

Meeting date: 13 March 2023

Report to: Audit Committee

Report title: 2023/24 Financial Regulation Update

Report from: Acting Chief Executive

Report author/lead contact officer: Adam Paterson
Finance Manager – Financial Cycle Team

Wards affected:

- All Wards | Bickenhill | Blythe | Castle Bromwich | Chelmsley Wood |
 Dorridge/Hockley Heath | Elmdon | Kingshurst/Fordbridge | Knowle |
 Lyndon | Meriden | Olton | Shirley East | Shirley South |
 Shirley West | Silhill | Smith's Wood | St Alphege
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Public/private report: Public

Exempt by virtue of paragraph:

1. Executive Summary

- 1.1 To consider the Council's revised Financial Regulations and associated documents.
- 1.2 Financial Operations review and update the Council's Financial Regulations annually to ensure that all Members and Officers follow the strong internal controls and governance and enable effective value for money.

2. Decision(s) Recommended

- 2.1 To review and agree the revised Financial Regulations as set out in Appendix A, for onward approval by Governance Committee on 15 March 2023 and finally Full Council, to be implemented from April 2023.

Report Title: 2023/24 Financial Regulations Update

3. Matters for Consideration

- 3.1 The Council's Financial Regulations provide the framework for the authority's financial affairs. They apply to every member and officer of the authority and anyone acting on its behalf including partner organisations. Financial Regulations form part of the Council's overall governance arrangements and are reviewed annually.
- 3.2 All members and staff have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money. In addition to this, Internal Audit use this set of documents to measure adherence with financial controls.
- 3.3 Directors are responsible for ensuring that all staff in their Directorates are aware of the existence and content of Financial Regulations and other internal regulatory documents and that they comply with them. Non-compliance may be dealt with under the Council's disciplinary process.
- 3.4 The Council's executive arrangements detail how the council operates and makes decisions and the constitution sets out the framework.

4. What options have been considered and what is the evidence telling us about them?

- 4.1 The regulations incorporate CIPFA's 'A Good Practice Guide for an English Modern Council' and a review of the financial regulations of councils who were classed as high performing in terms of their financial arrangements.
- 4.2 The scope of the regulations encompasses all relevant operations but excludes delegated schools and Solihull Community Housing (who have their own respective financial regulations), to ensure an effective framework for financial management and good governance is in place.
- 4.3 The regulations are reviewed and updated annually to take account of organisational and operational changes as well as changes to processes and procedures, which are required to maintain good financial practices overall as a Council.
- 4.4 During 2022/23, Internal Audit Services were asked to compile an Audit memorandum for the Corporate Leadership Team outlining the main reasons for poor audit scores across the Council. Some of the key themes related to the non-compliance with Financial Regulations (rather than a weakness in the Regulations themselves). In response to the Audit memorandum, officers in the Financial Operations division have undertaken a number of actions to improve knowledge, understanding and compliance including the following key actions:.
- 4.5 The Finance Training material for both Budget Managers and Financial Administrators is being re-designed and will be released early in the 2023/24 financial year for all Budget Managers and Financial Administrators to complete upon release and every 2 years thereafter. Any new Budget Manager or Financial Administrator will also be

expected to complete the training before they can be granted permissions to the financial elements of their role.

