

Committee: Finance Committee	Dated: 13 th April 2021
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 2018. This report is the subject of a recent review undertaken by the Chamberlain's department, which makes recommendations of a number of changes to update the regulations and deal with gaps and inconsistencies.

During the review attention was also given to streamlining the regulations, making amendments or deletions, where appropriate. The simple act of bringing the two sets of regulations together into one document has also helped this considerably.

The updated draft regulations for consideration are attached at Appendix A together with a matrix, attached at Appendix B, which details the changes made to the existing regulations.

Going forward it is proposed to review these regulations on a more frequent basis with proposed changes coming to your committee at least on an annual basis. This will assist the process of streamlining of the regulations as it will allow them to be further honed over time.

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 changes in the title or responsibilities of any chief officer named in the regulations arising from the Target Operating Model.
3. Agree a delegation to the Chamberlain to amend the regulations to reflect any changes of committee responsibilities arising from the establishment of the Bridge House Estates Board and the consequent revisions to other committees' terms of reference; and
4. Note that in future the regulations will be regularly reviewed, and proposed changes presented to Finance Committee on an annual basis.

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 2018 and a working party established by the Chamberlain's Department has recently undertaken a review. The working party consisted of Chamberlain's Financial Services Division staff together with a representative from City Procurement and from the Town Clerk's Corporate Programme Monitoring Office.
3. Financial regulations lay down the procedures that officers should apply when managing the City's financial affairs. It is therefore, important 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 bring all the regulations together in one document. The current regulations are split into two documents, part one and part two, which makes them more difficult for officers to use.

- c. To check the interrelationship with City regulations and procedures such as Standing Orders; Procurement Regulations; and the Project Procedures, to ensure there is consistency.
5. 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, Accounts Payable, Insurance, and IT. Their comments have been incorporated into the revised regulations

Current Position

6. The draft regulations are set out at Appendix A. Due to the significant number of changes a matrix is attached at Appendix B which provides full details of the changes made.
7. Many of the changes are presentational or are as a result of merging the part 2 regulations with part 1 into a single document. However, some areas have more significant changes. These include
 - *Section 2 Resource Allocation Revenue Estimates and Capital Budgets* which includes new guidance on managing capital and revenue budgets.
 - *Section 4 Internal Audit* which includes additional wording on responsibilities of chief officers to provide information requested by Internal Audit.
 - *Section 6 Treasury Management* includes updated wording on chief officer responsibilities.
 - *Section 8 Procurement* includes an increase on P Card limits to £1,000 per transaction.
 - *Section 9 Payment of Accounts* includes a number of changes to bring the regulations in step with best practice.
 - *Section 12 Custody and Security of Assets* includes new wording to clarify that acquire assets with a value in excess of £50k is now subject to the Corporate Project Procedure.
 - *Section 17 Grant- Making* includes clarification that non charitable grant funding for works to achieve corporate outcomes requires authority from either Policy or Capital Buildings committees.
 - *Section 19 Inventories* includes wording to clarify that receipts from the disposal of assets acquired as part of a capital project shall accounted for centrally and not used to supplement local risk budgets.
 - *Section 21 Motor Vehicles* includes new wording on the treatment of proceeds from the disposal of vehicles.

8. Members should also note that in Section 2 wording has been included to reflect the recent decision to allow the ringfencing of Open Spaces fundraising income. This means donations and legacies to the Charities, where necessary, will be allowed to be carried forward in the relevant ring-fenced Charitable reserve for each Charity.

Delegations for Changes

9. At the time of preparing these updated regulations the terms of reference for the new Bridge House Estates Board, and the consequent impact on the terms of reference for other committees, had yet to be finalised. No changes have therefore been reflected in the draft regulations before your committee. It is requested that the Chamberlain is given delegated authority, once the terms of reference for committees are finalised, to reflect these changes in the updated regulations.
10. A similar delegation is being requested in respect of any changes that may be made as part of the Target Operating Model to reflect any changes in title or responsibilities of any chief officer named in the regulations.
11. It should further be noted that other procedures, such as the Procurement Regulations, are currently being reviewed. If changes to these documents impact on the Financial Regulations, it may be necessary to come back to your committee with further changes later in the year.

Annual Review

12. Although the regulations were only reviewed three years ago, this report details a considerable number of proposed changes. It is therefore intended that in the future the regulations will be reviewed periodically with proposed changes brought to your committee on an annual basis.

Appendices

- Appendix A – Draft Financial Regulations
- Appendix B – Matrix of Amendments made to the existing regulations

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