Comprehensive List of Changes in Financial Regulations: OSGPC 2024 to Model 2025

Below is a detailed comparison of the "Final OSG Financial Regulations 2024" (OSGPC 2024) and the "Model Financial Regulations for Local Councils" (Model 2025), highlighting changes in structure, content, thresholds, procedures, and requirements.

Structural Changes

1. **Table of Contents Reorganization**:

   OSGPC 2024: Organized into 17 sections, with a concise structure covering general principles, accounting, budgeting, payments, contracts, and risk management.

   Model 2025: Expanded to 19 sections, adding specific sections for "Electronic Payments," "Cheque Payments," "Payment Cards," "Petty Cash," and "Suspension and Revision of Financial Regulations." Some sections, like "Charities," are marked as optional (in square brackets).

   Impact: Model 2025 provides more granular detail by separating payment methods and adding explicit guidance on petty cash and regulation suspension, making it more comprehensive but potentially more complex.

2. **Appendix Addition**:

   OSGPC 2024: No appendices.

   Model 2025: Includes Appendix 1, detailing the tender process, which outlines procedures for postal and electronic tendering, including compliance with the Bribery Act 2010.

   Impact: The appendix in Model 2025 standardizes the tender process, ensuring clarity and legal compliance.

Section-by-Section Changes

1. General

1. **Definitions and Terminology**:

   OSGPC 2024: Refers to "proper practices" as guidance from the Practitioners' Guide (England) by JPAG, with no specific definitions for terms like "approve" or "authorise."

   Model 2025: Introduces explicit definitions for "Accounts and Audit Regulations," "approve" (online action for transactions), "authorise" (council or officer decision), and "proper practices" (linked to JPAG's Practitioners' Guide). It also clarifies "must" (statutory) and "shall" (non-statutory) obligations.

   Impact: Model 2025 enhances clarity by defining key terms, reducing ambiguity in interpretation.

2. **Non-Delegable Decisions**:

   OSGPC 2024: Lists non-delegable decisions, including setting the budget/precept, approving statements, borrowing, writing off bad debts, and addressing audit recommendations.

   Model 2025: Expands the list to include "the outcome of a review of the effectiveness of internal controls" and "declaring eligibility for the General Power of Competence."

   Impact: Model 2025 strengthens governance by ensuring more decisions remain with the full council.

3. **Additional Council Responsibilities**:

   OSGPC 2024: Requires the council to review the bank mandate and approve grants or commitments over £100.

   Model 2025: Increases the threshold for council approval of grants or commitments to £5,000 and adds a requirement to regularly review the bank mandate.

   Impact: The higher threshold in Model 2025 allows more flexibility for smaller transactions, while regular mandate reviews enhance security.

2. Accounting and Audit (Internal and External)

1. **Bank Reconciliation Verification**:

OSGPC 2024: A member (not the Chairman) verifies bank reconciliations quarterly and at year-end, signing statements as evidence.

Model 2025: Specifies that the verifier cannot be the Chair or a cheque signatory, and verification occurs at least quarterly, with exceptions reported to the Finance Committee.

Impact: Model 2025 tightens controls by excluding cheque signatories, reducing potential conflicts of interest.

2. **Internal Auditor Independence**:

   OSGPC 2024: Emphasizes auditor independence, prohibiting operational duties or financial decision-making.

   Model 2025: Adds that auditors cannot provide financial, legal, or other advice on future transactions and explicitly references the Practitioners' Guide for independence definitions.

   Impact: Model 2025 clarifies the scope of auditor independence, aligning with best practices.

3. **Backup and Data Security**:

   OSGPC 2024: Mentions regular backups stored securely, preferably off-site.

   Model 2025: Requires backups to be stored online or in a separate location and measures to ensure access if an employee leaves or is incapacitated.

   Impact: Model 2025 strengthens data resilience by addressing access continuity.

3. Annual Estimates (Budget) and Forward Planning

1. **Budget Preparation Timeline**:

   OSGPC 2024: RFO prepares the budget by November, with a three-year forecast.

   Model 2025: RFO prepares the budget by a specified month (not fixed), with an optional three-year forecast, considering asset lifespan and replacement costs.

Impact: Model 2025 offers flexibility in timing and emphasizes long-term asset planning.

2. **Salary Budget Review**:

   OSGPC 2024: Salary budgets reviewed annually in December.

   Model 2025: Reviewed annually in October, with a signed schedule by the Clerk and Chair.

   Impact: The earlier review in Model 2025 aligns with budget planning cycles.

3. **Unspent Budgets**:

   OSGPC 2024: Unspent project budgets are not carried forward.

