

EAST SUSSEX FIRE AND RESCUE SERVICE

Meeting: Fire Authority

Date: 7 September 2023

Title of Report: Financial Regulations Update

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Background Papers

Review of the Constitution of the Fire Authority – Members Code of Conduct and associated Guidance, Procedure and Officer Delegations, December 2021

Review of the Constitution of the Fire Authority; Agenda Item 129; Meeting of the Fire Authority, 2 September 2021

Finance Improvement Plan (SLT August 2021)

The Constitution of the East Sussex Fire Authority ii) Review of the Constitution of the Fire Authority; Agenda Item 75; Meeting of the Fire Authority, 11 June 2020 iii)

Financial Regulations Update (SLT May 2022)

Appendices:

1. Delegated Financial Management Update
2. Updated Financial Regulations

Implications (please tick ✓ and attach to report)

CORPORATE RISK	✓	LEGAL	✓
ENVIRONMENTAL		POLICY	✓
FINANCIAL	✓	POLITICAL	
HEALTH & SAFETY		OTHER (please specify)	
HUMAN RESOURCES		CORE BRIEF	

PURPOSE OF REPORT To seek approval for the update of the Authority's Financial Regulations which form part of its Constitution.

EXECUTIVE SUMMARY The Service recognises the key role that the finance function plays in delivering against its purpose and commitments especially in making best use of its resources.

A need to review and modernise the Authority's Constitution was identified in 2020. This review which involved officers as

well as elected members, was organised into several phases with the review of Financial Regulations contained within phase 3.

Senior Leadership also approved the updating of financial regulations, scheme of delegation and other key finance policies and guidance as part of the Finance Improvement Plan in August 2021.

This report sets out the Financial Regulations including the delegated financial management scheme which are updated for legislative changes, post titles and have been redesigned to provide greater transparency and clarity on approval values, approval limits system and reporting requirements to support the vision for greater financial devolution across the Authority.

These revisions are being implemented alongside the delivery of the MBOS Project which will replace the current SAP R3 ERP system with Oracle Fusion as our mainline of business system for finance, procurement and payroll. As part of this project we will be rolling out workflow approvals and moving away from paper-based approvals processes.

The majority of changes to Financial Regulations will be implemented once approved by the Authority. However, changes to approval levels for orders, invoices and contracts will only be implemented once planned financial and procurement governance training has been completed and MBOS goes live (section 4).

A further update to the financial regulations may be required post implementation of MBOS to respond to the requirements of adopting the new functionality within Oracle Fusion and new ways of working which should become clearer in due course.

There are no direct financial implications identified to implementing the updated financial regulations, although it will significantly increase the approval levels the Authority has in place.

RECOMMENDATION

The Authority is recommended to:

- i. approve the update to the Authority's Financial Regulations including the delegated financial management scheme (Appendix 2); and
 - ii. approve the approach to implementation as set out section 4 of the report.
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1 INTRODUCTION

- 1.1 The East Sussex Fire Authority ('the Authority') must ensure that its business is conducted in accordance with the law and that public money is properly accounted for and used economically, efficiently and effectively. While all fire authorities are required to make effective arrangements for the governance of their affairs, including for the delegation of their powers, combined fire authorities differ from local authorities in that they are not required by law to publish a written Constitution.
- 1.2 It has been noted that the arrangements which different fire authorities have put in place for the lawful exercise of their functions differ. Some fire authorities have made arrangements which resemble those of their constituent authorities. Others have adopted lighter-touch arrangements, and/or have chosen not to describe their arrangements as 'a Constitution'. While some authorities publish all of their arrangements in full, other fire authorities publish only parts of the rules and procedures they have put in place to regulate the discharge of their functions.
- 1.3 The ambition of the East Sussex Fire Authority is to ensure that the arrangements it has put in place to carry out its functions lawfully are as detailed and as comprehensive as they need to be, while being as clear and accessible as possible. To this end, the Authority is committed to reviewing its constitutional arrangements regularly to make sure that they are up to date and that they accurately reflect custom and practice as well as any specific legal requirements. The Authority has also made a commitment to publishing its Constitution in full as a means of promoting accountability and engagement.
- 1.4 The Authority's constitutional arrangements have developed over time. A need to review and modernise the Authority's Constitution was identified in 2020, and an officer project group was set up to initiate that review process. The first stage of the review was officer led and involved reviewing the Fire Authority's constitutional arrangements against those at selected other fire authorities, as well as those at its two constituent authorities. This first stage was a light touch review which aimed to identify in the first instance any simple changes which might simplify user access to the Constitution and encourage engagement with the Fire Authority's decision-making. As a result of this first stage, some key proposals were identified which were presented to, and formally approved by, the Authority in June 2020.
- 1.5 As part of stage 2, a Working Group of Members was convened to provide input into proposals to review and update other sections of the Constitution, including substantive changes to the Authority's 'Contract Standing Orders' and 'Rules of Procedure'. The outcomes from this stage of the review were presented to, and formally approved by, the Authority in September 2021.
- 1.6 At the same meeting of the Authority, it was noted that a further stage 3 review would be undertaken to review the Member Code of Conduct and associated guidance to take into account recent emerging practice from Brighton & Hove City Council while building into arrangements reference to the recently published Core Code of Ethics for Fire and Rescue Services. Input from the Working Group of Members was sought and the outcome of the work subsequently

