

# Improving Tandridge District Council's Financial Management and Reporting Arrangements

## Strategy & Resources Committee 29<sup>th</sup> June 2023

Report of: Chief Finance Officer

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Purpose: For recommending to Full Council

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Publication status: Unrestricted

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Wards affected: All

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### **Executive summary:**

Financial Regulations are incorporated as Part C of the Council's Constitution.

This report and the appended draft revised Financial Regulations provides an update to Committee on the finalisation of re-drafted Financial Regulations, further to a previous report of the same title, to Strategy & Resources Committee on 1<sup>st</sup> February 2022.

In the intervening period, work to finalise the Council's management structure has progressed to the point that the Scheme of Delegated Authority for Finance can be implemented, although further iterations may be required as necessary as the Future Tandridge Programme progresses.

The report sets out proposed amendments to the document originally considered on 1<sup>st</sup> February 2022 as well as the Scheme of Delegated Authority for Finance. Changes are marked in track in Appendix A – Draft Financial Regulations.

The main changes in Financial Regulations will have the following effects:

- Clarify the responsibilities of Council and Committees in respect of key strategic financial management activities such as the setting, and monitoring of budgets, the closing of accounts and good governance.
- Make clear the responsibilities of Officers for managing budgets, authorising transactions, safe custody of assets, financial accounting and reporting requirements and similar matters.

- Clarify operational procedures associated with the above responsibilities and increase the accountability of Officers for budgetary control and the effective use and custody of other assets for which they are responsible.

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**This report supports the Council's priority of:** Building a better Council

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## **Recommendation to Committee:**

That the Committee recommends to Full Council that the re-drafted Financial Regulations at Appendix A be adopted.

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## **Reason for recommendation:**

Any major organisation needs a set of clearly understood rules and regulations to manage its financial affairs. So, in line with Section 151 of the Local Government Act 1972, the Chief Finance Officer and the Head of Legal and Monitoring Officer have revised the Financial Regulations in line with good practice.

Any such proposed changes to the Constitution (which include the Council's Financial Regulations at Part B) require ratification by Full Council (i.e. they cannot be determined by the Committee alone).

The Committee is invited to consider whether any further amendments to the draft replacement Financial Regulations should be made. If agreed at the meeting, these will be incorporated within the recommendation to Full Council on 20<sup>th</sup> July.

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## **Introduction and background**

1. At its meeting of 1<sup>st</sup> February 2022, Strategy & Resources Committee considered a report setting out a new set of Financial Regulations. The principle of reviewing Financial Regulations was accepted, but a number of concerns were raised which needed to be addressed before the new Financial Regulations were recommended to Council. The recommendation was therefore deferred.
2. This report and the attached draft Financial Regulations address the previous concerns of the Committee and also incorporate minor further amendments and clarification to wording.

3. The concerns raised by Committee were as follows, from the recorded minutes of the meeting:
  - The Head of Legal advised that further amendments would be required, including the reinstatement of the current FR17 which governed the purchase of assets via the Investment & Development Fund and the Housing Revenue Account.
  - Further suggestions were made by Members, including:
    - additional wording for situations where the Council is responsible for spending grants awarded by third parties; and
    - a scheme of delegation to define the limits of expenditure which budget holders are authorised to sign off (in this respect, the Chief Finance Officer advised that all budget holders would be required to sign an annual accountability statement).
  
4. The changes made to the draft Financial Regulations since that point are as follows, with full track changes shown in Appendix A:
  - Clarification of the consequences of not complying with the Regulations for Officers and Members (paragraph 1.5)
  - Clarification that Digital Signatures carry equal weight to a handwritten signature (paragraph 1.8)
  - Additional responsibilities for officers (paragraph 5.15)
  - Removal of references to entering into contracts, to avoid duplication or conflict with Contract Standing Orders (paragraph 6)
  - Clarification of the flowchart for authorising virements (paragraph 9)
  - Clarification that the Regulations do not conflict with the Whistle-Blowing Policy (paragraph 14.7)
  - Removal of references to the Investment and Development Fund (which no longer exists) in respect of General Fund asset purchases. Such matters would now be a decision for Committee in accordance with the Constitution, or urgency procedures if necessary.
  - Reinstatement of the requirements previously covered by Financial Regulation 17 in respect of Asset Purchase (paragraph 17)
  - Clarification on Treasury Management arrangements (paragraph 19)
  - Inclusion of arrangements for situations where the Council is responsible for spending grants awarded by third parties, as required by Committee (paragraph 30)

