



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

21st January 2026

Report of Councillor Philip Knowles,
Cabinet Member for Corporate
Governance and Licensing

Review of Financial Regulations

Report Author

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Purpose of Report

This report sets out the proposed changes to the Council's Financial Regulations which have been reviewed and updated to reflect current working practices and operating financial thresholds.

Recommendations

Governance and Audit Committee is asked to review the proposed changes and recommend the updated Financial Regulations to Council.

Decision Information

Does the report contain any exempt or confidential information not for publication?	N/a
What are the relevant corporate priorities?	Connecting communities Sustainable South Kesteven Enabling economic opportunities Housing Effective council
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The Financial Regulations provide the internal framework for managing the Council's financial arrangements and are designed to protect the finances of the Council by providing a robust set of controls and governance structures.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 Governance and Audit Committee are asked to review any significant amendments to the Council's Financial Regulations, in line with the Committee's terms of reference at Part 2 of the Constitution (Articles of the Constitution). If changes to the document are required then Full Council would be required to agree these as a Constitutional change.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1 The Council's Financial Regulations set out the overarching framework of rules for the proper financial administration of the authority and the responsibilities of those carrying out duties with a financial implication. The Financial Regulations have been reviewed to ensure they are in line with best practice and the latest CIPFA guidance.
- 2.2 The Financial Regulations were last reviewed and updated in line with the CIPFA Good Practice Guide and were approved by Full Council on 26th May 2022. Since this review it has become necessary to review and recommend a number of minor amendments in order to ensure that the Financial Regulations support the Council operationally. The current Financial Regulations are shown at Appendix A and these have been updated. A new version of the Regulations is attached at Appendix B and the proposed changes are detailed in section 3 of this report.

2.3 The proposed changes to the Financial Regulations are outlined below;

Revenue Reserves - Discretionary and Governance

2.4 Clarification is provided on the definition of reserves between discretionary and governance reserves. This clarification is provided at 11.2 of the revised Financial Regulations. Discretionary reserves are those that are established by Council to be used predominantly to fund one-off revenue expenditure in accordance with their intended use. They should not be used to fund regular expenditure in order to avoid an on-going dependency. Governance reserves are those established to deal with unforeseen or unpredictable financial stresses and strains that are outside of the Councils control. They can also 'smooth out' significant changes to funding levels announced by Government that can put undue pressure on the Council finances.

Authorised Limits – Appendix A of the Financial Regulations

2.5 This is the area of the review that has received the most focus as operationally these levels have become out of date and in some cases obsolete. In addition some of the levels are operationally unnecessary as the new corporate finance system has a series of internal controls that safeguard the financial transactions with respect to order raising and authorisations. Due to the number of changes including levels and authorisations, the current approved Financial Regulations is provided at Appendix A for comparative purposes.

- **Virements** – this is the process whereby unallocated budgets can be moved between cost centres where additional costs may be incurred during the year. In respect of revenue, it is only permissible to move budgets between staffing costs or other expenditure to avoid salary budgets being adversely affected. In respect of capital, the virement levels have been updated to reflect the levels of budgeted expenditure levels for capital schemes. The authorisation levels have been updated to ensure there is no service disruption whilst virements requests are being considered.
- **Additions to Budget Framework** – this authority allows for in-year budget framework changes where a proposal has arisen outside of the annual budget setting process. Authority for these changes are either a Cabinet or a Council decision subject to the financial amendment levels.
- **Approval to use the Reserves** – this section has been updated to allow for the use of the discretionary reserves in accordance with the criteria of each reserve. The authorisation and financial levels have been updated and includes consultation with the Leader, Cabinet Member for Finance and Chief Executive.

- **Authorised Signatories** – this section is in respect to raising order and approving invoices. This is a key internal control and ensures there are clear segregation of duties between officers.
- **Bad Debt levels** – these levels have been updated to enable Team Leaders to authorise write offs of specific debt levels before the write off request is escalated to the Head of Service.

3. Key Considerations

- 3.1. Members are asked to consider to changes set out in the report and supporting appendices which are designed to enable efficient and effective use of time whilst ensuring the governance of the Council is protected.

4. Other Options Considered

- 4.1 The alternative option is not to review the Financial Regulations but this is not deemed an option due to the need to ensure the levels reflect the operating environment.

5. Reasons for the Recommendations

- 5.1. The reasons for reviewing the Financial Regulations is to ensure they remain up to date and promote efficient and secure use of Council resources.

6. Appendices

- 6.1 Appendix A – Financial Regulations May 2022
- 6.2 Appendix B – Financial Regulations January 2026