



REPORT of DIRECTOR OF FINANCE

to
PERFORMANCE GOVERNANCE AND AUDIT COMMITTEE
16 JULY 2026

REVIEW OF FINANCIAL REGULATIONS

1. PURPOSE OF THE REPORT

- 1.1 The Financial Regulations of the Council were last updated in October 2025 following approval of the Council's new senior management structure.
- 1.2 It is good practice to review Financial Regulations on a regular basis. This review is conducted ahead of the start of the new financial year as part of the preparation for the implementation of the 2026/27 budget.

2. RECOMMENDATIONS

To the Council:

- (i) That the recommended changes to the Financial Regulations set out in **APPENDIX 1** be considered and approved;
- (ii) That subject to (i) above, the Financial Regulations are revised and published on the Council's website.

3. SUMMARY OF KEY ISSUES

- 3.1 The Council's Financial Regulations were prepared in their current format in 2018. A number of subsequent changes have been made, principally to ensure that the titles of the responsible officers are maintained up to date.
- 3.2 The current review and recommended changes reflect both the 'phase 1' and 'phase 2' organisational structure changes as well as providing clarity on a number of key points.
- 3.3 A lack of clarity has arisen in some areas as a result of changes in postholders of the Section 151 / Chief Finance Officer (CFO) position. As different CFOs have approached financial management challenges encountered during their tenure in different ways, the organisation has heard a number of different approaches being set out. This review and revision of the Financial Regulations aims to remove some areas of confusion without changing the fundamental internal controls operated within the council by its staff.
- 3.4 The full list of proposed changes is attached to this report (**APPENDIX 1**). A number of the changes are minor and intended to improve the efficacy of the regulations. More significant changes are set out in items 8 and 13. These are:

3.5 **Item 8 – clarification of budget management order of priority.** These are set out as:

3.5.1 Actions to be taken by Directors are expected to follow the following escalation route in managing budget pressures:

- within a cost centre
- between across cost centres
- between services
- escalation to Senior Leadership Team (SLT)
- escalation to Director of Finance

3.5.2 This escalation process is to enable flexible management of budgets and agility in responding to unanticipated budget pressures. It allows directors to work within delegated budget totals. Where spending is expected to exceed budget delegations, this will be reported in the next monthly report to chief officers, facilitated by the Director of Finance and the finance team. It is expected to reduce the number of 'supplementary estimates' requested by officers without relaxing wider internal controls on spending.

3.6 **Item 12 – use of 'best estimates'**

3.6.1 The basis for preparing estimates for use in financial management is often confusing. There may be pressure to reflect wider risks (i.e. risk averse, pessimistic, or 'prudent' forecasting), alternatively to succumb to managerial or political pressure to be 'optimistic'. Neither is correct. Formal guidance indicates that all estimates should be prepared on the basis of a 'best estimate'. This can also be misleading, as it appears to favour 'optimism bias'. The correct interpretation is the 'most accurate' estimate – the estimate "from which least variation is expected". The recommended change set out as item 13 in **APPENDIX 1** aims to remove this ambiguity – all forecasts are to be prepared on the basis of identifying the value from which least change is expected.

3.7 **Item 16 – tolerance in capital schemes**

3.7.1 At present, the regulations allow for a variation of 'the greater of 5% or £10,000' in capital schemes on the basis that some capital schemes will always incur minor overspends. Given that the Leisure Services contract includes specific values for capital investment, this has been divided to deal separately with Maldon District Council controlled capital investment versus third party investment. It is recommended to revise the previous provision to 'the lesser of 10% or £10,000' for in-house delivered schemes, and not to allow application of the variation to externally delivered schemes (as they are subject to agreed contract provisions).

4. **CONCLUSION**

4.1 The recommended changes to the Financial Regulations will support increased efficiency and agility in the Council in delivery against agreed priorities without compromising on the effectiveness of financial controls.

5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2025 - 2028

5.1 Supporting our communities

- 5.1.1 The Financial Regulations provide a clear statement of expected good practice in financial management within the council. This supports delivery of agreed corporate objectives.

5.2 Investing in our District

- 5.2.1 As at 5.1.1.

5.3 Growing our economy

- 5.3.1 As at 5.1.1.

5.4 Protecting our environment

- 5.4.1 As at 5.1.1.

5.5 Delivering good quality services

- 5.5.1 As at 5.1.1.

6. IMPLICATIONS

,

- (i) **Impact on Customers** – None directly.
- (ii) **Impact on Equalities** – None directly.
- (iii) **Impact on Risk (including Fraud implications)** – None directly.
- (iv) **Impact on Resources (financial)** – None directly.
- (v) **Impact on Resources (human)** – Provides greater flexibility to work within the defined parameters of the approved budgets of the Council.
- (vi) **Impact on Devolution / Local Government Reorganisation** – Ensures that budget managers are experienced in good practice in financial management ahead of reorganisation.

Background Papers:

Current Financial Regulations: [Financial Regulations](#)

Enquiries to: Ben Jay, Director of Finance.