



<b>Report of</b>	<b>Chief Operating Officer</b>	<b>Author</b>	<b>Paul Cook</b>
<b>Title</b>	<b>Financial Regulations 2022-23</b>		
<b>Wards affected</b>	Not applicable		

## 1 **Executive Summary**

1.1 To update the Financial Regulations for financial year 2022/23

## 2 **Recommended Decision**

2.1 To approve the Financial Regulations 2022.

2.2 To recommend approval of the Financial Regulations 2022 to Council

## 3 **Reason for Recommended Decision**

3.1 To update the financial regulations as part of the 2022/23 budget process.

## 4 **Alternative Options**

4.1 Not to change the Financial Regulations.

## 5 **Background**

5.1 The Council is required to adopt Financial Regulations as part of its annual budget process.

5.2 The Council's Financial Regulations have not been significantly revised since 2017 so a complete update is required.

5.3 The significant changes are set out in Section 6 of this report. Where the change is an updated job title this is not listed. (E.g. Heads of Service are now Assistant Directors.) The proposed Financial Regulations 2022 are attached as an Appendix.

## 6 **Significant changes to the 2017 Financial Regulations**

6.1 See table below.

Ref	2017 provision	2022 provision	Reason for proposed change
1.2.11	Write-off limits changed only with Council approval	Write-off limits increase annually with inflation	Decision of January 2021 Governance Audit Committee
1.2.13		Chief Executive can incur unbudgeted expenditure to avoid significant and unavoidable cost	Better use of resources

Ref	2017 provision	2022 provision	Reason for proposed change
2.1.2		System of internal control	Clearer statement of Accounts and Audit Regulations 2015
2.4.1	Portfolio Holders propose individual budgets to Cabinet	Deleted	The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy
2.5.1	Scrutiny Panel receives financial monitoring reports	Responsibility now Governance and Audit	Reflects Governance and Audit Workplan
2.6.1	Governance and Audit Committee receives financial monitoring reports	As above	Reflects Governance and Audit Workplan
2.8.1	Responsible Financial Officer maintains adequate and effective internal audit	Monitoring Officer maintains adequate and effective internal audit – covered in 4.5.5	Reflects current arrangements
2.9.2	S151 Officer a member of the Leadership Team	S151 works with Leadership Team	Correct status of the Head of Finance post.
2.12.1	Delegated authority records maintained by Responsible Financial Officer	Not required	Unnecessary bureaucracy
2.14.1	Accounting arrangements as per statutory Accounts and Audit Regulations	The same, but wording changed	Closer fit to the text of the Regulations
2.15.1	Revenue outturn reported to Scrutiny Panel. Panel makes recommendations to Cabinet on the Outturn and carry forwards	Revenue outturn reported to Governance and Audit Committee. Committee may make recommendations to Cabinet on the Outturn. Carry forwards rules determined by Responsible Financial Officer	Revised roles of Committees. Carry-forwards decided in the accounts closing process.
2.15.2	New in 2022	Revenue outturn reported to Cabinet in commencing the next year's budget strategy	Reflects current good practice.

Ref	2017 provision	2022 provision	Reason for proposed change
2.16.4	Timetable for draft accounts as then applied	New timetable for draft accounts 20/21 and 21/22 as per revised Accounts and Audit Regulations	Regulatory requirement
2.16.7	New in 2022	Governance and Audit Committee approves external audit plan	Reflects current good practice.
2.16.8	New in 2022	Governance and Audit Committee appoint external auditors on advice of Responsible Financial Officer	Reflects current good practice.
2.16.9	Responsible Financial Officer sets external audit timetable and facilitates external audit access to systems	The same, improved wording	Reflects current good practice.
2.16.10	New in 2022	New timetable for final accounts with opinion 20/21 and 21/22 as per revised Accounts and Audit Regulations	Regulatory requirement
2.17.1	Rules on virements	Simpler 'budget transfer' terminology	Rewording
2.17.2	Rules on virements	Simpler 'budget transfer' terminology	Rewording
2.17.3	Rules on virements	Simpler 'budget transfer' terminology	Rewording
2.17.4	Assistant Director virement limit £10k within same service and portfolio.	Assistant Director virement limit £40k within same portfolio	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk as transfer within an existing budget.
2.17.4	Assistant Director virement limit £25k (after consultation with Responsible Financial Officer) between services in the same portfolio.	Assistant Director virement limit £100k (after consultation with Responsible Financial Officer) between services	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk as transfer within an existing portfolio and Responsible Financial Officer agreement required.

Ref	2017 provision	2022 provision	Reason for proposed change
		in the same portfolio	
2.17.5	Portfolio Holder virement limit within their portfolio (after consultation with Responsible Financial Officer) or between portfolios with the agreement of the holders £50k.	Portfolio Holder virement limit within their portfolio (after consultation with Responsible Financial Officer) or between portfolios with the agreement of the holders £200k.	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk and Responsible Financial Officer agreement required.
2.17.6	Cabinet virement limit following Assistant Director and Responsible Financial Officer report £250k	Cabinet virement limit following Assistant Director and Responsible Financial Officer report £1m	Longstanding limit updated to more practical level. Will allow more efficient management of services. Low budget risk. Assistant Director and Responsible Financial Officer agreement required.
2.17.10	Technical budget transfers by Responsible Financial Officer excluded from above limits.	The same	Simplified wording
2.18	Rules on carry forwards	Simplified	Simplified wording
3.1.2	Portfolio Holders each report a separate budget to Cabinet	Sets out the process and timetable now used. The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy	Reflects current good practice.
3.3.1	Financial Planning and Control	More emphasis on a sustainable long term budget	Reflects current good practice.
3.3.2	Scope of the MTFF 3 years	Scope of the MTFF 4 years	Reflects current good practice.
3.3.3	Budget monitoring by Scrutiny Panel	Budget monitoring by Governance and Audit Committee	Change of Committee responsibility. Scrutiny Panel retains the power to scrutinise the budget.
3.4.1	Council sets budget format	Not required as covered in Budget Strategy report to Cabinet	Reflects current good practice.

