

Committee: Finance Committee	Dated: 7 th May 2024
Subject: Review of the Financial Regulations	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	9,10
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Chamberlain	For Decision
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PUBLIC

Summary

The City's Financial Regulations set out procedures for officers to follow when managing the City's financial affairs. The regulations are maintained by Finance Committee and were last reviewed in June 2023. This report is the subject of a recent annual review undertaken by the Chamberlain's department, together with staff from other relevant departments, which makes recommendations for a number of changes to update the regulations and deal with gaps and inconsistencies.

Many of the proposed changes are presentational, often connected with the change of name for Bridge House Estates to City Bridge Foundation or City's Cash to City Estate. More notable changes are identified in this report.

Most of the reporting and approval thresholds are dealt with in other documents, rather than the Financial Regulations, which deals more with process. These documents include the Standing Orders, the Scheme of Delegations, the Project Procedure and the Procurement Code. An increase in level of such threshold is considered as these documents are reviewed.

At the present time a review is currently being undertaken on the Project Procedure which won't be completed until later in the year. A delegation is therefore requested to reflect any changes in process that may need to be made in the Financial Regulations as a result.

The updated draft regulations for consideration are attached at Appendix A. For clarity proposed changes have been tracked. This tracking will be removed and the document reformatted before publication.

Recommendations

Members are asked to

1. Critically examine and if satisfied agree the revised Financial Regulations set out in Appendix A;
2. Agree a delegation to the Chamberlain to amend the regulations in respect of any further changes that may need to be made as a result of the review of Project Procedure and to tidy up numbering and formatting of the document; and
3. Note that the next review of the regulations will be undertaken early in 2025, to pick up any further changes required, with the outcome reported to your committee in Spring of that year

Main Report

Background

1. The City's Financial Regulations are governed by Standing Order 49 of Court of Common Council which states that:
 - i. The Financial Regulations form part of the City's overall system of financial management, accountability and control and shall be complied with by all City of London Corporation staff.
 - ii. The Financial Regulations are maintained by the Finance Committee.
2. These regulations were last reviewed in 2023 and a working party established by the Chamberlain's Department has recently undertaken a review. The working party consisted of Chamberlain's staff, covering a number of financial disciplines together with staff from the City's Commercial Team, City Bridge Foundation charity and the Corporate Strategy team.
3. Financial regulations lay down the procedures that officers should apply when managing the City's financial affairs. It is therefore, important that the financial regulations are clear and kept up to date.
4. The review had three key aims.
 - a. To identify gaps and inconsistencies in the current regulations, to streamline the regulations where appropriate, and to improve consistency, efficiency and clarity.
 - b. To check the interrelationship with City regulations and procedures such as Standing Orders; Procurement Regulations; and the Project Procedures, to ensure there is consistency.
 - c. To reflect any further changes required in the regulations as a result in the change in the name and governance for City Bridge Foundation
5. It should be noted that the Financial Regulations deal mainly with process rather than reporting and approval thresholds. These are dealt with in other documents such as Standing Orders, the Scheme of Delegations, The Project Procedures and the Procurement Code. The need to raise the level of these thresholds is considered as these documents are reviewed.
6. In undertaking this work, in addition to the members of the working party, advice was sought from a number of teams including Internal Audit, City Revenues, HR, Payroll, VAT, Accounts Payable, Insurance, and Digital Services. Their comments have been incorporated into the revised regulations

Current Position

7. The draft regulations are set out at Appendix A. For ease of understanding proposed changes have been tracked.
8. As the regulations were last reviewed June 2023, there are not too many proposed changes. Many of the changes are presentational, mainly to reflect the change in name of City's Estate and of the City Bridge Foundation. Changes of substance worthy of note include:
 - *Section 1 Introduction.* Reinforces the need to consult Bridge House Estate Board in the future for changes that may impact the charity. Para 1.1 departments reminded to make early engagement with finance on complex or substantial reports
 - *Section 2 Resource Allocation, Revenue Estimates and Capital Budgets.* Para 2.6 amended making it the responsibility of Chief Officers and Committees to manage all budgets under their responsibility not just local risk budgets. Para 2.11 amended so Executive Leadership Board receive income and expenditure forecasts as well as Finance Committee. New para 2.14 sets arrangements for managing in year budget changes for City Bridge Fund budgets. New para 2.18 requiring agreement of the Chamberlain or FSD director to drawdown earmarked reserves at year end, except City Bridge Fund which requires the agreement of the CBF Finance Director and the CBF Board
 - *Section 6 Treasury Management.* Amendment to para 6.2 notes responsibility of the Court to approve City Bridge Trust investment statement.
 - *Section 9 Payment of Accounts.* Amendment to include the aim to pay all sole trader and Small and Medium Enterprise (SME) invoices within 10 days.
 - *Section 14: Insurance* New para 14.3 inserted to ensure that cash carrying limits are in line with our insurance policy conditions.
 - *Section 15 Income and Banking Arrangements :* Para 15.17 amended so that small balance write-offs no longer require the approval of the Assistant Director Financial Shared Services or the Chamberlain
 - *Section 20 Stocks & Stores.* Para 20.2 amended to increase the carrying value when a stocktake is required to £50,000.
 - *Section 21 Motor Vehicles.* Amended para 21.3 requiring registration of vehicles on the City's fleet management system or the City Police's fleet management system for their vehicles.
 - *Section 23 Document Retention:* New para 23.5 inserted on legal requirements for charity document retention.

- *Section 24 Verification of Contractors and Consultants Final Accounts:* Para 24.1 amended to make the City Bridge Foundation Finance Director responsible for verification of contractor final accounts over £2m for City Bridge Foundation projects rather than the Financial Services Director.

Delegation for Further Changes

9. At the time of preparation of this report, a review of project governance was being undertaken, but this is yet to be completed. It is requested that the Chamberlain is given delegated authority, once this review is finalised, to reflect any consequent required changes in the updated regulations.

Annual Review

10. In order to keep changes to a reasonable number, and to ensure the document remains up to date, it was previously agreed that the review would be undertaken on an annual basis. It is therefore intended that the regulations will be reviewed again in 2025 with any proposed changes brought to your committee in the Spring of that year.

Appendices

- Appendix A – Draft Financial Regulations (with proposed changes tracked)

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