

Divisions Affected - All

AUDIT AND GOVERNANCE COMMITTEE

21 SEPTEMBER 2022

CAPITAL GOVERNANCE – AMENDMENTS TO THE FINANCIAL REGULATIONS, SECTION 5 ‘CAPITAL’

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**

Endorse the amendments to the Financial Procedure Rules (Financial Regulations, Section 5 ‘Capital’) as set out in Annex 1 and submit to Council for approval.

Executive Summary

2. The Council is required, under the Local Government and Housing Act 1989, to follow proper accounting practices and to secure best value. All officers and members have a duty to abide by the highest standards of probity in dealing with financial issues.
3. Financial Regulations set out the council’s financial policies and the framework for managing the council’s financial affairs. They provide more detailed guidance on how the Council’s Financial Procedure Rules should be implemented in practice. They also identify the high-level financial controls within which all members and staff must operate. Regulations are maintained on the council’s intranet.
4. The Council has undertaken a full review of its Capital Governance framework, processes and structures. As a result, changes are now proposed to the relevant section of the Council’s Financial Procedure Rules (Financial Regulations - Capital). These changes were considered at the July 2022 Audit and Governance committee – this paper and Annex 1 formalises this and seeks endorsement for Council consideration and approval. The changes also reflect the council’s most current management structure.

Proposed Changes

5. Annex 1 sets out the revised changes to section 5 ‘Capital’ of the financial regulations. The proposed changes (shown in bold italics throughout) are

mostly immaterial, however they do importantly formalise current/expected custom and practise. The changes provide more rigour and enhanced visibility enabling more effective and efficient monitoring and management of the capital programme. The changes can be summarised as:

Section 5.1.1 'New inclusions', Section 5.2 'Capital Expenditure,

(i)... £50,000 or less, the ***Head of Service (in consultation with the Finance Business Partner and Senior Corporate Accountant - Capital)***;
(this is currently Head of Service and Corporate Accountant)

(ii)...between £50,000 and £500,000, the ***service Director (following discussion with and support of the appropriate Capital Programme Board)***;
(this is currently Corporate Accountant and Senior Capital Governance Officer)

(iii)...between £500,000 and £1,000,000, the ***Section 151 Officer (following discussion with and support of the Strategic Capital Board)*** ... (this is currently the s151 and the Corporate Director, Communities)

Section 5.1.2 Capital Governance Process

6. The main changes recommended are to include more evidence to accompany business cases at each gateway stage, particularly for expenditure, costs and change requests. (Currently, there is no specific mention of evidence).

Section 5.3 External Contributions

7. The main changes recommended are to further strengthen the check and challenge of any proposed new capital grant bid, proposing the same thresholds be applied as set out for allocations and expenditure (as noted above at paragraph 5). This provides more consistency throughout the procedure and ensures the strategic fit and organisational capacity/resources are challenged and considered before bids are submitted.

Section 5.4 Contract Insurance and caps on liabilities on capital design and construction contracts

8. This section recommends a full revision of the current Insurance section. It provides greater clarity and direction in terms of the risk assessments that are required before entering into contracts.

5.5 Disposals of Land and Property

9. The main changes recommended are in relation to the thresholds, these are being proposed to align to the same thresholds for capital allocation/expenditure and external contributions (as noted above at paragraph 5).

Financial Implications

10. There are no financial implications associated with this report.
11. Comments checked by:
Kathy Wilcox (Finance)