Ref	2017 provision	2022 provision	Reason for proposed change
3.5.1	Scope of the MTFF 3 years	Scope of the MTFF 4 years	Reflects current good practice.
3.5.2	Budget strategy	Budget Strategy set by Cabinet	Reflects current good practice.
3.5.3	Cabinet sets Portfolio Target budgets	Cabinet sets overall budget strategy	The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy
3.5.4	Development of Portfolio Target budgets	Not required	The Administration proposes an integrated councilwide budget, reflecting the Council's Strategy
3.5.5.	Development of Portfolio Target budgets	Role of Scrutiny Panel in Budget setting.	Reflects current good practice.
3.6.1	Responsible Financial Officer monitors budgets	Budget holder responsibility and use of corporate systems and timetable	Reflects current good practice.
3.6.2	Responsible Financial Officer provides financial monitoring information to Assistant Directors	Budget holder responsibility and use of corporate systems and timetable	Reflects current good practice.
3.6.3	Budget responsibility delegated by Assistant Directors	Assistant Directors accountable for budgets	Reflects current good practice.
3.7.1	Responsible Financial Officer to operate resource allocation system	Deleted	Budget process covered in other sections
3.7.2	Budget role of heads of service	Deleted	Budget process covered in other sections
3.8.1	Definition of Capital programme	Cabinet to set programme timetable	Reflects current good practice.
3.8.2	Preparation of capital programme	Existing practice clarified	Reflects current good practice.
3.8.4	Capital programme variations need Council approval	Council approves annual programme. In-year updates by Cabinet.	Reflects current good practice.
3.8.5	All new schemes require a project justification to Cabinet	Covered by role of Portfolio Holder	Reflects current good practice. Will allow more efficient management of Capital programme.
3.8.7	Revenue implications of approved capital	Already covered by 3.8.2 so deleted	No substantive change

Ref	2017 provision	2022 provision	Reason for proposed change
	schemes allowed in the MTFF		
3.8.8	Feasibility and initial costs require a Cabinet scheme approval	Not required	Reflects current good practice. Will allow more efficient management of Capital programme.
3.8.9	No expenditure on a scheme unless in the capital programme	Already covered by other sections. Responsible Financial Officer to determine capitalisation policies.	Reflects external audit finding on 2019/20 accounts.
3.8.11	Additional costs and use of capital contingency	Reworded as no capital contingency operated	Reflects current good practice.
3.8.12	Cabinet requires detailed report on proposed scheme	Not required	Reflects current good practice. Will allow more efficient management of Capital programme.
3.8.13	Assistant Director responsibility to monitor capital programme	Use of corporate systems and timetable emphasised	Reflects current good practice. Will allow more efficient management of Capital programme.
3.18.14	Capital monitoring reports to Scrutiny Panel	Capital monitoring reports to Governance and Audit Committee	Change of Committee responsibility
4.6.1	Audit Commission appoints external auditor	Obsolete, auditor appointment covered in other sections	Regulatory update
4.6.2	Role of external auditor	Reflects current legislation	Regulatory update
5.1.1	Asset Register	Now an Amphora responsibility jointly with Responsible Financial Officer	Reflects current good practice.
5.1.3	Assistant Director control of assets	Now an Amphora responsibility jointly with Assistant Directors	Reflects current good practice.
5.1.5	Asset disposals	Now an Amphora responsibility jointly with Assistant Directors	Reflects current good practice.
5.4.2	Treasury Management Reporting	Treasury monitoring by Governance and Audit Committee	Change of Committee responsibility. Scrutiny Panel retains the power to scrutinise Treasury activities.
6.8.3	VAT	Responsible Financial Officer	Reflects current good practice.

Ref	2017 provision	2022 provision	Reason for proposed change
		remit codified on partial exemption and electing to tax on sites.	
6.8.4	New 2022	Responsible Financial Officer to be consulted on tax implications of any new service development	Will allow more efficient management of services.
6.9.3	Need for trading accounts to be determined by Responsible Financial Officer	To be exercised in liaison with Assistant Directors	Will allow more efficient management of services.
6.10.1	Retention of files	New wording	Reflects current good practice.
7.1.2	Partnerships	Financial regulations in Amphora and Colchester Borough Homes must be equivalent to the Council's	Will allow more efficient management of Amphora and Colchester Borough Homes.
7.1.3	Operations of Amphora and Colchester Borough Homes	Responsible Financial Officer to oversee their accounting arrangements as consolidated in the Council's group statement of accounts	Will allow more efficient management of Amphora and Colchester Borough Homes.
7.2.2	External funding	Responsible Financial Officer may set a pre-application checklist	Will allow more efficient management of grant claims.
8	Financial limits	Revised values on virements as set out above	Will allow more efficient management of services.

## 7 Environmental and Sustainability Implications

- 7.1 The Financial Regulations support the Council's declaration of a Climate Emergency and its commitment to becoming carbon neutral by 2030. The efficient financial management of services is fundamental to achieving this result.

## 8 Equality and Diversity Implications

- 8.1 The proposed change will improve Council efficiency and allow more resources to be devoted to addressing equality and diversity issues.

9      **Risk management implications**

9.1    Covered in the main report.

10     **Other standard references**

10.1   There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

11     **Background papers – None**