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**To: Council**

**On: 24 September 2015**

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**Report by: Director of Finance and Resources**

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**Heading: Revised Financial Regulations**

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**1. Summary**

- 1.1 A comprehensive and up to date set of Financial Regulations is a key element of corporate governance, as they provide a framework for good financial management.
  - 1.2 The last revision to the Council's Financial Regulations was approved by Council on 28 February 2013. A revised senior management structure was approved by the Leadership Board on 18 February 2015, the resulting changes to officer designations has been incorporated into the revised Financial Regulations.
  - 1.3 The responsibilities of the Finance and Resources policy board have been amended to better align with the remit of the board.
  - 1.4 Amendments have been made to reflect the financial governance arrangements required due to the establishment of the Renfrewshire Health and Social Care Partnership.
  - 1.5 The framework for transferring between budgets has been updated to reflect the financial governance arrangements for transfers in relation to budgets allocated to approved Council projects.
  - 1.6 Some other minor changes have been made to improve the clarity of the Financial Regulations and to reflect changes in national guidance such as the Treasury Management Code of Practice.
  - 1.7 The updated Financial Regulations are appended to this report as Appendix 1.
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## 2. **Recommendations**

- 2.1 Members are asked to approve the revised Financial Regulations..
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### **Implications of the Report**

1. **Financial** - None
2. **HR & Organisational Development** - None
3. **Community Planning** – Safer and Stronger - up to date financial regulations are a key component of good corporate governance.
4. **Legal** - the revised regulations reflect recent changes made to the Council's governance arrangements.
5. **Property Implications** - None.
6. **Information Technology Implications** - None.
7. **Equal Opportunities Implications**

(a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health and Safety Implications** – None.
9. **Procurement Implications** – None.
10. **Risk Implications** – Up to date financial regulations are a key requirement in managing the Council's financial risks.
11. **Privacy Impact** – None



**Renfrewshire Council**

**Financial Regulations**

**September 2015**



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## **1 What the Regulations Cover**

- 1.1 Under section 95 of the Local Government (Scotland) Act 1973, all local authorities in Scotland must have adequate systems and controls in place to make sure that their finances are handled properly. They must also appoint an appropriate officer with the full responsibility for monitoring how they do so.
- 1.2 These Financial Regulations set out the responsibilities of the Director of Finance and Resources, who has been appointed as the 'proper officer', for the purposes of section 95 of the 1973 Act, along with the responsibilities of the Chief Executive, directors and other authorised people.
- 1.3 These Financial Regulations will be administered through those delegations set out in the Council's scheme of delegation.
- 1.4 These regulations also set out the responsibilities of the Council, Policy Boards and the Audit, Scrutiny and Petitions Board for the council's financial affairs.
- 1.5 Directors will make sure that all relevant employees are aware of these regulations and that they follow them at all times. Where any part of the Council's budget is managed through a partnership body, the relevant partnership lead will ensure that all relevant persons are aware of and follow these regulations.
- 1.6 All actions that affect the council's finances should only be carried out by properly authorised persons. Directors will make sure that there is a proper system in place for authorising transactions.
- 1.7 Directors and other authorised persons will make sure that the council only commits to expenditure (spending) that it is legally able to commit to. Where this is not clear, the authorised person will consult the Head of Corporate Governance before committing to any expenditure. Also, the legality of expenditure relating to new service developments, contributions to other organisations and responses to new emergency situations will be confirmed before the council commit to any related expenditure.
- 1.8 If you believe that anyone has broken, or may break, these regulations, you must report this immediately to the Director of Finance and Resources, (or, if more appropriate, to the Chief Executive or the Head of Corporate Governance), who may then discuss the matter with the Chief Executive, the Head of Corporate Governance (as monitoring officer) or any other director or authorised person as appropriate to decide what action to take.
- 1.9 Directors and other authorised persons will make sure that all spending within capital and revenue estimates meets relevant accounting standards. They will contact the Director of Finance and Resources if they need assistance to decide what is capital and what is revenue or regarding the relevant accounting standards.

- 1.10 The regulations will be interpreted and put into practice in a way which takes account of the obligations in the council's Standing Orders Relating to Contracts.

## **2 Corporate Governance**

- 2.1 Corporate governance is about the structures and processes for decision-making, accountability, controls and behaviour throughout the council. The basic principles of corporate governance are as follows.

**Openness** Anyone with an interest in our affairs should have confidence in the decision-making and management processes and the individuals involved in them. This confidence is gained through openness in our affairs and by providing full, accurate and clear information which leads to effective and timely action and scrutiny.

