

SUBJECT:	Proposed Amendments to the Financial Procedure Rules	
REPORT OF:	Head of Finance	Rodney Fincham
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WARD/S AFFECTED	All	

1. Purpose of Report

- 1.1 To suggest a number of amendments to the Financial Procedure Rules.

RECOMMENDATION TO COUNCIL

1. **The revised Financial Procedure Rules contained in Appendix A are approved.**

2. Reason for Recommendation

- 2.1 The proposed changes are intended to clarify the Financial Procedure Rules and ensure they remain fit for purpose.

3. Officer Responsibilities (Para 29)

- 3.1 The responsibilities of the Monitoring Officer need updating to reflect changes introduced by the Localism Act 2011, which made the Council responsible for promoting and maintaining high standards of conduct, a duty which has been delegated to the Audit Committee.

4. Authorised Signatory List (Para 44)

- 4.1 As most financial authorisation is now done electronically the Authorised Signatory List no longer has specimen signatures. A minor change to para 44 is therefore required as follows:

Directors and Heads of Service will provide the Head of Finance with a certified Authorised Signatory List detailing those officers, ~~together with specimen signatures,~~ within their

respective service areas authorised to certify various documents or transactions. Such lists will be updated and amended as required and any changes notified to the Head of Finance without delay. All lists will be reviewed annually, or as otherwise directed by the Director of Resources. Any alternative authorisation procedures will be in accordance with arrangements approved by the Director of Resources.

5. Virement Levels (Para 53)

5.1 The virement levels are currently different between CDC and SBDC.

CDC

<i>Up to £3,000</i>	<i>Head of Service</i>
<i>£3,001 to £10,000</i>	<i>Director of Resources</i>
<i>£10,001 to £50,000</i>	<i>Director of Resources (If same Service Area)</i>
<i>£10,001 to £50,000</i>	<i>Portfolio Holders (If different Service Area)</i>
<i>Over £50,000</i>	<i>Full Council</i>

SBDC

<i>Up to £10,000</i>	<i>Head of Service</i>
<i>£10,001 to £50,000</i>	<i>Director of Resources</i>
<i>£50,001 to £100,000</i>	<i>Cabinet</i>
<i>Over £100,000</i>	<i>Full Council</i>

5.2 As all services are now shared, having different authorisation levels has become increasingly administratively inefficient. For instance say we want to increase the cost of the Joint Housing Team by £10,000. This will required a virement of £5,800 in CDC (£10,000 x 58%) which requires approval by the Director of Resources. But at SBDC the virement is £4,200 (£10,000 x 42%) which only requires the approval of the Head of Service.

5.3 We would therefore like to standardise the virement approvals in line with the current SBDC levels.

6. Supplementary Estimate – Standardising Amount and Controllability (Para 55)

6.1 Paragraph 55 of the Financial Procedure Rules currently states:

Where any cost centre (revenue or capital) is likely to vary from it's approved net budget by either more than:

*CDC £5,000 or 1%, whichever is the greater,
SBDC £10,000 or 1%, whichever is the greater,*

and where no possibility for virement exists, the Director/Head of Service concerned, after consultation with the Director of Resources, will inform the Portfolio Holder of a request for a Supplementary Estimate. The request for a Supplementary Estimate will be the subject of a report to the Cabinet and onward recommendation to the full Council.

6.2 This rule is not used very frequently as overspends are rare, and when there do occur they are normally caused by events outside of the control of the budget manager ie income levels being lower than estimated or additional uncontrollable costs are incurred such as additional statutory homelessness costs.

6.3 It is proposed to:

- standardise the limit at £10,000 or 1%,
- change the wording to reflect that in practice this applies to discretionary spend, and
- update the terminology from Supplementary *Estimate* to Supplementary *Budget*.

Paragraph 55 would therefore become:

*Where any cost centre (revenue or capital) is likely to **overspend** by either more than **£10,000 or 1%**, whichever is the greater, and where no possibility for virement exists, **and this variance is not due to factors outside of the control of the budget manager**, the Director/Head of Service concerned, after consultation with the Director of Resources, will inform the Portfolio Holder of a request for a Supplementary **Budget**. The request for a Supplementary **Budget** will be the subject of a report to the Cabinet and onward recommendation to the full Council.*

7. Supplementary Estimate - Grant Funding (Paras 54-55)

7.1 The current Financial Procedure Rules are silent on whether a Supplementary Estimate / Budget is required to incur expenditure which is being funded by a new in year grant.

7.2 In practice if a new grant is received in year, then it is taken that there is an automatic approval to spend the grant monies.

