

Section of Financial Regulations	Summary of change	New provisions						
Defined Terms (section 1.1)	We have included defined terms that relate specifically to the Financial Regulations e.g., Annual Governance Statement; Capital Programme.							
Financial Limits Annex	<p>All financial limits have been collated into a separate Annex for ease of reference and to make it easier for these limits to be updated as they change over time.</p> <p>The Financial Regulations and Contract Procedure Rules cross-refer to the Annex at the relevant point e.g., in section 3.14 (last bullet) in relation to virements.</p>	<ul style="list-style-type: none"> Virements that are being actioned to effect a change in policy or priorities (either within the same portfolio or between portfolios) will be subject to approval as set out in the Financial Limits Annex. 						
Key Decision Threshold (Financial Limits Annex)	<p>After discussion with the Officer Constitution Working Group, we have proposed an increase to the Key Decision Threshold for capital expenditure to £1m.</p> <p>Please see nearest neighbours' analysis for comparison with limits set by similar sized authorities.</p> <p>To discuss whether there should be more granularity about financial approval levels generally (see Peterborough).</p>	<p>The following will be Key Decisions:</p> <table border="1" data-bbox="996 951 2177 1206"> <thead> <tr> <th data-bbox="996 951 1429 1007">Approver</th> <th data-bbox="1429 951 1749 1007">Financial Threshold</th> <th data-bbox="1749 951 2177 1007">Conditions</th> </tr> </thead> <tbody> <tr> <td data-bbox="996 1007 1429 1206">As set out in the Scheme of Delegations</td> <td data-bbox="1429 1007 1749 1206">Revenue expenditure/savings with financial implications of up to £500,000</td> <td data-bbox="1749 1007 2177 1206"></td> </tr> </tbody> </table>	Approver	Financial Threshold	Conditions	As set out in the Scheme of Delegations	Revenue expenditure/savings with financial implications of up to £500,000	
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As set out in the Scheme of Delegations	Revenue expenditure/savings with financial implications of up to £500,000							

		<p>Chief Executive or Executive Director</p>	<p>Revenue expenditure/savings with financial implications of £500,000 or more</p>	<p>Must consider a written report setting out the justification for the decision.</p> <p>Must consult the relevant Cabinet Member, or in their absence, the Leader, about the decision.</p> <p>Decision should be published on the Council's website in accordance with the Access to Information Procedure Rules and circulated to the relevant Overview and Scrutiny Committee.</p>
		<p>As set out in the Scheme of Delegations</p>	<p>Capital expenditure/savings with financial implications of up to £1m</p>	

		<p>Chief Executive or Executive Director</p>	<p>Capital expenditure/savings with financial implications of £1m or more</p>	<p>Must consider a written report setting out the justification for the decision.</p> <p>Must consult the relevant Cabinet Member, or in their absence, the Leader, about the decision.</p> <p>Decision should be published on the Council's website in accordance with the Access to Information Procedure Rules and circulated to the relevant Overview and Scrutiny Committee.</p>
		<p>For revenue expenditure, the Key Decision Threshold is £500,000.</p> <p>For capital expenditure, the Key Decision Threshold is £1m. A decision will also be a Key Decision where it is likely to be significant in terms of its effect on communities living or working in an area comprising two or more electoral wards in the area of the Council.</p>		
<p>Roles and responsibilities (from section 1.9)</p>	<p>More detail of roles and responsibilities added, including the role of Council and Cabinet (not just Members), and the role of Overview and Scrutiny and Standards and Audit.</p>	<p>Section 151 Officer</p> <p>1.9 As stated above, Section 151 of the Local Government Act 1972 specifies that every local authority shall arrange for the proper administration of their financial affairs and ensure that one of their officers has responsibility for the administration of those affairs. The Council's Chief Finance Officer is the designated officer for this purpose.</p>		

More detail included in role of Section 151 Officer.

