

CORPORATE GOVERNANCE COMMITTEE – 17th NOVEMBER 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PROPOSED CHANGES TO THE FINANCIAL PROCEDURE RULES

Purpose of Report

1. To propose updates to the Standard Financial Instructions (SFI's).

Background

2. The SFI's are contained within the Financial Procedure Rules, Part 4F, of the County Council's Constitution. The Financial Procedure Rules set out the main financial management requirements of the County Council. They apply to the Executive and Committees and to officers of the County Council.
3. The SFI's supplement the Financial Procedure Rules. They are proposed by the Chief Financial Officer (CFO) and cover the more detailed procedures required for the control of the financial affairs of the Council. They include procedures for control of the capital programme, revenue budgets, contracts, ordering, payments, income collection, stocks and assets, banking and insurance.

Proposed Revisions

4. In order that the SFI's continue to remain up to date and relevant it is necessary to regularly review and propose updates to the Instructions. A review of the SFI's has been undertaken which has identified a small number of changes. The changes proposed in this report are contained within Appendix A. The main changes are described below:

Instruction 2 - substitution

5. To provide flexibility to deliver the capital programme and respond to new capital requirements that arise during the year it is proposed that the CFO may approve requests to add or amend schemes within the capital programme, providing that they are totally funded, there is no overall increase in revenue costs, and there is no change in overall policy. All changes will be reported to the Executive and the Scrutiny Commission as part of the next Medium Term Financial Strategy (MTFS) monitoring report. It is also proposed to rename Instruction 2 to 'Changes to the Capital Programme'
6. The capital programme is prepared between October and December prior to the year of commencement. After this time and during the programme year, changes may be required to allow the inclusion of new capital schemes and also changes to existing

schemes. This can arise from the receipt of new capital funding; section 106 housing developer contributions, external contributions (such as school contributions), technical accounting requirements to capitalise works funded by revenue or earmarked funds and new or late government announcements on capital grants.

7. In year changes may also be required where it is cost effective to combine or bring forward works once detailed work starts on schemes.
8. Recently there has been less long term certainty of government capital funding with grants often being announced for one year at a time and grants being notified late and after the start of the financial year. There is also the real possibility that the government may reduce capital grants in year.

Instruction 4 – Revenue Virement

9. Following the suggested changes to Instruction 2 above, it is proposed that subsection (b) iv., which states that virement is not allowed where it involves funding capital expenditure from revenue, can now be removed. This is included in Instruction 2 above where these can be approved by the CFO.

Recommendations

10. It is recommended that the Corporate Governance Committee approves the proposed amendments to the Standard Financial Instructions as set out in Appendix A to this report.

Equality and Human Rights Implications

11. None.

Background Papers

12. County Council Constitution, Part 4F – Financial Procedure Rules (scroll down to Standard Financial Instructions):
http://website/index/your_council/local_democracy/constitution/4f_financial.htm

Circulation under the Local Issues Alert Procedure

13. None

Officers to Contact

Chris Tambini, Assistant Director - Strategic Finance and Property
Tel: 0116 305 7642 E-mail: Chris.Tambini@leics.gov.uk

Judith Spence, Head of Corporate Finance
Tel: 0116 305 5998 E-mail: Judith.Spence@leics.gov.uk

Appendix

Appendix A - Proposed Amendments to the Financial Procedure Rules