

Committee: Finance Committee	Dated: 6 th June 2023
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 2021. This report is the subject of a recent 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.

In particular changes are proposed to a number of the regulations sections to reflect the new governance around Bridge House Estates charity. In particular the introduction and Section 1 and 2, and Members should examine these carefully.

Members should also note that no adjustments have been made in respect of the changes to project governance. A review is currently being undertaken on the Project Procedure which won't be completed until later in the year. The Chief Operating Officer is also reviewing procurement regulations. A delegation is therefore requested to reflect any changes that may need to be made in these regulations as a result of the changes to the Project Procedure or the Procurement Code

Thresholds for various items before reference to committee have been reviewed and proposed increases have been highlighted. The most significant is the increase of requirement for Members sign-off of advanced payments which has been increased to items over £2m.

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

Recommendations

Members are asked to

1. Critically examine and if satisfied agree the revised Financial Regulations set out in Appendix B;
2. Agree a delegation to the Chamberlain to amend the regulations in respect of any changes that may need to be made as a result of the review of Project Procedure and of the Procurement Code; and
3. Note that the next review of the regulations will be undertaken early in 2024, to pick up any further changes required, with the outcome reported to your committee in the 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 2021 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, Programme Monitoring Office, Bridge House Estates 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 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 the changes required in the regulations as a result in the change in governance for Bridge House Estates
 - d. Review thresholds especially those that determine when Member approval is required
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, VAT, Accounts Payable, Insurance, and Digital Services. Their comments have been incorporated into the revised regulations

Current Position

6. The draft regulations are set out at Appendix B. Due to the significant number of changes a matrix is attached at Appendix A which provides full details of the changes made.
7. Thresholds has been reviewed and, in many cases, increased, most notably for advanced payments which has increased to £2m before Member agreement required. Others, such as asset disposal have been brought into line with the capital de minimus level. This is being reviewed as part of the governance around projects and the intention is to keep in step with this.
8. Many of the changes are presentational. However, some areas have more significant changes. These include
- *Section 1 Introduction.* Sets out the need to consult Bridge House Estate Board in the future for changes that may impact the charity.
 - *Section 2 Resource Allocation, Revenue Estimates and Capital Budgets.* sets out the framework under which Bridge House Estates will set its budget and the responsibility of the Bridge House Board to set reserves policy, and allocate funds of the charity
 - *Section 3 Accounting.* Reporting of Bridge House Estates financial statements now to go to the Bridge House Estates board rather than Finance Committee
 - *Section 4 Internal Audit.* The paragraph relating to departmental policy for retention of documents has been moved to Section 23 Document Retention. Two paragraphs dealing with Internal Audit show approach and conduct an investigation have been removed as this is more appropriately covered by their own guidelines
 - *Section 5 : Risk Management* This has been reworded to reflect how the City currently conducts risk management.

- *Section 8 Procurement* includes a specific duty for the Chamberlain's insurance team to be consulted where procurement or sale of goods or service or contract terms entered into may materially affect the City's insurance programme prior to agreement.
- *Section 9 Payment of Accounts* includes additional arrangements for agreeing advance payments as well as increasing the levels of officer delegation required to agree such payments to £2m. Paragraph dealing with control of unused cheques removed as we no longer make payment by cheque.
- *Section 10 Imprest Accounts*. Explicit instruction added that staff expenses should now be claimed through City People and not imprest accounts.
- *Section 12 Custody and Security of Assets*. Approval for asset disposal delegation increased to £50,000 to bring in line with capital de minimus limit (which in turn is to be reviewed in the future)
- *Section 13 Insurance*. Some clarification of areas or risk which Chief Officers shall notify the insurance team about.
- *Section 17 Grant*- A tightening of the guidelines concerning obligations of those receiving a grant.
- *Section 19 Inventories*. Individual item limits increase to £5,000.
- *Section 20 Stocks & Stores Value* held before a stock take is required increased to £20,000
- *Section 18 Salaries, Wages and Pensions*. Change to allow Payroll to accept emails from Human Resources authorising pay amendments.
- *Section 23 Document Retention*. Minimum periods of retention added to a number of items.

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. Although the regulations were only reviewed two years ago, this report details a considerable number of proposed changes. It is therefore intended that the regulations will be reviewed again in 2024 with any proposed changes brought to your committee in the Spring of that year.

Appendices

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

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