



Report for:	Cabinet
Date of meeting:	25 July 2017
PART:	1
If Part II, reason:	n/a

Title of report:	Financial Regulations Review
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations) David Skinner, Assistant Director (Finance & Resources)
Purpose of report:	To seek Cabinet approval of the recommended changes to the Financial Regulations 2017.
Recommendations	It is recommended that Cabinet consider the amendments detailed in paragraphs 4 to 15 of this report, and recommend to Council the approval of the revised Financial Regulations.
Corporate objectives:	The efficacy of the Financial Regulations supports all of the Council's objectives.
Implications:	<u>Financial</u> Contained within the body of the report. <u>Value for Money</u> Contained within the body of the report.
Risk Implications:	Contained within the body of the report.
Monitoring Officer/ S.151 Officer Comments	Deputy S151 Officer This is a S151 Officer report. Monitoring Officer No comments to add to the report.
Consultees:	Audit Committee, June 2017

Background papers:	None
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Introduction

1. The Financial Regulations provide the framework for managing the financial affairs of the Council. They are approved by the Council and they apply to every Member and employee of the Council, and to anyone acting on its behalf.
2. In accordance with good practice, the Financial Regulations are reviewed annually to ensure that they remain relevant throughout any structural or operational changes within the Council.
3. All sections of the Regulations have been reviewed, and the following substantive amendments are proposed. (The fully revised Financial Regulations, including the recommended amendments, are attached at Appendix A.)

Recommended update relating to *reductions to invoice values*

4. **Section 2 of annex E** of the previously approved Financial Regulations contains the following paragraphs:

2.u) Invoices may be reduced in value if the services provided have been incorrectly charged at a higher level. Where the value of an invoice needs to be reduced, a written instruction must be provided to Financial Services detailing the reasons and the revised amount and signed by the relevant Assistant Director, (as defined under regulations defining responsibility for recovering the Council's income, above).

2.w) Where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and signed by the relevant Assistant Director. In all other circumstances where an invoice needs to be cancelled, the write off procedure must be used.

5. The proposed update makes the authorisation consistent with other authorisation hierarchies within Financial Regulations and still retains the existing control principles. The written instruction also covers any workflow arrangements that may be developed over time. This regulations have been updated to refer back to the scheme of delegation in Annex D:

2.u) Invoices may be reduced in value if the services provided have been incorrectly charged at a higher level. Where the value of an invoice needs to be reduced, a written instruction must be provided to Financial Services detailing the reasons and the revised amount and authorised in line with the Scheme of Delegation, Annex D.

2.w) Where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and authorised in line with the Scheme of Delegation, Annex D. In all other circumstances where an invoice needs to be cancelled, the write off procedure must be used.

6. Annex D previously stated:

The scheme shall cover authorisation of payments to be made to staff, contractors and suppliers, the collection of income and placing of orders including variations.

7. To reflect changes in invoice values being included in this scheme of delegation, this has been updated to:

The scheme shall cover authorisation of payments to be made to staff, contractors and suppliers, the collection of income and placing of orders including variations. The scheme shall also apply to the authorisation of Accounts Receivable credits and cancellation of invoices.

Recommended update relating to credit cards and electronic payment cards

8. **Section D, Paragraph D10** has been updated following the Councils move away from credit cards, and introduction of electronic purchasing cards.

Paragraph D10 previously stated:

Petty Cash, Change Floats, and Credit Card Purchases

D.10) The Council's resources may be held as cash only where there is a business need. Any cash holdings must be authorised by the Section 151 Officer who will review the need for such cash holdings periodically and may, at his/her discretion, in consultation with Corporate Directors, withdraw or alter the size of cash holdings. Detailed regulations governing cash, change floats and credit cards are set out in Annex E, section 3

This regulation has been amended to:

Petty Cash, Change Floats, and Electronic Purchasing Card Payments

D.10) The Council's resources may be held as cash only where there is a business need. Any cash holdings must be authorised by the Section 151 Officer who will review the need for such cash holdings periodically and may, at his/her discretion, in consultation with Corporate Directors, withdraw or alter the size of cash holdings. Detailed regulations governing cash, change floats and electronic purchasing cards are set out in Annex E, section 3

9. **Annex G, section 2** has been updated following the Councils move away from credit cards, and introduction of electronic purchasing cards.

