

**AUDIT COMMITTEE
20 SEPTEMBER 2016**

REVISIONS TO THE FINANCIAL REGULATIONS

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Director of Finance, Assets and Resources: Andrew Jarrett

Reason for Report: To make recommendations for amendments to the Financial Regulations of the Authority.

RECOMMENDATION(S): That the following proposals be recommended for acceptance by full Council:

- a. **Changes to Procurement Procedures as detailed at Appendix B**
- b. **Changes to various thresholds of the Financial Regulations of the Council as detailed at Appendix A**

Relationship to Corporate Plan: The safeguarding of assets and the provision of practical efficient processes to provide value for money.

Financial Implications:

Legal Implications: No issues.

Risk Assessment: Failure to comply with legislation could lead to prosecution and claims for damages. Failing to review thresholds and procedures could lead to inefficient practices damaging value for money assessments.

1.0 Introduction

1.1 It is now three years since the revised Financial regulations were introduced and subsequently approved by Council. Following their introduction there have been changes to our external regulatory framework and various amendments have been suggested to improve our internal processes. This report collates the various proposals and recommends that changes are made to ensure our procedures and thresholds are fit for purpose.

2.0 Procurement

2.1 Following the incorporation of the EU Procurement Directives 2014 into UK law via the Public Contract Regulations 2015, we have reviewed the Procurement Procedures set out within the Financial Regulations to ensure full alignment and compliance with the legislation.

2.2 There were also some recommendations from a recent internal audit seeking clarification around some parts of this section.

2.3 Appendix B shows the changes which have been made.

3.0 **Thresholds**

3.1 The authorisation to order goods and to pay invoices is an important safeguard to protect the public purse. The existing limits need to be revised to reflect operational demands, whilst not contravening anything contained within the constitution. Some further bands have therefore been added at A1 in appendix A.

3.2 Budget virements – the transfer of budget from one area to another has been consolidated into a single table.

3.3 Till discrepancies, petty cash limits and de minimus refund limits have been rationalised into a single amount of £50.

3.4 The limits for inclusion on the equipment registers have been increased to £1,000.

3.5 The disposal of assets thresholds changed:

- Best price needed from £1,000 and the Capital Strategy Asset Group to give approval for the sale of assets >£20,000.

4.0 **Conclusion**

4.1 The various recommendations above are proposed to ensure compliance with current legislation and maintain best practice. Some of the proposals have been identified as a direct result of the work undertaken by the internal audit team. Improving the efficiency of our operations, whilst safeguarding the Council's assets remains an ongoing commitment. Going forward therefore further revisions will need to be made from time to time to ensure these goals continue to be met.

Contact for more Information: Andrew Jarrett 01884 234242

Circulation of the Report: Cllr Peter Hare-Scott and Management Team

Appendix A

SUMMARY OF FINANCIAL LIMITS APPEARING IN THE MDDC FINANCIAL REGULATIONS

The following tables summarise the financial limits quoted in these Regulations. When looking at a specific level where there are two or more “X” the requirement is that authority needs to be made by **ALL** parties highlighted.

Financial Thresholds

A General Authorisation Limits – To exceed agreed budget for the financial year

Former:

<i>Ref No</i>	<i>Factor</i>	<i>Limit (£)</i>	<i>Cabinet</i>	<i>Portfolio Holder</i>	<i>S151 Officer</i>	<i>Head of Service</i>	<i>Manager</i>	<i>Comments</i>
A1		<i>Up to £10k</i>					X	
A2		<i>£10.01k to £50k</i>				X		
A3		<i>£50.01k to £100k</i>		X	X			
A4		<i>Over £100k</i>	X					

Replaced By:

Ref No	Factor	Limit (£)	Council	Cabinet Member	S151 Officer	Head of Service	Manager	Comments
A1		Up to £10k					X	
A2		£10.01k to £50k			X	X		
A3		£50.01k to £2500k		X				
A4		Over £2500k	X					

A1 Authorisation to Pay Invoices within budget, including relevant earmarked reserves

Former:

Ref No	Factor	Limit (£)	Cabinet	Portfolio Holder	S151 Officer	Head of Service	Manager	Comments
A11		Up to £10k					X	
A12		£10.01k to £50k				X		
A13		£50.01k to £100k		X	X			
A14		Over £100k	X					

Replaced By:

Ref No	Factor	Limit (£)	Cabinet	S151 Officer	Head of Service	Manager	Comments
	Level 1	Up to £100k				X	
	Level 2	£100k to £250k		X	X		Once approved by Cabinet a Head of Service can approve an individual order up to £5m
A14		Over £250k	X				

B Bank Payment Limits

Unchanged:

Ref No	Factor	Limit (£)	Manager	Comments
B1		Up to £50k	X	One nominated signatory required
B2		Over £50k	XX	Two nominated signatories required

C Budget Virements (Movement of Budget from one service area to another)

Former:

