

Annual Review of Financial Regulations

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1. Summary

- 1.1.** The purpose of this report is to provide assurance to members regarding the adequacy of the current Financial Regulations following a review by the Chief Finance Officer and Chief Internal Auditor, and to propose very minor amendments for clarity.

2. Recommendations

- 2.1. That the Constitution and Standards Committee;**
- a) Notes the formal review of Financial Regulations by senior Finance staff, and the conclusion that the Regulations remain fit for purpose, subject to small clarifications as set out below.**
 - b) Approve the Financial Regulations as attached.**

3. Background

- 3.1.** Financial Regulations are of critical importance to the County Council as they govern which officers and members can take actions and decisions that could impact significantly on the financial standing and resources of the local authority. They bind officers, members and anyone acting on behalf of the Council and are mandatory. The importance of maintaining strict Financial Regulations, (together with the suite of supplementary guidance and requirements they refer to), is increasingly necessary given the difficult financial circumstances that all local authorities are experiencing.
- 3.2.** Whilst the Financial Regulations set out responsibilities and powers of a number of officer roles and even members, their key role is to define the role of the Chief Finance Officer. Members are reminded that this is a statutory role under section 151 of the Local Government Act 1972 and this authority cannot be overridden.
- 3.3.** Best practice and the County Council require that an annual review is carried out to ensure that the Financial Regulations are up to date. This review was carried out by senior finance staff in January and has shown that they remain fit for purpose as part of the Constitution. Due regard has been had during this process for the previous comments made by our external auditor, Grant Thornton on our financial position, such as around reserves.

- 3.4. Small technical amendments have been made to update details, such as job titles and those of committees. Throughout the document, the term Chief Financial Officer has now been used, as this is a specific meaning that refers to the statutory role, regardless of what the actual Job Title of the postholder becomes in the future.
- 3.5. Small changes to the text have been made for clarity only, and there has been **no changes to who is entitled to make financial decisions, or to the financial thresholds that apply.**

However, clarifications proposed include:-

A.21 To state explicitly the role of the Somerset Waste Board alongside other Committees.

A.25 To update Financial Regulations with regard to the newly agreed Deputy section 151 officer.

B.7 / B.12 / B18 To clarify the role of Scrutiny as part of the budget preparation processes and budget reporting.

B.20 / B.22 To clarify that the Chief Finance Officer remains responsible for determining the prudent level of general reserves required, based on his or her professional judgement, and also has to approve the establishment of any new earmarked reserves.

C. 2 To acknowledge the role of the Audit Committee in the day-to-day monitoring of risk management activities.

C.10 To acknowledge the previous Council decision to “opt in” to the national PSAA scheme for the appointment of our external auditors.

C.22 To emphasise on the need for SLT to maintain staffing levels in strict accordance with both the approved establishment and their delegated budgets

D.2 / D. 4 To strengthen the right of the Chief Finance Officer to require the use of corporate finance systems and to approve (or not) any alternative systems proposed.

D. 13-15 To emphasise the need for trading units to recover all their costs and breakeven on their activities and the need for strong business cases for their establishment and continuation.

4. Consultations undertaken

- 4.1. Senior finance officers undertaking the review consulted with the Monitoring Officer to provide assurance and ensure compliance.

5. Implications

- 5.1.** Given that there are no substantial changes to the Financial Regulations as a result of this review, there are no Legal, Risk, Impact Assessment or HR risks arising.

Conversely, there are risks to the Council if the recommended Financial Regulations are not updated as proposed.

6. Background papers

- 6.1.** None