

## **London Borough of Hammersmith & Fulham**

**Report to:** Full Council

**Date:** 28 April 2021

**SUBJECT:** Revised Financial Regulations 2021

**Report of:** Cabinet Member for Finance and Commercial Services –  
Councillor Max Schmid

**Responsible Director:** Director of Finance – Emily Hill

---

### **SUMMARY**

The current Financial Regulations, which form part of the Council's existing Constitution, were last approved by Full Council in July 2017. They have been subject to a comprehensive review and update and this report recommends the revised Financial Regulations for approval by Full Council.

The key changes relate to:

- aligning the financial limits with the key decision threshold and Contract Standing Orders (CSOs)
  - streamlining decision-making to enable the council to respond more effectively to emergent pressures, such as Covid-19, and make use of external funding opportunities, grants and other funding sources
  - ensuring that the Council can take forward major capital initiatives and investments, such as for affordable housing and regeneration, in a timely manner whilst ensuring they are subject to rigorous scrutiny and challenge
  - reflecting the requirements of the council's Ruthlessly Financially Efficient strategy
  - updating the presentation and content in line with guidelines and good practice, the current council structure and officer titles and Hampshire Integrated Business Centre financial processes.
- 

### **RECOMMENDATION**

To approve the revised Financial Regulations set out in Appendix 1.

---

**Wards Affected:** All

---

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	We need to always confirm that spend fits our Council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts.

## Financial Impact

Financial Regulations provide the regulatory and governance framework which directs the way Hammersmith & Fulham Council undertakes its financial activities including financial planning, budget setting, budget monitoring, and closing of the accounts.

Compliance with the proposed amendments to the Financial Regulations are not expected to have any additional resource or direct costs implications for the finance service or departments. Where the proposals streamline current processes, the council may benefit from efficiencies of officer time.

## Legal Implications

The Financial Regulations are an element of the Council's Constitution. The Local Government Act 2000 requires the Council to have and maintain a Constitution. Under section 151 of the Local Government Act 1972, 'every Local Authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.' The Financial Regulations set out these financial administration responsibilities. The Monitoring Officer is satisfied that the Council's Constitution continues to fulfil its stated purposes, as set out in Article 1 of the Constitution.

---

## Contact Officer(s):

Name: Emily Hill  
 Position: Director of Finance (Section 151 Officer)  
 Telephone: 020 8753 3145  
 Email: [emily.hill@lbhf.gov.uk](mailto:emily.hill@lbhf.gov.uk)

Name: Rhian Davies  
 Position: Director of Resources (Monitoring Officer)  
 Telephone: 07827 663 794  
 Email: [Rhian.Davies@lbhf.gov.uk](mailto:Rhian.Davies@lbhf.gov.uk)

---

## Background Papers Used in Preparing This Report

None.

---

## **DETAILED REPORT**

### **Background to the review**

1. The financial regulations provide the framework for managing the council's finances. They apply to every member, officer and anyone acting on the council's behalf. The financial regulations were last comprehensively reviewed in 2017.
2. More recently in late 2019, changes have been made to the council's Constitution to amend the key decision threshold and to the financial limits included in the Contract Standing Orders. The financial regulations required review to ensure consistency with the changes to the Constitution and to avoid confusion.
3. In addition to the changes in the Constitution, the experience of the past year in the council's response and uncertainty around funding and financial implications Covid-19 pandemic has demonstrated the need for the Council to respond quickly to unforeseen events in the budget with potentially significant financial consequences. The financial regulations were therefore reviewed with a view to provide sufficient flexibility to allow officers and the Cabinet to respond to such unforeseen events and to streamline decision making processes, whilst ensuring transparency in financial decision making and reporting.
4. Finally, the Council has ambitious plans for the development of affordable housing and wider regeneration schemes within the borough and the recommendation in this report will afford greater pace in decision making. Members should note that for all significant capital schemes, clear and viable business cases must be drawn up; co-production/consultation with residents must take place and due diligence assessment work must be completed.
5. As the last review was completed in 2017, a fundamental review of the regulations has been completed to update current arrangements and references including a review against CIPFA guidelines and identified good practice elsewhere. The review also considered feedback on the operation of, and challenges with, the current financial regulations from officers and members.