- A Scheme of Delegated Authority for Finance appended to define limits for financial activity. This is referenced in the Regulations but is controlled by the Chief Finance Officer and can be amended from time-to-time if required to safeguard Council resources or to reflect organisational change. This is set out in Appendix B. This is the Scheme of Delegation requested by Members, but is renamed to avoid confusion with other Constitutional Schemes of Delegation.
5. On the Scheme of Delegation in particular, the Constitution sets powers, duties, and delegation arrangements for each Committee. It authorises Officers within their department to exercise any of their delegated powers. This report makes no changes to the Constitution in this respect. Chief Officers should keep an up-to-date list of all their nominations and authorisations to any other Officers to act on their behalf to undertake any decision, duty, power or function. An example of this is listed below (taken from the Strategy & Resources delegations):

## **DELEGATION TO OFFICERS**

1. To the Chief Executive and other MT Members respectively the power to implement Council/Committee policies and deal with the day-to-day management of services relevant to this Committee, including the discharge of all functions of the Council, except for those which are identified above as reserved for determination by the Council, Committee or Sub-Committee.
  2. The officers referred to in 1. above have the power in turn to delegate to other officers of their choice, the power to deal on their behalf and in their name with any of the above functions. Such delegation shall be in writing and signed by the relevant Chief Officer and may contain such limitations or be subject to such conditions as that Officer shall decide.
6. Clause 1, above, delegates powers where they are not reserved for Council or Committee, to Management Team (currently the four statutory officers). Clause 2 allows those Officers to delegate this power further, in writing. This an essential clause to enable the effective day-to-day business of the Council and means that a Chief Officer may authorise a suitably trained and qualified Officer, on their behalf, to exercise a function that has been delegated to them.
7. Further delegation must be done carefully to ensure that decisions are taken at the right level, and that operational decisions with a financial implication are taken by an Officer with an understanding of the budget.
8. The Scheme of Delegated Authority for Finance sets out a very narrow element of this in respect to key transactional aspects on payments, write offs and procurement cards.
9. This is part of a much wider suite of documents including the Finance Business Partnering Agreement, which defines the roles of Heads of Service in respect of Financial Management.

10. Other elements of the Constitution fetter the powers of delegation set here, by requiring certain Officers to perform particular functions. For example, the Constitution requires procurements of over £5,000 to be approved through Corporate Procurement Board, which consists of Management Team and other Heads of Service. Similarly, contracts can only be signed by:
  - Chief Executive
  - Deputy Chief Executive
  - Section 151 Officer
  - Head of Legal and Monitoring Officer
  - Solicitors
11. In this respect the Constitution works by exception, as it would be impracticable to define every Officer delegation. However, it is a "live document", so items can be put forward for recommendation, if required.

## **Conclusion and Next Steps**

12. The new Financial Regulations represent a major overhaul to existing arrangements, but do not affect Member decision making as set out elsewhere in the Constitution. They provide for Officers and Members to understand the limits of their authorisation and the extent of their responsibilities.
13. The revisions set out in this report and the attached Appendices serve to finalise the new Financial Regulations and bring them to the point that they can be re-presented to Committee for approval.
14. Because this is a major overhaul, inevitably there will be a period when the Regulations are tested in a live environment and further revisions may be necessary to refine. The Regulations provide for regular review. Changes will be brought to this Committee and ultimately Full Council for approval.
15. In the case of genuine urgency, established urgency procedures will be used if a variation to the proposed Regulations is required in advance of the next Committee. These will be reported in the usual manner.
16. The approval limits set out in the Scheme of Delegated Authority will need to be built into the Financial System. This will be done as soon as is practicable and the Chief Finance Officer will communicate to all affected Officers as soon as the changes are implemented and the Scheme is live.
17. In the intervening period, payments above the threshold for Heads of Service approval will be monitored through regular reporting.
18. Communication on the changes will be needed. This will take place at EMT in the first instance and then cascaded to other officers.

## **Other options considered**

19. The Council has no option but to ensure that its Financial Regulations remain fit for purpose through periodic overhaul and regular review.

## **Key implications**

### **Comments of the Chief Finance Officer**

The CFO is fully supportive of the proposal to bring Financial Regulations up to date and in line with CIPFA standards.

Ongoing review of Financial Regulations are essential if the Council is to maintain clear responsibilities and accountabilities of Officers and Members.

The changes in Financial Regulations will also improve the Council's strategic and operational financial management and risk management arrangements. The changes support the Council's plans for transforming Tandridge and are an essential element of the framework for good governance in the public sector.

### **Comments of the Head of Legal Services**

Financial Regulations set out the key rules, regulations and guidance which must be followed to maintain financial controls within the Council. The previous Financial Regulations had been in place for some time without formal review. These regulations have been updated to reflect practical arrangements in place and have been written in a way that is easily understandable and more easily adhered to. As they are part of the Council's constitution they will need to be approved by Full Council following review by this Committee.

### **Equality**

There are no implications for equality arising from this report.

### **Climate change**

There are no implications for climate change arising from this report.

### **Appendices**

Appendix A – Draft Financial Regulations

Appendix B – Scheme of Delegated Authority for Finance

### **Background papers**

None