

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Caroline Ryba, Head of Finance  
TO: Civic Affairs Committee  
WARDS: All

### **Financial Regulations and Financial Procedure Rules**

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#### **1 INTRODUCTION**

- 1.1 This report reviews the council's current financial regulations and financial procedure rules which form Part 4F of the council's constitution. It makes recommendations for minor changes in Part 4F and in other parts of the constitution which have a financial aspect.

#### **2. RECOMMENDATIONS**

The committee is recommended to:-

- 2.1 Approve changes to the financial regulations and financial procedure rules as set out in 4.4 and Appendix 1;
- 2.2 Support a project to investigate aligning financial regulations and procedures with South Cambridgeshire District Council; and
- 2.3 Amend the Scheme of delegation to council officers in relation to capital approvals, to align it with proposed procurement limits.

#### **3. BACKGROUND**

- 3.1 Financial regulations are a subset of the standing orders, and as such are part of the governance arrangements of the council. They deal with the financial aspects of governance, such as levels of financial authority and they may point to more detailed regulations governing financial management.
- 3.2 The only statutory requirement for a standing order relating to finance is contained in Section 135 of the Local Government Act 1972 and is

related to the making of contracts. This requirement is met by Part 4G of the constitution, contract procedure rules, which have been reviewed and are the subject of another report on this agenda.

### 3.3 This review is required because:-

- Financial regulations and procedures have not been reviewed for some time and may no longer address the operating context of the council, which is subject to considerable change.
- There is a perception that they are complex and bureaucratic and therefore do not support efficient, business-like working practices.
- Financial limits included within the constitution need to be updated periodically to ensure that they are current and fit-for-purpose.
- Alignment of processes and procedures with shared service partners would simplify joint working.

## 4. Considerations

- 4.1 Part 4F of the constitution comprises financial regulations with financial procedure rules as appendices to the regulations. These are based on the example set of regulations and procedures developed by CIPFA in 2001. There appear to have been minimal changes made, mostly to reflect local structures and job titles. The council can therefore be assured that they are both suitable and comprehensive. They contain very few monetary limits and cover 82 pages.
- 4.2 The council works closely with South Cambridgeshire District Council (SCDC) as a shared service partner. The Waste Service is already shared, and there are plans to share Planning Services, Housing and Finance shortly. Alignment of financial regulations and procedures with SCDC would support this closer working. The financial regulations of SCDC consist of 11 pages supported by detailed delegations. There are no financial procedures. They are therefore very different in nature to the City Council's regulations and procedures and it will be a major piece of work to revise and align both sets. Significant consultation with both members and officers will also be needed.
- 4.3 As a result, this review proposes minimal changes to the council's financial regulations and procedures to bring them up to date, as set out below in Appendix 1, and suggests that alignment with SCDC is undertaken as a future project.

4.4 It is also proposed to add:-

- an index to Part 4F of the constitution to make the regulations and procedures easier to use; and
- a reference table of monetary limits as an additional appendix (Appendix F).

4.5 Part 3, Section 9 of the constitution (Discharge of Council Functions, Scheme of delegation to Council officers) includes at section 4.1(b) monetary limits for the approval of capital projects. These limits were set with reference to procurement limits and, in line with recommendations from the review of Contract Procedure Rules, should now be amended as follows:-

- **for projects where the estimated cost is £15,000 and below and has identified capital funding:** once included in the capital plan schemes may proceed without scrutiny committee consideration, provided that relevant Ward Councillors have been consulted, where appropriate. (No change)
- For projects where the estimated total cost is over £15,000 and up to £1,000,000 (was £300,000), a full business case report must be completed and referred to the Capital Programme Board for approval
- For projects where the estimated total cost is over £1,000,000 (was £300,000), a full business case report must be completed and referred to the capital Programme Board for consideration and then the relevant scrutiny committee and referral to the Executive Councillor for approval.

4.6 At all levels, capital projects are presented to scrutiny committee and council for approval and funding through the Medium Term Financial Strategy or Budget setting processes. Increasing the threshold as recommended will reduce the number of projects that have to be considered again at the point of delivery. Officers will be able to progress large projects more quickly as a result, with only the largest coming back to committee for endorsement.

## 5. IMPLICATIONS

### (a) Financial Implications

As described in the report.

### (b) Staffing Implications (if not covered in Consultations Section)

Recommendations will reduce bureaucracy and empower officers to deliver the council's priorities more effectively.

(c) **Equality and Poverty Implications**

None, minor update of regulations and procedures only.

(d) **Environmental Implications**

None.

(e) **Procurement**

Recommendations will align financial procedures with contract regulations.

(f) **Consultation and communication**

Internal communications only.

(g) **Community Safety**

N/A.

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

The author and contact officer for queries on the report is Caroline Ryba on extension 8134.