1.10 The Assistant Director Finance fulfils this role in the absence of the Chief Finance Officer.

1.11 In addition to the statutory duties arising under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, in relation to the financial administration and stewardship of the Council that cannot be overridden, the Chief Finance Officer has the following statutory duties:

- The Local Government and Housing Act 1989, which requires the Section 151 Officer to consult with the Monitoring Officer and the Head of Paid Service before making a Section 114 report to Council.
- Section 25 of the Local Government Act 2003 requires the Section 151 Officer to make a report to the Council, when it is considering its Budget and council tax, that addresses the robustness of the estimates and adequacy (or otherwise) of reserves.
- The Accounts and Audit Regulations 2015, which require the Section 151 Officer to ensure that the accounting control systems are observed, that the accounting records are maintained in accordance with proper practices and that they are kept up to date.

1.12 To fulfil these statutory duties and legislative requirements, the Section 151 Officer will:

- Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
- Determine the accounting records to be kept by the Council.
- Ensure that there is an appropriate framework of budgetary management and control.
- Monitor performance against the Council's Budget and advise on the corporate financial position.
- Ensure proper professional practices are adhered to and act as Head of Profession in relation to the standards, performance and development of finance staff throughout the Council.
- Prepare and publish the Council's Statement of Accounts for each financial year, in accordance with the timetable and arrangements specified by law.
- Make proper arrangements for the audit of the Council's annual Statement of Accounts.

		<ul style="list-style-type: none"> • Ensure that claims for funding, including grants, are made by the due date and in compliance with the terms and conditions of the awarding body. • Make proper arrangements for the overall management of the Council's Internal Audit function. • Manage treasury management activities in accordance with the Council's Treasury Management Policy Statement, Treasury Management Strategy and Prudential Indicators.
<p>Reporting</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 5</p>	<p>We have included more requirements for financial reporting, including the examples given here.</p> <p>Happy to discuss whether the reporting arrangements as drafted are sufficient and/or whether there are other reporting requirements you would like to include in the Financial Regulations.</p>	<p>Section 2.61:</p> <p>The two strategy documents are required to comply with the CIPFA Codes of Practice on Treasury Management and on the Prudential Framework for Capital Finance, relevant regulations and with the Council's own Treasury Management Policy Statement and Treasury Management Practices; they will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year. The Section 151 Officer will report back to Cabinet on a quarterly basis on the progress and activity in these key areas of financial management.</p> <p>Section 3.9:</p> <p>Executive Directors will:</p> <ul style="list-style-type: none"> • Regularly report to the relevant Cabinet Member(s) <p>Such reports will be prepared, in consultation with the Section 151 Officer, on the service's projected 'controllable net expenditure' compared with its budget. Cabinet Members must be fully briefed, as part of this process, on any budget pressures and any proposal to address these pressures by virement (see sections 3.13 to 3.15). Any such reports will be presented to Cabinet on a quarterly basis, highlighting progress or problems encountered.</p> <p>Section 3.11</p> <p>The Section 151 Officer will monitor performance against the Council's budget on an on-going basis and will advise on the Council's overall financial position. Specifically, the</p>

		<p>Section 151 Officer will prepare financial overview reports for the Cabinet Member for Finance to present to Cabinet on a regular basis. These financial overview reports will:</p> <ul style="list-style-type: none"> • provide a comparison of the Council’s projected income and expenditure with the latest approved Budget; • include an assessment of the Council’s reserves and balances and its overall financial position; and • seek approval to changes to the approved budget (including virements between policy budgets and supplementary estimate requests).
<p>Financial Planning (section 2)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 6</p>	<p>The current constitution is very light on financial planning and does not set out the process for individual elements of the Revenue Budget and Capital Programme.</p> <p>We have added significantly more detail to this section to make the process more defined and to provide clarity within the Regulations e.g., we have included separate provisions to cover revenue, capital and reserves and provided more detail on the procedures for financial planning.</p>	
<p>Business cases for capital schemes (from section 2.37)</p>	<p>New provisions relating to the production of business cases, in accordance with HM Treasury Green Book principles, for capital schemes.</p> <p>We have referenced business cases elsewhere in the Regulations where relevant, including in relation to alternative arrangements.</p>	<p>Business cases for capital schemes</p> <p>2.37 The Chief Finance Officer is responsible for determining the process and format for the production of business cases to support capital schemes. All business cases must comply with the principles set out in the HM Treasury Green Book.</p> <p>2.38 All capital schemes must be supported by a business case. Any Officer responsible for a capital scheme must comply with the guidance issued by the Chief Finance Officer in relation to business cases.</p>