carried out by officers was presented to, and formally approved by, the Authority in December 2021.

1.7 At the December 2021 meeting of the Authority, it was also noted that it had not been possible to complete the necessary reviews of all sections of the Constitution. A further substantive review - of the Authority's Financial Regulations - would be completed in due course and the outcomes brought to a future meeting of the Authority.

1.8 The review and update of the Authority's Financial Regulations, including scheme of financial management delegations to officers, is now completed and presented in this report.

2 FINANCIAL REGULATIONS

2.1 The current financial regulations have been reviewed and refreshed, taking account of the following, and are attached at Appendix 2:

1. Legislative changes
2. Job titles
3. Streamlines categories for approval where relevant
4. Approval levels aligned with Oracle Fusion ERP system
5. Approval values increased for specific delegations and to key postholders
6. Shifts burden of approvals from CFO & CE to other key posts (POs and ADs)
7. Expansion of delegations to posts in readiness for budget devolution
8. Greater clarity on types of budget transfers and respective approvers
9. Greater clarity on contract variations and reporting requirements.

2.2 The update to the scheme of financial management delegations is detailed in section 3 below and summarised in Appendix 1.

2.3 A further update to the financial regulations may be required post implementation of MBOS to respond to the requirements of adopting the new functionality within Oracle Fusion and new ways of working which should become clearer in due course. This includes the mechanics of identifying postholders who will be subject to the wider delegation of financial management responsibilities within the Service and ensuring appropriate training and guidance is provided to achieve success.

3 DELEGATED FINANCIAL MANAGEMENT SCHEME – UPDATE (Appendix 1)

3.1 The delegated financial management scheme is summarised in Appendix 1. For each type of delegation, alongside the proposed scheme is the current delegation, and together with the narrative describing the changes below, these should enable a quick comparison and easy understanding of what has been updated.

3.2 **Ex-Gratia payments (Tables 1 & 1.1)**

- 3.2.1 The current delegations require the Chief Fire Officer / Chief Executive to approve ex-gratia payments (up to £1,000) and Fire Authority for all payments above £1,000.
- 3.2.2 The proposal retains the two categories but increases the approval levels (up to £5,000 and above £5,000).
- 3.2.3 It also expands the delegations to enable Principal Officers (CFO/CE, DCFO, ACFO) after consultation with the AD Resources / Treasurer and the Monitoring Officer to approve ex gratia payments up to £5,000.
- 3.2.4 All payments above £5,000 require Fire Authority approval.

3.3 **Debt Write-offs (Tables 2 & 2.1)**

- 3.3.1 Currently there are three categories for write-off and the burden for approving debt write-off is on the CFO/CE (up to £1,000), CFO/CE plus ADR/T (£1,000 to £2,000) and above £2,000 requires Fire Authority approval.
- 3.3.2 The proposal streamlines the approval into two categories and increases the approval level (up to £5,000 and above £5,000).
- 3.3.3 It also expands the delegations to enable Principal Officers (CFO/CE, DCFO, ACFO) after consultation with the AD Resources / Treasurer and the Monitoring Officer to approve write-offs up to £5,000.
- 3.3.4 All payments above £5,000 require Fire Authority approval.

3.4 **Stock Write-offs (Tables 3 & 3.1)**

- 3.4.1 The current and proposed delegations for stock write-offs are the same as debt write-offs detailed above in section 3.3.

3.5 **Payments in Advance**

- 3.5.1 The current delegations are quite narrow in that except for conferences or similar arrangements, no payments in advance can be made without the agreement of the Assistant Director Resources / Treasurer.
- 3.5.2 The proposal introduces greater flexibility to enable payments in advance of goods or services being received within the following limits: Assistant Director up to £1,000, Finance Manager up to £10,000 and with the agreement of the Assistant Director Resources / Treasurer for £10,000 and over.