### **Summary of changes**

6. The format of the financial regulations has now changed to provide a shorter and more digestible summary of the most fundamental requirements in managing the council's financial affairs. These summarised financial regulations are supplemented by detailed appendices providing a reference guide to officers, members and any other parties acting on the council's behalf, relating to the specific elements of the financial regulations.
7. A summary of the most material changes has been set out in this report below

### ***Financial authority limits***

8. Limits for Officer and Cabinet Member Decisions have been amended to reflect the increase to the key decision threshold and streamline decision making. These limits are referenced in the main document and summarised in Appendix G of the financial regulations.
9. The financial regulations have also been updated to reflect the Commercial Revenue Committee's terms of reference which allows the Committee to agree business cases for new income opportunities of up to £1m. This allows the Council to react quickly to potential revenue opportunities, particularly as part of Covid-19 recovery, and respond to the future financial challenges.
10. In line with the previous amendment reported to Full Council in October 2019 the updated financial regulations require Full Council approval for revenue budget adjustments above £20m (3.8% of the council's gross budget of £528m, or equivalent to a fortnight's spend).
11. The council's capital programme includes a budget envelope of £50m, to provide operational flexibility, for taking forward the major projects, such as affordable housing, as set out in Capital Strategy. This was subject to Cabinet approval, agreement of funding and sign-off of an appropriate business case. The financial regulations have now been amended in line with the capital programme to allow Cabinet to approve new capital expenditure up to £50m. Any sum above this amount will require Full Council approval.
12. The financial regulations now include a schedule of authority levels for debt write-offs to reflect the other changes in financial authority above.

### ***Grant and other external funding***

13. During Covid-19 a large number of grants not envisaged in the budget were announced and received by the council. The financial regulations have been clarified to confirm that the Director of Finance can accept external grant funding and approve matching amendments to income and expenditure budgets following the award of new grants or other external funding where there is no net increase in the revenue budget or capital programme approved by Full Council. Such decisions will be reported with the next Cabinet Corporate Revenue or Capital Monitor report. This does not include the approval of match funding requirements which will need to be agreed in line with other authorities included within the financial regulations.
14. The council is in receipt of section 106 contributions, and the Community Infrastructure Levy, from developers. Arrangements for use of such funding is clarified with delegated authority for their application given to the Director of Finance in consultation with the Chief Planning Officer, the Cabinet Member for the Economy and the in consultation with the Cabinet Member for Finance and Commercial Services.

### ***Treasury management***

15. The financial regulations have clarified that although Full Council delegates responsibility for implementing the Treasury Management Strategy to the Director of Finance, there are some loans and investments that may be made outside the council's day to day treasury and cash management. In these cases, "non-specified investments" such as loans made to third parties and interests acquired in companies, joint ventures or other enterprises may be made for policy or operational purposes, for example regeneration, and will require the approval of Cabinet, following consultation with the Director of Finance and consideration of the business case.

### ***Other***

16. Other significant amendments include:

- tightened requirement that all requests for use of reserves must be agreed by the Director of Finance in consultation with the Chief Executive and Cabinet Member for Finance and Commercial Services before any other decision; this to reflect practices required by the Council's Ruthlessly Financially Efficient strategy and ensure decisions are in line with the council's reserves strategy and safeguard the council's future financial resilience
- explicit reference to the requirement for all decision reports to include a Finance Impact section which will be verified by the Director of Finance or his/ her nominated deputies in line with the Council's Ruthlessly Financially Efficient strategy.

### **Appendices:**

Appendix 1 – Financial Regulations 2021