		<p>2.39 The business case must clearly articulate the options being considered and measure these against the desired outcomes. It should also set out whether there is a statutory basis for the provision of the service or activity under consideration.</p> <p>2.40 Executive Directors are responsible for ensuring that the Council’s governance framework is followed through all stages of the business case development and decision-making process, and that specialist advice is sought from the following key stakeholders across the Council, at each stage in the development of the business case:</p> <ul style="list-style-type: none"> • Section 151 Officer (including finance, tax, cash management and banking, purchase to pay and income collection). • Director, Legal and Assurance (including Monitoring Officer, Legal, Internal Audit and Risk Management and Insurance advice). • Executive Director, People and Transformation (including payroll). • Director, Performance, Investment and Delivery (including property and facilities management). <p>2.41 A business case must be approved by the relevant Executive Director and the Chief Finance Officer before a capital scheme will be submitted for approval to the Capital Programme.</p>
<p>Framework for budgetary control (section 3.9)</p>	<p>We have provided more detail on Executive Directors’ obligations in relation to budgetary control.</p>	<p>3.9 Executive Directors will:</p> <ul style="list-style-type: none"> • Ensure that all income and expenditure is properly recorded and accounted for Executive Directors will ensure that all officers responsible for committing expenditure comply with all relevant guidance and follow approved certification processes. • Ensure that an appropriate Budget Holder structure is in place to ensure that responsibility is assigned for each item of income and expenditure under their control Budget Holders will be accountable for the effective management of their budgets, even where they put delegations in place that enable officers to commit expenditure on their behalf. • Ensure that individual policy budgets are not overspent <p>It is expected that each policy budget will be managed within the agreed cash limit budget. Executive Directors, in consultation with the relevant Cabinet member(s), will use the virement scheme (see sections 3.13 to 3.15) to address areas of overspending, by moving sufficient unspent budget from elsewhere.</p>

		<p>Where more specific management actions are required to save funds, the Executive Director, the Section 151 Officer and/or Cabinet members may require a Budget Holder to prepare a budget recovery plan which explains the actions being taken to mitigate the position. The recovery plan will be monitored by the Section 151 Officer to ensure the safe delivery of the budget at policy budget and portfolio level.</p> <ul style="list-style-type: none"> • Ensure that a monitoring process is in place <p>A monitoring process is required to review performance and/or service levels in conjunction with the budget and to ensure they are operating effectively.</p> <ul style="list-style-type: none"> • Regularly report to the relevant Cabinet Member(s) <p>Such reports will be prepared, in consultation with the Section 151 Officer, on the service's projected 'controllable net expenditure' compared with its budget. Cabinet Members must be fully briefed, as part of this process, on any budget pressures and any proposal to address these pressures by virement (see sections 3.13 to 3.15). Any such reports will be presented to Cabinet on a quarterly basis, highlighting progress or problems encountered.</p> <ul style="list-style-type: none"> • Ensure prior approval by the Cabinet (as appropriate) for new proposals <p>Prior approval of the Cabinet or relevant Cabinet member(s) may be required for Key Decisions, or for proposals that create financial commitments in future years, or which materially extend or reduce the Council's services, or initiate new ones.</p> <ul style="list-style-type: none"> • Ensure compliance with the scheme of virement <p>See sections 3.13 to 3.15</p> <ul style="list-style-type: none"> • Agree with the relevant Executive Directors where it appears that a Budget proposal, including a virement proposal, may impact on their service area(s). • Ensure that relevant training is delivered to all staff assigned responsibility for budget management <p>Officers will undertake approved finance training prior to commencement as an operational Budget Holder and/or as an authorised signatory, to ensure they have the necessary knowledge and skills to effectively perform their financial responsibilities. Refresher training will be undertaken at 24-monthly intervals thereafter, or as specified by the Section 151 Officer.</p>
<p>Supplementary estimates (section 3.16 onwards)</p>	<p>We have included new provisions relating to supplementary estimates. These may not be relevant for Thurrock, but we have included them</p>	<p>Supplementary estimates</p> <p>3.16 If it is not possible to move resources between budget headings to meet a liability, a request may exceptionally be made for additional funding from the general reserve or from</p>