Report file:

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## Appendix 1: Proposed changes to Financial Regulations and Procedures

Ref.	Change proposed	Reason
	<b>Financial regulations and financial procedure rules:</b> include an index to enable click-through to the sections.	Ease of use
A18	<b>Head of Finance:</b> refers to guidance now superseded. Update reference to <i>The Role of the Chief Financial Officer in Local Government (CIPFA,2010)</i>	Updated guidance
B6	<b>Preparation of the Best Value Performance Plan (BVPP):</b> BVPP no longer required, delete paragraph and renumber document accordingly	Changed statutory requirement
B8	<b>Budget preparation:</b> refers to preparing a general revenue plan (medium term forecast) on a three yearly basis. Update to reflect current practice of preparing a medium term financial strategy on a five-yearly basis.	Update to reflect current, improved practice
C7	<b>Audit requirements:</b> update to refer to <i>Audit and Accounts Regulations 2015</i> .	Updated regulations
C8	<b>Audit requirements:</b> update as follows 'Under the <i>Local Audit and Accountability Act 2014</i> , the Council is responsible for appointing its external auditors for the year 2017/18 onwards. Prior to this external auditors were appointed by the Audit Commission and following its abolition in 2015, its former role in appointing auditors, setting audit fees and other regulatory matters has been delegated to Public Sector Audit Appointments Limited(PSAA). The basic duties of the external auditor are as established by the <i>Local Audit and Accountability Act 2014</i> and the <i>Code of Audit Practice</i> .'	Changed statutory requirements
C12, C13	<b>Treasury management:</b> update to refer to <i>Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes</i> .	Updated code of practice
C14	<b>Treasury management:</b> update reference from Head of Finance to responsible officer, as quoted on guidance	In line with guidance

Ref.	Change proposed	Reason
1.11, 1.19, 2.10	<b>Virement etc:</b> update to refer to CIPFA's <i>Service Reporting Code of Practice</i>	Updated code of practice
Appendix B, 2.01 – 2.08	<b>Performance plans:</b> this section refers principally to Best Value Performance Planning, which is no longer required.  To be redrafted to refer to corporate planning, services' operational plans and monitoring arrangements.	Remove outdated reference to BVPPs
2.52 (c)	<b>Capital programmes:</b> currently reads 'A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the executive'. Replace 'for approval by the executive' with 'for approval by the Capital Programme Board and endorsement for the project to be presented for capital funding approval through budget setting processes'	To reflect role of the Capital Programme Board
2.52 (f)	<b>Capital programmes:</b> to delete current wording 'schedules for individual schemes within the overall budget approved by the full council must be submitted to the executive for approval (for example, minor works), or under other arrangements approved by the full council.'	To streamline programmes of work
2.62	<b>Capital programmes:</b> to increase from 5% to 10% the amount by which the executive may meet cost increases by virement from savings elsewhere within the capital programme	To align with revised contract Procedure Rules which allow +10% variation against budget on a procurement exercise.

Ref.	Change proposed	Reason
2.65	<b>Capital programmes:</b> redraft as follows, replacing credit approvals with prudential borrowing; 'to consult with the Head of Finance and to seek executive approval where the director proposes to use prudential borrowing to support expenditure that has not been included in the current year's capital programme'.	To reflect change in capital financing methods
3.18(d) 3.25	<b>Internal controls:</b> replace 'Auditing Practices Board <i>Guidance for Internal Auditors</i> and CIPFA's <i>Code of Practice for Internal Audit in Local Government in the United Kingdom</i> with the <i>Public Sector Internal Audit Standards (CIPFA, IIA)</i>	Updated guidance and requirements
3.23, 4.24	<b>Internal audit:</b> update the reference to the accounts and Audit Regulations 1996 as follows:-  'The Accounts and Audit Regulations 2015 more specifically require that a 'relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.	Updated legislation
3.27, 3.51, 4.63	<b>Internal audit:</b> update head of internal audit to Head of Shared Internal Audit Services	Updated structure
3.35 – 3.38	<b>External audit:</b> redraft paragraphs to reflect the new external audit regime put in place by the Local Audit and Accountability Act 2014	Updated external audit regime

Ref.	Change proposed	Reason
3.97	<b>Treasury management:</b> correct and clarify the inclusion of 4 clauses adopted by the council from the <i>CIPFA Treasury Management in the Public Services: Code of Practice and cross sectoral guidance notes</i> . In particular, change the responsibility for the implementation and monitoring of treasury management policies and practices from the Leader to the Executive Councillor for Finance and Resources, and to note that scrutiny of treasury management strategy and policies is performed by the Scrutiny Committee for Strategy and Resources	To clarify inclusion of clauses from the Code of Practice and to update responsibilities
4.84	<b>Payments to employees and members:</b> replace Human Resources Director with Head of Human Resources	Update post title
4.85 – 4.96	<b>Payments to employees and members:</b> replace all references to Inland Revenue and HM Customs and Excise with HM Revenue & Customs (HMRC)	Update name
4.100	<b>Trading accounts and business units:</b> Replace the requirement to disclose the results of significant trading operations in the Best Value Performance Plan, with disclosure in performance reports and the Statement of Accounts.	Remove outdated reference to BVPPs
5.16	<b>External funding:</b> Remove outdated reference to single regeneration budget.	Remove outdated reference