

Report to the Council

Committee: Constitution and Members' Services Scrutiny Panel **Date:** 27 March 2012

Chairman: Councillor David Stallan

REVIEW OF FINANCIAL REGULATIONS

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.

Report:

1. We have considered a report on a review of the Council's Financial Regulations. The report dealt with the annual review of Financial Regulations which is conducted by a cross Directorate Officer Working Party.
2. The report contained recommendations for one change to Financial Regulations and one consequential amendment to the Budget Procedure Rules in the Constitution.
3. Appendix 1 to this report set out the proposed amendment arising from this year's review. The Appendix excludes minor textual changes (renumbering, typographical errors and various cross references) which can be made by officers when the Financial Regulations are prepared for publication.
4. The proposed change relates to virement limits, a virement being a transfer of funding from one budget heading to another.
5. Currently Financial Regulations set out the arrangements for approval of virements against certain financial limits:
 - (a) **Up to £5,000** – by 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** – by 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 approval
6. All virements are supervised by the Director of Finance and ICT.
7. We 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. We recommend that the use of this term should be discontinued and the term "budget heading under the same budget page" should be substituted.

8. 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.

9. We attach a typical budget sheet to our report for illustrative purposes (Appendix 2).

10. As to the other virement limits, no changes are proposed for 2.3(d) but for 2.3(b) and (c), we recommend that the limit for Portfolio Holder approval be increased to £25,000. This recognises the role of Portfolio Holders and reduces 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.

11. All proposed virements will be reviewed by the Director of Finance and ICT and it should be remembered that, as with other Portfolio business, Cabinet members can refer a proposed virement to the Cabinet if need be.

12. The virement rules are published both in Financial Regulations and as an appendix to the Budget Procedure Rules of the Constitution (Pages G9-11). We consider it advisable to publish the information in only one place to avoid confusion. We therefore propose that the Appendix to the Budget Procedure Rules be deleted.

13. The overview and Scrutiny Committee accepted our proposals as set out at the commencement of this report and we recommend them to Council.