	<p>so that the mechanism is there if required.</p>	<p>an earmarked revenue reserve. Requests for additional funding are referred to as “supplementary estimates”.</p> <p>3.17 Supplementary estimates can only be requested for one-off purposes, although it may be possible to request funding for a project that spans across more than one financial year. Where additional funding is required on an on-going basis, the full year effect must be addressed through the revenue budget setting process (see sections 2.8 – 2.14).</p> <p><i>The subsequent provisions in the Financial Regulations set out the process for applying a supplementary estimate.</i></p>
<p>Scheme of virements (section 3.14)</p> <p style="text-align: center;">Page 9</p>	<p>We have added more detail about how virements apply.</p>	<p>3.14 The virement rules are as follows:</p> <ul style="list-style-type: none"> • No expenditure shall be incurred without appropriate Budget provision and, if necessary, a virement should be undertaken to put this in place before the expenditure is incurred. • No virement relating to a specific financial year should be made at the end of the financial year after the date specified within the Section 151 Officer’s timetable for closure of the accounts. • Virements are not permitted in relation to asset charges or other budget headings that are deemed to be outside the control of the relevant Budget Holder, or where a proposal would adversely affect long-term revenue commitments. • Virements are not permitted between revenue and capital budgets. Changes to the Capital Programme will be dealt with in accordance with section 3.5. • A virement that is likely to impact on the level of service activity of another Budget Holder can be implemented only with the agreement of the relevant Budget Holder(s). • Amounts that require member approval must specify the proposed expenditure and the source of funding and must explain the implications in the current and future financial years. • Where a Cabinet member’s approval is required to a virement, this approval will normally be sought via a ‘Cabinet Member Action’ or a report to Cabinet. • When a Cabinet Member is deciding on an operational matter, any necessary virements must be included as part of that decision.

		<ul style="list-style-type: none"> • Virements that are being actioned to effect a change in policy or priorities (either within the same portfolio or between portfolios) will be subject to approval as set out in the Financial Limits Annex.
Accounting records and financial systems (section 4)	This is a new section to collate these provisions together. They are largely unchanged from the current constitution.	
Preventing fraud and corruption (section 5.26 onwards)	We have included new provisions to cover anti-money laundering, anti-bribery, and fraud and corruption prevention (including gifts and hospitality).	
Audit requirements (section 5.41 onwards)	We have expanded these sections to clarify the roles of Internal and External Audit.	<p>External audit</p> <p>5.41 The duties of the external auditor are defined by the Local Audit and Accountability Act 2014, as well as the Code of Audit Practice and relevant auditing standards. In particular, the external auditor must:</p> <ul style="list-style-type: none"> • Be satisfied that the Council has complied with the applicable enactments. • Be satisfied that proper practices have been observed by the Council in the preparation of its annual Statement of Accounts. • Be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. • Express an opinion on whether the Council’s annual Statement of Accounts: • provides a ‘true and fair view’ of the Council’s financial position and income and expenditure for the period in question; and • has been prepared properly, in accordance with the relevant accounting and reporting framework as set out in legislation and applicable accounting standards. • Certify completion of the annual audit. • Consider whether to issue a report in the public interest. • Consider whether to make a written recommendation to the Council, copied to the Secretary of State.

5.42 The External Auditor must be given reasonable and timely access to premises, personnel, documents and assets that are considered necessary for the purposes of their work.

5.43 The Council may, from time to time, also be subject to audit, inspection or investigation by other bodies such as Ofsted, the Care Quality Commission and HM Revenue and Customs, who have statutory rights of access to Council documents and systems.