**Integrity** There should be honesty, selflessness, objectivity and high standards of conduct in how we manage the council's funds and affairs. Integrity depends on the effectiveness of the control framework and on the personal standards and professionalism of members and employees.

**Accountability** There needs to be a clear understanding by everyone involved in the council's affairs of their roles and responsibilities. There should also be a process which provides appropriate independent examination of the decisions and actions of those involved in the council's affairs, including how council funds and performance are managed.

- 2.2 These Financial Regulations, supported by Financial Codes, practice notes and other guidance and are an essential part of the corporate governance of the council.

## **3 Council and Board Responsibilities**

- 3.1 The council and its policy boards will continuously work to secure best value, in how the council uses its resources.
- 3.2 The Finance and Resources Policy Board will be responsible for monitoring the council's overall financial and budgetary arrangements. However, other policy boards have responsibilities relating to financial and budgetary management for service areas within the remits of those policy boards.
- 3.3 The Director of Finance and Resources (in consultation with the Chief Executive and other directors, as appropriate) will advise the Leadership Board and all policy boards on the financial implications of the boards' activities.



### 3.4 Council

- 1 Council will consider and approve all capital plans and estimates. No capital expenditure can be authorised unless:
  - it has been provided for in approved capital estimates; or
  - it is within the officer's delegated authority
- 2 Council will consider and approve all revenue plans and estimates. No revenue expenditure can be authorised unless:
  - it has been provided for in approved revenue estimates; or
  - it is within the delegated authority of the officer to act in an emergency
- 3 Each year Council will consider and set the Council Tax and council-house rent levels.
- 4 Each year Council will consider and approve the prudential framework for capital finance for the forthcoming three-year period, and the treasury management strategy statement for the next financial year. The prudential framework for capital finance and the treasury management strategy statement require the Council to set prudential and treasury management indicators for the following three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The treasury management strategy statement will incorporate each year an annual investment strategy which will include a list of "permitted investments" for approval by the Council.
- 5 Each year Council will consider and approve a mid-year progress report on the prudential framework for capital finance.
6. Each year Council will consider and approve, for the financial year just ended, a treasury management annual report.
- 7 The Director of Finance and Resources will provide each member of the Council with a copy of the Revenue Estimates together with statements of their effect on the council's finances, council tax and council-house rent levels at least five working days before the meeting of the Council at which these matters will be considered.
- 8 Council will consider and approve the framework for transferring money from one budget to another. The framework will be as follows:
  - the transfer must not alter a council policy without the prior approval of the relevant policy board (e.g. to reinstate an item deleted by the council during budget considerations).

- the transfer must be in line with any approved policy for the delegated management of resources, including schools.
  - Each Director shall nominate appropriate individuals with authority to authorise allowable transfers. The names and authorisation limits for these individuals shall be recorded on the authorised signatory database.
  - Directors and their nominated individuals may transfer sums between the subjective budget headings within a service division to enable budget management throughout the financial year (temporary transfers).
  - Permanent transfers between subjective budget headings within a service division must be approved by the service Director in consultation with the Director of Finance and Resources.
  - Transfers between objective budget headings (service divisions within a department), up to a maximum of £100,000, can only be done by Service Directors, in consultation with the Director of Finance and Resources.
  - Transfers between divisions of the same service/department in excess of £100,000 must be authorised by the service Director, and the Director of Finance and Resources for submission to the relevant policy board for approval.
  - All transfers between services/departments must be authorised by the respective service Director, and the Director of Finance and Resources for submission to the relevant policy board for approval.
  - Transfers between budget lines up to a maximum of £100,000 in budgets allocated to approved council projects, must be authorised by the Chair of the relevant Project Board following consultation with the members of that Board and the Director of Finance and Resources. All such transfers in excess of £100,000 shall require the prior approval of the relevant policy Board.
- 9 Council will consider and approve requests for extra (supplementary) estimates where the request has not already been considered by the relevant boards.
- 10 Council will consider and approve any alterations to the Financial Regulations.

