring and virement approvals (section 5.6);
- Revised arrangements for approval and review of capital projects (section 7);
- Updated guidance where considering alternative delivery models including limited companies (section 9);
- More detailed requirements for business cases, including measurement of outcomes (section 10);
- Revised approval levels for settling insurance claims (Section 14);
- Removal of some detail that is held in other policy documents (which have themselves been reviewed in the past year, as part of the transfer to the new Intranet); and
- Removal of the Anti- Money Laundering policy, which is now held as a separate Policy, referred to in the Regulations (section 16).

3.3 The most significant changes relate to the approval of capital budgets and their funding, and subsequent monitoring and review of capital projects. The changes clarify the approval process of these projects, as inclusion of a scheme within the Capital Programme does not in itself constitute approval to spend. The following changes are proposed:

3.3.1 Under current Regulations, capital schemes can only commence with the approval of the Chief Finance Officer, once s/he has confirmed that funding is in place and the necessary approvals obtained. At present, some but not all schemes are taken to Cabinet for approval. The new Regulations propose that, for all schemes over £250,000, the Chief Finance Officer consults on the project with the service Chief Officer and Executive Member, and the Executive Member for Resources, Property and the Economy, and decides whether Cabinet approval is required.

3.3.2 Capital Programme projects that comprise a programme of schemes (e.g. maintenance works) can be approved by the Chief Finance Officer, but for programmes over £5m a planned schedule of works must be presented to and approved by Cabinet.

3.3.3 Current Regulations state that the overall capital programme, by year and by service, cannot be exceeded for all funding sources other than ringfenced grants without Cabinet approval. They also require Cabinet approval where tender prices are 10% or £100,000 (whichever is less) above approved scheme budget. If there are savings at the end of a scheme, Cabinet approval is required if these are to be used for other projects.

It is proposed that these requirements be clarified and made consistent with the Capital Virement Regulations, and that any additional budget required after

a scheme has been approved, either at contract tender or during project works, follow the following proposed regulations:

- Virement may be used to transfer budget between schemes where this will be used for its original purpose, albeit on a different scheme. This may include movement between projects within an overall programme. This must be approved in accordance with the Virement Regulations.
- Additional spend to be met from external funding (grants, contributions etc) or by service revenue budget, must be approved by the Chief Finance Officer. For additional spend of £250,000 or more, the Chief Finance Officer must consult with the relevant service Executive Member and the Executive Member for Resources, Property and the Economy. Additional spend of £500,000 or more will require Cabinet approval.
- Additional spend not covered by virement or external resources, and so to be met from County Council capital funding and potentially increase the need to borrow, must be approved by full Council following a recommendation from Cabinet and the relevant service Cabinet Panel and the Resources, Property & the Economy Cabinet Panel.

3.3.4 The proposed Regulations clarify that, in the event of an overspend, services are expected to take action to identify offsetting underspends or re-programmings.

4. Recommendation

4.1 The Resources, Property and the Economy Cabinet Panel will consider a report on this item of business at its meeting on 9 November 2017. The Panel will be invited to recommend that Cabinet recommends to the County Council that the revised Financial Regulations, attached as Appendix A to the report, be approved, and that the Chief Legal Officer be authorised to make any amendments necessary to ensure that this decision is reflected consistently throughout the Constitution.

4.2 The Panel's recommendation/s to Cabinet will be reported orally at the Cabinet meeting and circulated to Members in the Cabinet Order of Business.

4.3 Cabinet's recommendation/s to Council will be circulated to Members in the Council Order of Business.

5. Background

5.1 The Financial Regulations provide the regulatory framework within which the financial affairs of the County Council operate. They clarify responsibilities and provide a framework for decision making. Where there are specific statutory powers and duties, the Financial Regulations seek to ensure these are duly

complied with, as well as reflecting best professional practices and decisions of the County Council and Cabinet. The Regulations also form part of the framework for the County Council to demonstrate its compliance with the principles of good governance, which is essential in maintaining public confidence in elected members and officials.

- 5.2 The Constitution provides that changes need approval by the full Council after consideration by the Chief Legal Officer.

6. Financial Implications

- 6.1 There are no financial implications in relation to this report.

7. Equalities Impact Assessment (EqIA)

- 7.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves rigorously considered the equalities implications of the decision that they are taking.
- 7.2 Rigorous consideration will ensure that proper appreciation of any potential impact of that decision on the County Council's statutory obligations under the Public Sector Equality Duty. As a minimum this requires decision makers to read and carefully consider the content of any Equalities Impact Assessment (EqIA) produced by officers.
- 7.3 The Equality Act 2010 requires the Council when exercising its functions to have due regard to the need to (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief, sex and sexual orientation.
- 7.4 No EqIA was undertaken for this report because the report does not impact on equalities or affect any of the protected characteristics which would require an EqIA to be completed.

Background information

Hertfordshire County Council Financial Regulations dated February 2014.

<https://www.hertfordshire.gov.uk/about-the-council/freedom-of-information-and-council-data/open-data-statistics-about-hertfordshire/who-we-are-and-what-we-do/who-we-are-and-what-we-do.aspx>