5.44 Whilst the External Auditor and other statutory inspectors must comply with statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information received or obtained during the course of their audit or inspection work, regard must nevertheless be given to the sensitivity of data requested by the external auditor or other statutory inspector(s). If there is any doubt about whether it is appropriate to provide such data to the external auditor or other statutory inspector(s), advice should be sought from the Section 151 Officer and/or the Monitoring Officer.

5.45 Services must respond promptly to external audit and/or inspection recommendations in writing, detailing the action intended to address the recommendations.

Internal audit

5.46 The requirement for an internal audit function for local authorities is imposed by regulation 5 of the Accounts and Audit Regulations 2015 and reinforced by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'.

5.47 More specifically, the Accounts and Audit Regulations 2015 require local authorities to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The findings of these internal audits are considered by the Standards and Audit Committee on behalf of the Council as part of the consideration of the system of internal control referred to in sections 5.21 – 5.40.

5.48 Internal audit is an independent and objective appraisal function, established by the Council for reviewing the systems of internal control and assists the Council's stakeholders on business objectives and related risks and, thereby, contributes strategically to the organisation.

5.49 The internal auditors adhere to proper practices in relation to internal control; specifically, the CIPFA Code of Practice on Internal Audit in Local Government in the United Kingdom, IIA (Institute of Internal Auditors) and the COSO (Committee of Sponsoring Organisations) risk framework. They examine, evaluate and report upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

5.50 The internal auditors have the authority to:

- Access any Council premises, assets, records, documents and correspondence, and control systems.
- Receive any information and explanation related to any matter under consideration.
- Require any employee of the Council or school maintained by the Council to account for cash, stores or any other asset under their control.
- Access records belonging to third parties (e.g., contractors) when required.
- Directly access the Chief Executive, the Cabinet, the Standards and Audit Committee and Corporate Overview & Scrutiny Committee.

5.51 The Section 151 Officer and the Standards and Audit Committee are required to approve an Annual Audit Plan, a draft of which will be prepared by the Chief Internal Auditor. The Annual Audit Plan will take account of the characteristics and relative risks of the Council's activities. The Section 151 Officer and the Standards and Audit Committee will also ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.

5.52 Services must respond to internal audit reports in writing, within a timescale agreed as part of the internal audit methodology detailing the action intended, responsible officer, timescale for implementation and whether the action will require additional resources to address all agreed recommendations. The relevant Executive Directors must ensure that

		<p>any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.</p> <p>5.53 The Chief Internal Auditor will maintain a record of all reports and allegations of suspected fraud, corruption or other financial irregularity in respect of funds and assets that are the responsibility of the Council and will ensure that appropriate action is taken to investigate these.</p> <p>5.54 The Chief Internal Auditor will be given the opportunity to evaluate the adequacy of new systems, or changes to existing systems for maintaining financial records or records of assets in a timely manner before live operation.</p>
<p>Treasury management (section 6.38 onwards)</p> <p style="text-align: center;">Page 13</p>	<p>We have updated these provisions in line with best practice, including e.g., reference to CIPFA guidance.</p> <p>We have added a lot of detail to section 6 more generally to align with best practice. You will notice that this section has grown significantly in length to ensure that appropriate levels of governance are documented.</p>	<p>Treasury management</p> <p>6.38 Treasury management is an important aspect of the overall financial management of the Council. Treasury management activities are those associated with the management of the Council's cash flows and its borrowing and investments. A fundamental aim is to effectively control the risks associated with these activities and to pursue best value, in so far as that is consistent with the effective management of risk.</p> <p>6.39 The Council complies with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes, and has approved:</p> <ul style="list-style-type: none"> • a Treasury Management Policy Statement, which sets out the policies and objectives of its treasury management activities; and • a series of Treasury Management Practices (TMP's) which set out the way the Council will seek to achieve its policies and objectives for treasury management. <p>6.40 The Section 151 Officer is responsible for maintaining the Treasury Management Policy Statement and TMP's, and for recommending any changes to Council for approval.</p> <p>6.41 As noted, the Section 151 Officer will propose an annual Treasury Management Strategy to the Council in advance of the start of the relevant financial year. This Treasury Management Strategy will comply with CIPFA's Code of Practice on Treasury Management, relevant regulations and statutory guidance, and with the Council's own</p>