C Budget Virements - Within a service unit

<i>Ref No</i>	<i>Factor</i>	<i>Limit (£)</i>	<i>Cabinet</i>	<i>Portfolio Holder(s)</i>	<i>S151 Officer</i>	<i>Head of Service</i>	<i>Manager</i>	<i>Comments</i>
<i>C1</i>		<i>Up to 10,000</i>					X	
<i>C2</i>		<i>10,001 to 20,000</i>				X	X	
<i>C3</i>		<i>20,001 to 50,000</i>			X	X	X	
<i>C4</i>		<i>Over 50,000</i>	X		X	X	X	

D Budget Virements - Between service units

<i>Ref No</i>	<i>Factor</i>	<i>Limit (£)</i>	<i>Cabinet</i>	<i>Portfolio Holder(s)</i>	<i>S151 Officer</i>	<i>Head of Service</i>	<i>Manager</i>	<i>Comments</i>
<i>D1</i>		<i>Up to 10,000</i>				X	X	
<i>D2</i>		<i>10,001 to 50,000</i>			X	X	X	
<i>D3</i>		<i>Over 50,000</i>	X		X	X	X	

Replaced By:

Ref No	Factor	Limit (£)	Cabinet	S151 Officer	Head of Service	Manager	Comments
C1		Up to 10,000				X	
C2/C3		10,001 to 50,000		X	X	X	
C4		Over 50,000	X	X	X	X	

D Till Discrepancies (See 2.4.6) / Petty Cash claim limit / De Minimis refund limit

Former:

<i>Ref No</i>	<i>Factor</i>	<i>Limit (£)</i>	<i>Cabinet</i>	<i>Portfolio Holder</i>	<i>S151 Officer</i>	<i>Head of Service</i>	<i>Manager</i>	<i>Comments</i>
<i>E1</i>		<i>£20</i>						<i>If greater than £20 report to Internal Audit.</i>

Replaced By:

Ref No	Factor	Limit (£)	Comments
DE1		£50	If discrepancy greater than £50 report to Internal Audit.

E Write Off of Individual Bad and Doubtful Debts (Excluding bankruptcy administration or Debt Relief Orders)

Unchanged:

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	Finance Manager	Head of Service	Manager	Comments
E1		£3,000					X	Revenues Manager has a limit of £100 in respect of Council Tax and NNDR income.
E2		£3,000.01 to £10,000			X	X		
		£10,000.01 to £50,000		X	X			
E3		Over £50,000	X					

F Stock Deficiencies / Obsolete Stock Written Off

Former:

<i>Ref No</i>	<i>Factor</i>	<i>Limit (£)</i>	<i>Cabinet</i>	<i>Cabinet Member</i>	<i>S151 Officer</i>	<i>Head of Service</i>	<i>Manager</i>	<i>Comments</i>
G1		Up to £3,000 on any stock item				X		
G2		Over £3,000 on any stock item			X			
G3		Up to £10,000 in total for one store location, per occasion			X			

Replaced By:

Ref No	Factor	Limit (£)	Cabinet Member	Finance Manager	Head of Service	Manager	Comments
F1		Up to £3,000 on any stock item				X	
F2		Over £3,000 on any stock item		X	X		
F3		Up to £10,000 in total for one store location, per occasion		X	X		
F4		Over £10,000 up to £25,000 in total for one store location, per occasion	X				

G Equipment Registers

Unchanged:

Ref No	Factor	Limit (£)	S151 Officer	Head of Service	Manager	Comments
G1		Over £1,0000 but less than £20k			X	Service manager to record in equipment register - REVENUE
G2		Over £20k	X			Asset recorded in fixed asset register maintained by Finance CAPITAL

H European Union Procurement Thresholds (Valid up until XXXXX)

Former:

<i>Goods</i>	<i>£173,934</i>
<i>Services</i>	<i>£179,934</i>
<i>Works</i>	<i>£4,348,350</i>

Replaced By:

Goods	£
Services	£
Works	£

I Stock Adjustments/Write Offs

Unchanged:

Ref No	Factor	Limit (£)	Cabinet	Cabinet Member	S151 Officer	Head of Service	Manager	Comments
I1		Up to £10k					X	
I2		£10.01k to £50k			X	X		
I3		£50.01k to £100k		X	X			
I4		Over £100k	X					

J De Minimis Invoice Limit

Unchanged:

Invoice amount	£250.00
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K Disposal of Assets

Former:

N1	Best possible price	Value less than or equal to £500
N2	Competitive tender	Value more than £500

Replaced By:

K1	Best possible price	Value greater than or equal to £1,000
K2	Competitive tender	Value more than £5,000
K3	Capital assets	Value > £20,000 To be approved By the Capital Strategy Asset Group

L Money Laundering Cash Receipt Limits

Former:

<i>Cash Receipt</i>	<i>£2,000</i>
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Replaced By:

Cash Receipt	£5,000
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