3.6 **Approval Levels (and values) for Purchase Orders, Invoices and Contracts (Tables 4 & 4.1)**

- 3.6.1 There are currently four levels of approval. However, you will note that the approval values at levels 1 & 2 are relatively low (up to £10,000 and £10,001 to £25,000 respectively) and given the price increases since the financial regulations were last written, this means that the bulk (£25,001 and over) of the approvals fall to Principal Officers (CFO/CE, DCFO, ACFO).

3.6.2 The proposal increases the levels of approval from four to five which enables the financial delegation to ESFRS staff who are closer to the spend (e.g. Station Managers up to £20,000 and group managers up to £50,000) and increases the approval value for Assistant Directors (from £25,000 to £250,000) and Principal Officers and ADR/T (from over £25,000 to over £250,000).

3.6.3	Level 1	up to £5,000	Station Managers, Support Staff equivalent and other staff at the discretion of the AD Resources / Treasurer
	Level 2	£5,001 to £20,000	Station Managers, Support Staff equivalent and other staff at the discretion of the AD Resources / Treasurer
	Level 3	£20,001 to £50,000	Group Manager and Support Staff equivalent
	Level 4	£50,001 to £250,000	Assistant Directors
	Level 5	over £250,000	Principal Officers and AD Resources / Treasurer

3.6.4 The proposed 5 levels of approval align with the capability in the new Oracle Fusion ERP system to perform workflow approvals and the value of approvals align broadly to those of East Sussex County Council.

3.6.5 The AD Resources / Treasurer has discretion over the assignment of authority within Levels 1 and 2 to ensure that approvals reflect different structural models and budget management arrangements. This may mean that not all Station Managers and Support Staff equivalents are granted approval at each level and / or for every budget. In some circumstances staff at lower grades may be granted delegated authority where the AD Resources / Treasurer is satisfied that suitable controls are in place.

3.6.6 Work to identify posts and postholders that sit within each of the 5 approval Levels has been completed in order that they can be built into the Oracle Fusion system ready for the target Go Live date of w/c 6 November 2023.

3.7 **Approval Levels for Budget Transfers / Virements (Tables 5.1 & 5.2)**

3.7.1 Whilst the current two categories of budget transfers have been retained (non-staffing and staffing), these have been further developed to provide clarity as follows:

3.7.2 **Non-Staffing (Table 5.1)**

- | | |
|-----------------------------|--------------------------------------|
| 1. Permanent transfers | these refer to year on year changes. |
| 2. Non- permanent transfers | these refer to in year changes only. |

3.7.3 The approval requirements are designed to ensure relevant officers are engaged based on whether the budget transfers are:

1. Within a functional area,
2. Between functional areas but **within** Assistant Director remit or
3. Between functional areas **and** Assistant Director remits

3.7.4 The approval values are increased to enable Budget Managers, Finance, and Assistant Directors to approve requests up to £100,000 and Senior Leadership Team over £100,000.

3.7.5 **Staffing and Policy Changes / Restructures (Table 5.2)**

3.7.6 All staffing budget transfers, whether permanent or non-permanent, require SLT approval as now.

3.7.7 In addition, the following is proposed for budget transfers that result in policy change / restructures:

1. £250,000 to £500,000 – these should be reported to Policy and Resources Panel and Fire Authority **retrospectively**.
2. Over £500,000 – these require Policy and Resources Panel and Fire Authority Approval **in advance**.

3.8 **Contract Variations (Table 6)**

3.8.1 The approval and reporting requirements for all contract variations are made clearer depending on the value / percentage of the variation.

3.8.2 The proposal details when Assistant Director or Senior Leadership approval is required and whether this is in advance of any cost increase or retrospectively.

3.8.3 The proposal maintains the percentage variation for approvals required from the Authority from 10%. The proposal also requires approval from the Authority before any cost increases are incurred (previously retrospectively), other than in exceptional circumstances.

4 IMPLEMENTATION

4.1 The majority of changes to Financial Regulations will be implemented once approved by the Authority. However, changes to approval levels for orders, invoices and contracts will only be implemented once planned financial and procurement governance training has been completed and MBOS goes live. If the planned go live for MBOS is delayed from w/c 6 November then the Assistant Director Resources / Treasurer will determine the date at which the changes in approval levels for orders, invoices and contracts will be implemented and this may include a phased approach.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications identified to implementing the updated financial regulations. The training will be delivered by the Finance Team and any additional cost funded by the resources already approved for the MBOS Project. This training is essential in order to ensure that budget managers / approvers fully understand their accountabilities and to minimise the risk of financial loss through fraud, error or mismanagement.