

Report to the Overview and Scrutiny Committee



Date of meeting: 20 February 2012

Subject: Review of Financial Regulations

Responsible Officer: I Willett (01992 564243)

Democratic Services Officer: Mark Jenkins (01992 564607)

Recommending:

That a report be submitted to the Overview and Scrutiny Committee and the Council recommending that the schedule of amendments to Financial Regulations set out in Appendix 1 to this report be approved and pages G9-11 be deleted from the Constitution.

1. Introduction

- 1.1 This report deals with our annual review of Financial Regulations which is conducted by a cross-directorate Officer Working Party.
- 1.2 The report contains recommendations for one change to Financial Regulations and one consequential amendment to the Budget Procedure Rules in the Constitution.

2. Review of Financial Regulations

- 2.1 Appendix 1 to this report sets out one proposed amendment arising from this year's review. The Appendix excludes a number of minor textual changes (renumbering, typographical errors and various cross references) which can be made by officers when the Financial Regulations are prepared for publication.
- 2.2 The proposed change relates to virement limits, a virement being a transfer of funding from one budget heading to another.
- 2.3 Currently Financial Regulations set out the arrangements for approval of virements against certain financial limits:
 - (a) Up to £5,000 – Directors subject to no virement between portfolio budgets, to the virement being within the Director's own budgets and to the transfer being within "cost centres";
 - (b) Up to £10,000 – Portfolio Holders, subject to the budget concerned being within the portfolio and to the other conditions as set out in (a) above;
 - (c) £10,000-£100,000 – Cabinet approval;
 - (d) £100,000 – Cabinet and Council

- 2.4 All virements are supervised by the Director of Finance and ICT.
- 2.5 Officers believe that there should be no change to the procedure for virements up to £5,000, save that the term “cost centre” should be amended. It is recommended that the use of this term should be discontinued and the term “budget heading under the same budget page” should be substituted.
- 2.6 This will allow officers a greater degree of flexibility in managing their budgets. The current restriction of increments to within cost centres only is felt to be overly restrictive and necessitates Portfolio Holder involvement for insignificant changes to budgets. Expanding this to budget headings under the same page ensures that the money is still used for a similar purpose. A wider expansion of movement of funding within a directorate as a whole is not proposed as this would allow funds to be used for very different purposes.
- 2.7 A typical budget sheet is enclosed for illustrative purposes (Appendix 2).
- 2.8 As to the other virement limits, no changes are proposed for 2.3(d) but for 2.3(b) and (c), it is recommended that the limit for Portfolio Holder approval be increased to £25,000. This would recognise the role of portfolio holders and reduce references to the Cabinet. Use of portfolio holder decision making is more flexible which, coupled with the redefinition of “cost centres,” will make arrangements easier to operate.
- 2.9 All proposed virements will be reviewed by the Director of Finance and it should be remembered that, as with other portfolio business, Cabinet members can refer a proposed virement to the Cabinet if need be.
- 2.10 The virement rules are published both in Financial Regulations and as an appendix to the Budget Procedure Rules of the Constitution (Pages G9-11). It is considered advisable to publish the information in only one place to avoid confusion. It is therefore proposed to delete the Appendix to the Budget Procedure Rules.

3. Next Steps

- 3.1 If the Panel support the various changes, approval of the Overview and Scrutiny Committee and the Council is necessary before the Constitution is amended.