### 3.5 Finance and Resources Policy Board

- 1 The board will monitor the overall financial performance of the council's services and trading operations (activities which other providers could supply, and which we charge for on a commercial basis) in relation to the approved capital and revenue budgets.
- 2 The board will have oversight and monitor the financial performance of arms length organisations, including services delivered on behalf of the Renfrewshire Health and Social Care Partnership.
- 3 The board will consider and approve a mid-year review of the treasury management strategy.
- 4 The board will consider reports from the Director of Finance and Resources on the council's treasury management activities.
- 5 The board will consider and approve the arrangements for authorising all loan, leasing and investment documents if the Director of Finance and Resources (or delegated officers) are not authorised to do so.
- 6 The board will approve the management and investment policies (through the Investment Review Board) for common good funds (the funds which are held for the benefit of the local community) and will receive reports from the Investment Review Board on the performance of common good investments.
- 7 The board will approve expenditure from common good funds and will make sure that payments are made in line with council policies and conditions.
- 8 The board will approve expenditure from other charitable funds, following recommendations from the Local Area Committees.
- 9 The Director of Finance and Resources will report to the board with details of any significant changes in the council's tax affairs.
- 10 The board will consider and approve the council's insurance arrangements.
- 11 The board will approve and oversee matters relating to allowances for members.
- 12 The board will monitor how the council manages its debts. It will also consider reports from the Director of Finance and Resources on the council's performance with regards to collecting debt and will agree any amounts over £10,000 to be written off (cancelled).
- 13 The board will approve and oversee the Council's procurement arrangements.

### 3.6 Audit, Scrutiny and Petitions Board

- 1 To act as the Council's Audit Committee.
- 2 The board will consider reports by our external auditors, including reports on the audited annual accounts and put recommendations forward to the Council.
- 3 The board will approve the internal audit charter and the annual internal audit plans prepared by the Chief Auditor. The board will also consider reports from the Chief Auditor on the internal audit activity, and will monitor the progress of the plan including considering the Chief Auditor's annual report.

### 3.7 Relevant Board

#### (a) General

- 1 The board will consider budget monitoring reports from the Director of Finance and Resources, in consultation with the relevant director. The reports will include explanations for any significant variances (differences) from budget targets and will approve any actions needed to bring the financial performance within approved limits.
- 2 The board will consider reports from the relevant director where the council has committed itself to essential expenditure but:
  - there is no money set aside in the budget for it; and
  - there is no money elsewhere within the service to pay for it

It will also agree any actions needed to bring the financial performance within approved limits.
- 3 The board will consider requests for transferring budget resources more than £100,000.
- 4 The board will consider requests for extra (supplementary) estimates to the approved capital and revenue plans.
- 5 The board will make sure that all financial matters within the Standing Orders Relating to Contracts for the services within its area of responsibility are followed.
- 6 The board will consider contract variances and explanations where the estimated net cumulative additional cost is more than £100,000 or 25% of the approved contract sum (whichever is greater).
- 7 The board will consider reports from the relevant director for adjustments of more than £5,000, it will approve writing off shortages or writing surpluses back into the accounts.

- 8 The board will approve reports from the relevant director to amend charges for goods and services within its area of responsibility.
- 9 The board will monitor the arrangements for paying grants, contributions or subscriptions for services within its area of responsibility and will make sure these are made in line with the council's policies and conditions.
- 10 The board will monitor the arrangements for the provision of soft loans (that is, loans with preferential interest rates) or financial guarantees to related parties.

(b) Trading Operations

- 1 The board will monitor the financial performance of each trading operation and any other commercial operations within their area of responsibility, in relation to the approved capital and revenue budgets. They will also approve the action needed to bring spending within approved limits and to achieve the approved financial surplus targets.
- 2 The board will consider, approve and monitor the business plans for the trading operations and any other commercial activities within their area of responsibility.
- 3 The board will consider and approve writing off shortages in stocks and stores, or writing back into the accounts stocks and stores in excess of £5,000 that are the responsibility of the trading operations.

#### **4 The Framework for Financial Administration**

- 1 The Financial Regulations set out the responsibilities of members and senior officers within the context of our political management framework. The Financial Regulations may only be amended by Council.
- 2 The Director of Finance and Resources (as the 'proper officer' for handling our financial affairs) will monitor how the Financial Regulations work within the council, and will provide directors with a written framework which governs our financial affairs. The framework will be made up of the following.

**Financial Codes** These codes will cover all relevant aspects of financial administration. The Director of Finance and Resources will have the delegated authority (in consultation with the Chief Executive and the Head of Corporate Governance) to alter the Financial Codes, except for any matters which are

covered by the Financial Regulations where approval as set out in 4.1 will be needed.

**Practice Notes**

These practice notes will provide employees with detailed guidance and advice on specific procedures that they must follow. Any practice notes issued will need the approval of the Director of Finance and Resources or other authorised person.

- 3 All Financial Codes and practice notes issued in terms of these Financial Regulations have the same status and authority as if they were part of these Financial Regulations.

**4 Reviewing the Financial Regulations**

- 1 Council may change or withdraw these Financial Regulations. If so, this will come into force from the first working day after the end of the council meeting at which the change or withdrawal was approved.

**5 Legal Advice**

- 1 The Head of Corporate Governance will provide legal advice regarding these Financial Regulations when needed.

**6 More Information**

- 1 If you need more information or help understanding these regulations, please contact the Director of Finance and Resources.