

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">FULL COUNCIL</p> <p style="text-align: center;">19 JULY 2017</p>	
<p>REVISED FINANCIAL REGULATIONS 2017</p>	
<p>Report of the Cabinet Member for Finance – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification: For Decision Key Decision: Yes</p>	
<p>Consultation: Open consultation</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p>	
<p>Report Author: Emily Hill, Head of Corporate Finance</p>	<p>Contact Details: Tel: 0208 753 3145 E-mail: emily.hill@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The current Financial Regulations which form part of the Council's existing Constitution were last reviewed in May 2011. A complete review has been completed in 2017. Revisions include incorporation of changes arising from government policies, consideration of Council organisation restructures and alignment to the Council's Contract Standing Orders (CSO).
- 1.2. The revised Financial Regulations are recommended for inclusion in the Hammersmith and Fulham Council Constitution for Full Council approval on 19 July 2017.
- 1.3. Revised Contract Standing Orders (CSO) were agreed by Council on 27 January 2016. The effective date of the CSO changes was 1 July 2016 and the Financial Regulations now incorporate the revised contract financial limits.

2. RECOMMENDATIONS

- 2.1. To recommend that Full Council approve the revised Financial Regulations.

- 2.2. The review of the Financial Regulations to be carried out on an annual basis, and reported to Full Council.

3. REASONS FOR DECISION

- 3.1. The key changes made primarily result from the increase in the financial limit from £20,000 to £25,000 for a range of financial thresholds following the revision of Contract Standing Orders which were approved in January 2016.
- 3.2. An review of the Financial Regulations has been completed in 2017 with revisions as set out in section 5.

4. INTRODUCTION

- 4.1. Financial Regulations provide the regulatory and governance framework which directs the way the London Borough of Hammersmith & Fulham undertakes its financial activities including financial planning, budget setting, budget monitoring, and closing of the accounts. The Council's Financial Regulations were last reviewed in full in May 2011 and this report provides an updated 2017 version (appendix 1).
- 4.2. The Financial Regulations have been updated for consistency with changes to the Council's Contract Standing Orders (CSO). In May 2015, the Council agreed to a new threshold in the CSO arising from statutory requirements contained in the Public Contracts Regulations which was confirmed in January 2016. In addition, the CSO, state that "for all contracts with an estimated value of £100,000 or greater Chief Officers, acting on advice from the Service Review Team, are required to develop a Business Case for the forthcoming procurement."
- 4.3. Also agreed in the CSO was "all Procurement Strategies and Business Cases where the estimated value is £100,000 or greater must be approved by Cabinet prior to the commencement of any tendering exercise and agreed as a Key Decision." With an exception relating "to the award of contracts for expenditure in connection with the Council's obligations under the Local Government Pension Scheme which are reserved for the Audit, Pensions and Standards Committee who will be responsible for approving all Procurement Strategies and Business Cases."

5. SUMMARY OF REVISIONS

- 5.2. The revised Financial Regulations have been amended to reflect the financial limits within the January 2016 Contract Standing Orders. The effective date of the CSO changes was 1 July 2016. This has meant the revision of the scheme of virement to include the new expenditure threshold of between, equal to or greater than £25,000 (previously £20,000) and less than £100,000, which requires Cabinet Member approval.
- 5.3. The Financial Regulations include some new areas to reflect developments at the Council which include:

- the role and accountabilities of the new Commercial Revenue Board
- a section on contract management – financial aspects
- a section on joint ventures and interest in limited companies.

5.4. Other updates have been made to reflect changes in Council structures or reflect the latest guidance including:

- replacing the section on Overview and Scrutiny Committees with a section on the Policy and Accountability Committees
- updating to reflect changed Council structures including Corporate Finance and updated references to the Strategic Leadership Team
- changes resulting from the move to Managed Services
- updated on the role of the Chief Financial Officer in line with the latest guidance
- changes to the external audit section to reflect the changed legislative framework.

5.5 The overall style and structure of the Financial Regulations is based around the 2011 version with some re-ordering and updating to ensure the contents continue to be relevant. These include:

- removal or updating of references to out of date government policies and CIPFA documents
- updating accounting terms for consistency with International Financial Reporting Standards
- removal of references to outdated practices and other minor corrections.

6. LEGAL IMPLICATIONS

6.1. The Financial Regulations are made and maintained in furtherance of the duty in section 151 of the Local Government Act 1972 which requires every local authority “to make arrangements for the proper administration of their financial affairs.”

6.2. Implications verified/completed by: Andre Jaskowiak, Senior Solicitor, Legal Services, 020 7361 2756).

7. FINANCIAL IMPLICATIONS

7.1. This report is of a financial nature so the implications are included.

7.2. Implications verified/completed by: Emily Hill – Head of Corporate Finance, Corporate Finance, 0208 753 3145.

8. IMPLICATIONS FOR BUSINESS

8.1. There is not expected to be a significant impact on local economy, businesses or trade.

8.2. Implications verified/completed by: Antonia Hollingsworth, Principal Business Investment Officer.

9. PROCUREMENT IMPLICATIONS

- 9.1. The Interim Heads of Procurement has been fully consulted on the proposed changes to the Financial Regulations. The changes align the Council's Financial Regulations with the updated Contract Standing Orders.
- 9.2. Implications verified/completed by: John Francis and Alan Parry, Interim Heads of Procurement (job share), 0208 753 7332.

10. RISK MANAGEMENT IMPLICATIONS

- 10.1. Every large organisation needs a financial framework which provides the necessary control on financial matters whilst at the same time encouraging best value and promoting local accountability. These regulations outline the approved system of corporate financial control to secure the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council and are incorporated into our Constitution. The Financial Regulations of the Council are regarded as a key risk control. Periodic review of the content maintains a resilient business and at the same time delivers high levels of performance through good governance.
- 10.2. Implications verified/completed by: Michael Sloniowski, Shared Services Risk Manager, 0208 753 2587.

11. CONSULTATION

- 11.1. Consultation has been undertaken within the Council on the contents of the new Financial Regulations with comments taken into consideration as appropriate. Business Delivery Team have provided approval on 5 January 2017 prior to Political Cabinet seeing the proposals.

12. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1	Finance and Corporate Services Financial Scheme of Delegation (March 2015)	Emily Hill 0208 753 3145	Corporate Finance, Room 10 Hammersmith Town Hall, King Street, Hammersmith

13. LIST OF APPENDICES

Appendix 1 Financial Regulations 2017