   Model 2025: Unspent budgets for completed projects are not carried forward, but partially completed projects can be earmarked with council approval.

   Impact: Model 2025 allows more flexibility for ongoing projects, improving financial planning.

4. Budgetary Control and Authority to Spend

1. **Spending Authority Thresholds**:

   OSGPC 2024: Council approves items over £2,000; Clerk with Chairman for items below £500; Clerk alone for items below £250.

   Model 2025: Council approves items over £5,000; delegated committee for items under £5,000; Clerk with Chair for items below £2,000; Clerk alone for items below £500.

   Impact: Model 2025 raises thresholds, streamlining smaller transactions and delegating more authority to committees.

2. **Emergency Expenditure**:

   OSGPC 2024: Clerk can authorize up to £500 for extreme risks to services.

Model 2025: Clerk can authorize up to £2,000 for serious risks to services or public safety.

Impact: The higher limit in Model 2025 enables quicker responses to emergencies.

5. Banking Arrangements and Authorisation of Payments

1. **Bank Mandate**:

   OSGPC 2024: RFO makes arrangements, approved by the council, with optional credit references for signatories.

   Model 2025: Explicitly prohibits delegation to a committee and requires annual review for security and efficiency.

   Impact: Model 2025 strengthens oversight and regular review of banking arrangements.

2. **Payment Authorisation**:

   OSGPC 2024: RFO presents a payment schedule to the council, with personal payments summarized.

   Model 2025: Adds that payments must be certified by the RFO, with batch certifications including a statement of verification. Two-person involvement is required for payments.

   Impact: Model 2025 enhances fraud prevention through dual authorisation and detailed certification.

3. **Regular Payments**:

   OSGPC 2024: RFO prepares a list of regular payments, signed by two members each time.

   Model 2025: Adds that regular payments (e.g., salaries, utilities) can be authorized annually, with a signed schedule and reported to the council.

   Impact: Model 2025 simplifies administration of recurring payments.

6. Instructions for the Making of Payments

1. **Payment Methods**:

OSGPC 2024: Covers cheques, direct debits, standing orders, BACS/CHAPS, and internet banking, with two-member signatures.

Model 2025: Separates payment methods into distinct sections (Electronic Payments, Cheque Payments, Payment Cards, Petty Cash), providing detailed procedures for each.

Impact: Model 2025 offers clearer guidance by categorizing payment methods.

2. **Internet Banking Security**:

   OSGPC 2024: Prohibits saved passwords and requires direct access to banking pages.

   Model 2025: Adds prohibition of remembered password facilities (except secure password stores) and requires anti-virus, anti-spyware, and firewall software.

   Impact: Model 2025 strengthens cybersecurity requirements.

7. Payment of Salaries

1. **Payroll Confidentiality**:

   OSGPC 2024: Payroll recorded in a confidential cash book, accessible only by authorized persons.

   Model 2025: Adds that payroll reports are reviewed by the finance committee to ensure correct payments.

   Impact: Model 2025 improves oversight of payroll accuracy.

2. **Termination Payments**:

   OSGPC 2024: Requires a business case and council authorization.

   Model 2025: Specifies that termination payments are supported by a report to the council, authorized only by the full council.

   Impact: Model 2025 reinforces full council control over termination payments.

8. Loans and Investments

1. **Investment Strategy**:

   OSGPC 2024: Council considers the need for an Investment Strategy, reviewed annually if adopted.

   Model 2025: References Statutory Guidance on Local Government Investments, requiring annual review of any strategy.

   Impact: Model 2025 aligns with statutory guidance, ensuring compliance.

2. **Bank Statement Distribution**:

   OSGPC 2024: Bank statements sent to the Chairman and Clerk/RFO.

   Model 2025: No such requirement.

   Impact: Removal in Model 2025 may reduce administrative burden but could lessen oversight unless replaced by other controls.

9. Income

1. **VAT Returns**:

   OSGPC 2024: VAT returns completed annually.

   Model 2025: Offers flexibility for quarterly VAT claims if over £100, with annual claims otherwise, and emphasizes recording in accounting software.

   Impact: Model 2025 supports more frequent VAT recovery for cash flow.

2. **Charitable Income**:

   OSGPC 2024: Charitable trust income paid into a separate account, with payments authorized by trustees.

   Model 2025: Similar, but marked as optional (in square brackets), suggesting it applies only to councils with charitable trusts.

Impact: Model 2025 clarifies applicability to relevant councils.

10. Orders for Work, Goods, and Services

1. **Order Issuance**:

   OSGPC 2024: Official orders issued unless inappropriate, controlled by the RFO.