Paragraph 2.a) point vii) previously stated:

vii) Agree and determine a scheme for the issue and usage of corporate credit cards where the costs of ordering and procuring is excessive when judged against the value of purchases.

This Regulation has been amended to:

vii) Agree and determine a scheme for the issue and usage of corporate electronic payment cards where the costs of ordering and procuring is excessive when judged against the value of purchases.

10. **Section 3 of annex E** has been updated following the Councils move away from credit cards, and introduction of electronic purchasing cards. References to credit cards have been removed and updated to reflect the controls in place for electronic purchasing cards:

Regulations 3h) to 3k) previously stated:

3.h) Only the Section 151 Officer may apply for official credit cards. Credit cards will only be issued to and retained by officers who have a business need that cannot be satisfied by other means. The Section 151 Officer will review at least annually the business case for the issue and retention of each credit card and will, in consultation with the appropriate Corporate Director, withdraw all cards that seem to him/her to be no longer necessary.

3.i) Official credit cards will only be used for purchases of goods and services for the Council from third parties. They will never be used for personal transactions under any circumstances. They will not be used for expenses in relation to the running of any motor vehicle. Such matters being dealt with either through the issue of official orders and receipt of invoices or through personal expense claims. It is permissible for official credit cards to be used for expenses where the expense would be reimbursable in full on production of a receipt, such as for rail fares or hotels (accommodation only). In the event of any ambiguity regarding what is permissible expenditure, holders should consult the Section 151 Officer, whose decision shall be final.

3.j) Credit cards will never be used for obtaining cash advances.

3.k) Employees holding credit cards will ensure that VAT receipts are obtained, where relevant, for all transactions and that all supporting documentation is handed over promptly to permit the payment of credit card bills.

11. These regulations have been amended to:

3.h) Electronic Purchasing Cards (EPCs) will be issued to, and retained by officers who have a business need. Applications for Plastic Cards with Standard Spend Limits shall be counter-signed by the Group Manager of the relevant Department. In cases where the application is for a higher limit, these shall be counter-signed by the Assistant Director of the Department and thereafter the Council's Section 151 Officer on the advice of the Group Manager (Financial Services).

3.i) The use of EPCs, standard limits and controls are set out in the Councils separate e-purchasing cards policy, available to employees on the intranet. Employees will only be issued with an EPC after formal training on the scheme, and signing a cardholder agreement detailing proper usage.

3.j) EPCs will never be used for obtaining cash advances.

3.k) Employees holding EPCs will ensure that VAT receipts are obtained, where relevant, for all transactions and that all supporting documentation is handed over promptly to permit the payment of EPC bills.

12. This recommendation reflects the controls that have been put in place following the introduction of electronic payment cards. The controls have been assessed by Internal Audit as providing a full level of assurance.

13. In order to reflect the introduction of embedded electronic purchasing cards, regulations 3.l) and 3.m) have been added. Embedded cards are a payment solution that allow faster payment of invoices, and provide the Council with a rebate from the card provider.:

3.l) In addition to plastic cards, the Council has the ability to lodge embedded cards with suppliers. Embedded Cards are recommended for high value transactions, and are to be used for the Council's larger contracts and where the Council will generate a significant rebate.

3.m) The suitability of a supplier for the use of an embedded card will be identified by Financial Services and will be approved by the Council's Section 151 Officer.

Recommended update relating to disposal of assets

14. The following limits are set out in Annex H of the previous version of the financial regulations:

Item 10. Disposal of equipment

The regulations relating to disposals within Section 2 of this annex apply to all assets specified in clause 2.a) with a value up to:

£5,000

Item 11. Major reusable items

Disposals of major reusable items must be authorised by the Cabinet where the disposal may achieve a receipt in excess of the following amount:

£10,000

Item 12. Disposals of other intangible assets

The appropriate Corporate Director will obtain Cabinet authorisation for the disposal of other intangible assets where the value of the asset(s) to be disposed of exceeds the following amount:

£10,000

15. Limits for items 10, 11 and 12 have been increased to £50,000. The £50k threshold has been recommended to match the approval limits of the Group Managers as stated within the Council's Procurement Standing Orders, approved by Full Council in July 2014, and Annex D of the Financial Regulations therefore ensuring a more consistent approach to existing authorisation levels.

Committee scrutiny of the proposed amendments

16. The recommendations have been scrutinised by Audit Committee (June 2017). The Committee requested some minor amendments which have been incorporated into this report and the attached Financial Regulations.