		<p>Treasury Management Policy Statement and TMP's; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.</p> <p>6.42 The Section 151 Officer is responsible for ensuring that all borrowing and investment activity is undertaken in compliance with the approved Treasury Management Strategy. The Section 151 Officer will report to the Cabinet at regular intervals in each financial year, on treasury management activities undertaken within delegated powers.</p> <p>6.43 All investments of money, and borrowings, undertaken on behalf of the Council will be made in the name of the Council. The Section 151 Officer will maintain records of such transactions.</p>
<p>Expenses and allowances (section 7.69 onwards)</p> <p style="text-align: center;">Page 14</p>	<p>We have added more detail on payments to employees, including e.g., expenses and allowances.</p>	<p>Expenses and allowances</p> <p>7.69 The Section 151 Officer is responsible for the payment of certified expense claims submitted by employees that are made in accordance with the Council's travel and subsistence policy.</p> <p>7.70 Certification of travel and subsistence claims is taken to mean that journeys were authorised, and expenses properly and necessarily incurred for business purposes, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved.</p> <p>7.71 The Section 151 Officer is also responsible for the payment of Members' travel or other allowances. Members expenses must be claimed in accordance with the provisions set out in the Members Allowance Scheme (as set out within the Constitution).</p> <p>7.72 The Section 151 Officer will ensure that taxable allowances and benefits are accounted for, recorded and returned, where appropriate, to HM Revenue and Customs. Details of any employee benefits in kind must be notified to the Section 151 Officer to enable full and complete reporting within the income tax self-assessment system.</p> <p>7.73 Due consideration should be given to tax implications, ensuring that advice is sought, and the Section 151 Officer is informed where appropriate.</p>

<p>External arrangements (section 8)</p>	<p>We have added significantly more detail here, including in relation to alternative delivery models and the need for a business case.</p> <p>We have also added provisions on external funding (from section 8.23).</p>	
<p>Chapter 6, Part 3</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 15</p>	<p>New section dealing with investment delegations. This includes the investment principles and governance controls set out here.</p> <p>To discuss financial limits.</p>	<p>3. Investment principles and governance controls</p> <p>3.1 The following principles shall apply to any decision by the Council to make an investment:</p> <p>(a) All investments should be made in accordance with the Council’s Treasury Management Indicators.</p> <p>(b) The Council should consider the diversity of its investment portfolio before making a decision to make an investment to ensure that the risk profile of the Council’s total investment portfolio is appropriate.</p> <p>(c) Before any significant investment is made, the Council should undertake appropriate due diligence and risk assessment, engaging experts as required. This may require the production of a business case for a specific investment, setting out the risks and anticipated benefits of the investment and the likely returns available to the Council. The risk of any investment should be balanced against the Council’s requirement to deliver services.</p> <p>(d) The decision to make any significant investment should involve the Executive and the wider Council and should be subject to appropriate scrutiny.</p> <p>(e) Where the Council proposes to invest in private sector markets, appropriate expertise must be engaged to manage commercial entities to ensure that the Council’s role remains clear, and those commercial entities are managed effectively.</p> <p>3.2 For the purposes of this section 2 a “significant” investment is one which exceeds [£Xm] in value and/or does not relate to the Council’s municipal functions (i.e., it would be classed as a commercial investment for the generation of income).</p>

		<p>3.3 All investment decisions must be approved by the Section 151 Officer, the Chief Executive and the Cabinet Member for Finance.</p> <p>3.4 Investments above [£Xm] must be approved by Full Council.</p>
Chapter 12, Part 3	<p>New provisions covering Council-owned Companies (not reproduced here due to length).</p> <p>Note that we have included a checklist for setting up a Council-owned Company, which follows best practice requirements.</p>	