- 4.6 A one page summary of the Financial Regulations has been created, circulated to all Budget Managers and Financial Administrators and is available on the intranet and extranet sites. The Financial Operations division also held two away days for all staff to attend which featured a refresh for all staff on the content of the Financial Regulations to ensure we are given up to date and appropriate support and guidance.
- 4.7 Officers in Financial Operations consulted with colleagues from Internal Audit, Procurement and Income and Awards to ensure that any risks or control weaknesses identified through the course of their work are included in any amendments to the Financial Regulations. Any amendments proposed have been fed into the Financial Regulations and associated documents.
- 4.8 The Financial Regulations have also been reviewed across the Financial Operations Division to ensure there remain strong controls and governance in those guides and regulations. Appendix A contains the revised Financial Regulations. The External Funding Procedures, Fees and Charges Framework, Cash Handling Procedures and the Petty Cash and Cash Advances Procedures have seen minor amendments and so are not included as part of this pack.
- 4.9 The amendments to the Financial Regulations are contained below:
- Oracle Cloud – during the year, the Council has transitioned from Oracle e-Business to Oracle Cloud. The Regulations have been updated to take into account any system / process changes required as a result of this new system.
 - Internal Audit are currently undertaking reviews of the Core Financial systems (Accounts Payable and Bank Reconciliations) to ensure there are appropriate controls within the system.
 - Enhancements to Section C – Risk Management. These are various enhancements to these sections to better highlight officer responsibility around risk and fraud reporting.
 - Cash Handling (Section 28 & 29) – there have been instances where cash has been used to reimburse officer expenses. This is not the approved method for the repayment of officer expenditure and so the regulations have been tightened to direct officers to the “Expenses” section of Financial Regulations.
 - Purchase Cards (Section 34) – A new section has been added regarding the use of store Loyalty Cards as these can bring benefit to expenditure, but personal cards should not be used for business expenses nor business loyalty rewards for personal expenses.
 - External Funding Procedures (Section 41) – There has been minor amendments to the External Funding procedures to outline that this is not guidance but procedures that must be followed.
 - Grants Issued to External Organisations (Section 42) – a new section has been added around where grant funding is passed to external organisations. The key

controls are around ensuring that the award is in accordance with Council priorities, the award is fair and transparent and that appropriate processes are in place to ensure the terms and conditions are complied with.

- 4.10 It is recognised that the full set of Financial Regulations continues to refer to the “Director of Resources and Deputy Chief Executive” and during the current interim management arrangements, this also means the “Acting Chief Executive”.
- 4.11 After Audit Committee, these documents will be presented to Governance Committee and Full Council for approval. Following that, all Budget Managers and Administrators will be made aware of the changes through an appropriate communication. The Financial Regulations sections of the Managers handbook will also be updated as a consequence of this latest version.
- 4.12 In addition, all staff within Financial Operations will receive an update on the revised Financial Regulations to ensure that the advice and guidance they provide incorporates the latest material.
- 4.13 In addition to these two documents, the suite of all associated documents also includes the Fees and Charges Framework, Petty Cash and Cash Advances procedures and the Cash Handling Procedures.

5. Reasons for recommending preferred option

5.1 N/A

6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> 1. Improving outcomes for children and young people in Solihull. 2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it. 3. Take action to improve life chances and health outcomes in our most disadvantaged communities. 4. Enable communities to thrive. 	<p>The financial regulations cover all of the Council’s priorities</p>
<p>Economy:</p> <ol style="list-style-type: none"> 5. Develop and promote the borough’s economy, with a focus on revitalising our town and local centres. 6. Maximising the opportunities of UK Central and HS2. 	<p>See above</p>

Priority:	Contribution:
7. Increase the supply of affordable and social housing that is environmentally sustainable.	
Environment: 8. Enhance our natural environment, improve air quality and reduce net carbon emissions.	See above
9. Promote employee wellbeing	See above

6.2 Consultation and Scrutiny:

6.2.1 Audit Committee will scrutinise the detail of this report and appendices before it goes for approval by Governance Committee and Full Council.

6.3 Financial implications:

6.3.1 There are no financial implications as a direct consequence of this report.

6.4 Legal implications:

6.4.1 None

6.5 Risk implications, including Risk Appetite:

6.5.1 Financial Regulations are part of the Council's overall governance arrangements and include a specific section around Risk Management in relation to the financial arrangements of the Council. The report also details how officers are made aware of their responsibilities in relation to Financial Regulations and how instances of non-compliance may be dealt with.

6.6 Equality implications:

6.6.1 There are no direct equality or diversity implications

6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):

6.7.1 N/A

7. List of appendices referred to

7.1 The following appendices are the revised and updated versions taking into account

the key changes above:

- Appendix A – Financial Regulations

8. Background papers used to compile this report

8.1 None

9. List of Other Relevant Documents

9.1 None