

COUNTY COUNCIL – 12 JANUARY 2010

FINANCIAL PROCEDURE RULES

Report by the Monitoring Officer and Assistant Chief Executive & Chief Finance Officer

Introduction

1. 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.
2. The Financial Procedure Rules are part of the Council's Constitution and set out the duties of the full Council and the Cabinet, the Chief Finance Officer ('CFO' or section 151 officer) and Directors in relation to the revenue budget and capital programme, statement of accounts and accounting records, audit requirements, payments to employees and members, etc.

Proposed Changes

Capital Expenditure and Programme

3. There main changes recommended are to the limits for approval of capital expenditure (paragraph 12) as follows:
 - (i) up to £200,000 - Service or Cost Centre Manager (currently up to £75,000)
 - (ii) £200,000 – £500,000 - Head of Service (currently £75 - £200,000)
 - (iii) £500,000 - £1 million – Director (currently £200 - £500,000)
 - (iv) £1 million - £2 million – Director and CFO (currently £500,000 - £1 million)
 - (v) £2 million - £5 million - CFO after consulting Cabinet Member (new)
 - (vi) £5 million and over – Cabinet (currently £1 million)
4. There are also changes recommended to the approval of variations in project budgets (set out at paragraph 13). Currently, any variation of 10% or more must be approved by the Director (for projects costing £200 - £500,000), the CFO (for projects costing £500,000 to £1 million) and Cabinet (projects costing over £1 million). It is now proposed that variations of 5% or more to the recorded project budget are approved at the following levels:
 - (i) up to £500,000 – Service Manager and CFO
 - (ii) £500,00 - £1 million – Head of Service and CFO
 - (iii) £1 million - £2 million – Director and CFO
 - (iv) £2 million - £5 million – CFO
 - (v) £5 million or more - Cabinet

5. It is also recommended that the Leader of the Council may – after consulting the CFO – approve any proposed change to the Capital Programme in advance of the financial monitoring report to the Cabinet.

External Funding

6. The role and responsibilities of the Chief Finance Officer in relation to external funding (currently set out at paragraph 74) have been more fully articulated to include working with Directors to maintain a record of external funding that is expected and its financial implications; building any agreed financial implications of external funding into the budget; monitoring external funding and its related financial implications; accounting for any non-specific Government Grants received and receivable and submitting any returns that they require; and Investigating ways of maximising income from external funding.
7. Similarly, the role and responsibilities of Directors have been more fully articulated to ensure that external funding which is sought supports the Council's overall aims, objectives, priorities and plans; there is an exit strategy to assess the impact of external funding ending, particularly if demand for the services produced is likely to continue; bids for external funding are approved by either the Cabinet portfolio holder for Finance (currently the Leader) or the Deputy Leader; conditions of external funding agreements and any statutory requirements are complied with; and specific Government grants received and receivable in respect of the services for which they are responsible are accounted for.

Grants to External Bodies

8. A new section has been included which sets out the roles and responsibilities of the Chief Finance Officer and Directors in relation to grants to external bodies.
9. The Chief Finance Officer is required to issue guidance with regard to the financial aspects of grant funding. The Chief Finance Officer is required to issue guidance about the register of grants.
10. Directors are required to maintain a register of grants for their services. Directors are required to consider whether funding arrangements should be by grants or by procurement of services and make an appropriate decision following guidance about this issue.

Next Steps - Financial Regulations

11. In the hierarchy of financial controls, the Financial Regulations sit at the next level down from the Finance Procedure Rules.

12. The Chief Finance Officer has the authority to amend the Financial Regulations and, if Council approves the amendments to the current Finance Procedure Rules, the Financial Regulations will be amended accordingly.

RECOMMENDATION

13. **The Council is RECOMMENDED to approve the amendments to the Financial Procedure Rules, as set out in paragraphs 3 – 10 above.**

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Background papers: Nil

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