   Model 2025: Specifies orders for items above £250, with copies retained and evidence of goods receipt.

   Impact: Model 2025 sets a clear threshold and enhances audit trails.

11. Contracts

1. **Procurement Thresholds**:

   OSGPC 2024: 3 quotations for contracts £1,000–£3,000; 3 quotations for contracts £3,000–£25,000; public contract regulations apply above £25,000.

   Model 2025: Estimates for £500–£3,000; 3 quotes for £3,000–£30,000; publication requirements for £30,000+; tenders for £60,000+.

   Impact: Model 2025 raises thresholds and aligns with The Procurement Act 2023, reducing administrative burden for smaller contracts.

2. **Exceptions to Competitive Pricing**:

   OSGPC 2024: Lists exceptions (e.g., utilities, specialist services, repairs).

   Model 2025: Similar exceptions, but excludes additional audit work and adds proprietary articles or fixed-price goods.

   Impact: Model 2025 broadens exceptions, offering more flexibility.

12. Payments Under Contracts for Building or Other Construction Works

1. **Cost Overruns**:

   OSGPC 2024: Reports to council if costs exceed the contract sum by 5% or more.

   Model 2025: Similar, but variations must be authorized by the Clerk in writing, with council informed.

   Impact: Model 2025 clarifies the process for approving variations.

13. Assets, Properties, and Estates

1. **Tangible Movable Property**:

   OSGPC 2024: Council approval required for items over £250.

   Model 2025: Council approval required for items over £500.

   Impact: Higher threshold in Model 2025 simplifies smaller asset transactions.

14. Insurance

1. **Claims Negotiation**:

   OSGPC 2024: RFO negotiates all claims.

   Model 2025: RFO negotiates in consultation with the Clerk.

   Impact: Model 2025 promotes collaboration between RFO and Clerk.

15. Charities

1. **Applicability**:

   OSGPC 2024: Mandatory section for councils with charitable trusts.

   Model 2025: Optional section (in square brackets).

Impact: Model 2025 allows councils without trusts to omit this section.

16. Risk Management

1. **Risk Assessment for New Activities**:

   OSGPC 2024: Clerk/RFO prepares a draft risk assessment for new activities.

   Model 2025: Similar, but explicitly includes risk management proposals.

   Impact: Model 2025 emphasizes proactive risk management.

17. Suspension and Revision of Financial Regulations

1. **Suspension Process**:

   OSGPC 2024: Suspension requires a council resolution with recorded reasons and risk assessment.

   Model 2025: Adds that suspension cannot disapply legislation or permit unlawful actions and allows temporary amendments for exceptional circumstances.

   Impact: Model 2025 provides clearer boundaries and flexibility for amendments.

Additional Sections in Model 2025

1. **Electronic Payments**:

   Introduces detailed procedures for online banking, including dual authorization, secure access, and regular reviews of direct debits, BACS, and standing orders.

   Impact: Enhances security and clarity for digital transactions.

2. **Cheque Payments**:

   Specifies that cheques require two signatures, with restrictions on signatories with conflicts of interest.

Impact: Reinforces controls for traditional payment methods.

3. **Payment Cards**:

   Limits debit cards to the Clerk/RFO with a £500 transaction cap, allows pre-paid cards with council-set limits, and restricts personal card use.

   Impact: Provides structured guidance for card usage, reducing risks.

4. **Petty Cash**:

   Offers options to eliminate petty cash or maintain a £250 float/imprest account, with strict controls on cash handling.

   Impact: Allows councils to choose a cashless approach or maintain controlled petty cash.

Key Thematic Changes

1. **Increased Thresholds**:

Model 2025 raises financial thresholds for approvals, procurement, and asset transactions (e.g., £5,000 for council approvals vs. £2,000; £500 for Clerk-alone approvals vs. £250), reducing administrative burdens for smaller transactions.

2. **Enhanced Security and Fraud Prevention**:

Stricter controls on payment authorizations (dual signatories, RFO certification), internet banking security (no saved passwords, mandatory software), and auditor independence prevent fraud and errors.

3. **Alignment with New Legislation**:

Model 2025 references The Procurement Act 2023 and The Procurement Regulations 2024, updating procurement processes to comply with current laws.

4. **Flexibility and Optional Sections**:

Optional sections (e.g., Charities) and flexible timelines (e.g., budget preparation month) allow customization for councils of different sizes and needs.

5. **Detailed Payment Procedures**:

Separate sections for electronic payments, cheques, payment cards, and petty cash provide comprehensive guidance, improving transparency and control.