7.3 It is therefore proposed to add a new Paragraph 55A to explicitly cover this situation.

If a new grant is received in year, or the amount of grant changes from the original estimate, then the relevant Head of Service has authority to spend this new grant amount without having to obtain a Supplementary Budget.

8. Authority to Incur Capital Expenditure (Para 84)

8.1 Paragraph 84 of the Financial Procedure Rules currently states:

Inclusion of a scheme in the Capital Programme does not automatically provide authority to incur capital expenditure other than staff development time. The Head of Finance will provide Heads of Service and Budget Managers with Capital Programme guidance and procedures that outline the processes that must be followed for implementation of capital schemes.

8.2 In practice inclusion of a scheme in the Capital Programme is the approval to progress a project, unless there is a specific caveat to the approval ie approval is given subject to the approval of the final business case.

8.3 It is therefore proposed to reword Paragraph 84 to the following:

Inclusion of a scheme in the Capital Programme provides authority to incur capital expenditure unless otherwise stated (for instance approval could be subject to approval of the final business plan).

9. Stock, Stores and Equipment (Para 174 and D10)

9.1 It is proposed to add the work 'vehicles' to the section on assets disposals to confirm that this section also relates to the disposal of Vehicles, and remove the term Stores.

le Stock, ~~Stores~~, Vehicles and Equipment

10. Asset Disposals – Land & Property (Para 175)

10.1 The Council Constitution now includes a delegation to the Head of Environment to:
grant short term tenancies including licences and non-protected leases of no more than 7 years with an annual rent not exceeding £35,000 across the Council's property portfolio and the grant of easements or wayleaves.

10.2 Para 175 Financial Procedure Rules now needs to reflect this as follows:

Any proposal to lease or sell land, buildings or other permanent assets will be the subject of a report to Cabinet by the appropriate Officer in consultation with the Director of Resources, unless otherwise delegated in the Council's Scheme of Delegation.

11. Second Signatures on Cheques (Paras 189 and 190)

11.1 Given the limited number of cheques now issued it is proposed to standardise the requirement for second signatories at £10,000. Para 189 and 190 therefore become.

All computer prepared cheques will bear the facsimile signature of the Director of Resources. All cheques of:

CDC — £10,000 and over

SBDC — £20,000 and over

will also bear the manuscript of an authorised signatory.

All cheques drawn manually will be signed by the Director or Resources or other authorised signatory. All manual cheques of £120,000 and over will also bear the manuscript signature of a second, different authorised signatory

12. Imprest Account (Para 200)

12.1 SBDC no longer operates an Imprest account, and thus this section needs to be deleted to reflect this.

13. Cheque Endorsement (Para 213)

- 13.1 There is no longer a need to endorse the back of cheques and thus this requirement needs to be removed from para 213.

Each officer who banks money will enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor), or otherwise indicate the origin of the cheque. ~~The reverse of each cheque must be endorsed with the receipt or reference number of the related debt.~~

14. Write Off Approval (Para 222)

- 14.1 Paragraph 222 of the Financial Procedure Rules set out the write off approval limits

<i>Up to £150</i>	<i>The Parking Manager has the power to write off irrecoverable penalty charge notices up to £150.</i>
<i>Up to £1,000</i>	<i>The Head of Finance has the power to write off irrecoverable debt up to £1,000.</i>
<i>Up to £10,000</i>	<i>The Director of Resources has the power to write off irrecoverable debts up to the value of £10,000.</i> <i>The Head of Customer Services has the power to write off irrecoverable Council Tax debts, Non Domestic Rates debts and Housing Benefit / Council Tax Support Overpayments up to the value of £10,000.</i>
<i>Over £10,000</i>	<i>The Cabinet has the power to write off irrecoverable debts over £10,000.</i>

- 14.2 As SBDC Cabinet Members can now decide non-key decisions (ie financial matters under £50k) after consultation with their PAGs, it is proposed to amend the write off approval limits to reflect this as follows. It is also proposed to clarify that the amounts are inclusive of VAT.

<i>Up to £150</i>	<i>The Parking Manager has the power to write off irrecoverable penalty charge notices up to £150.</i>
<i>Up to £1,000</i>	<i>The Head of Finance has the power to write off irrecoverable debt up to £1,000.</i>
<i>Up to £10,000</i>	<i>The Director of Resources has the power to write off irrecoverable debts up to the value of £10,000.</i> <i>The Head of Customer Services has the power to write</i>

	<i>off irrecoverable Council Tax debts, Non Domestic Rates debts and Housing Benefit / Council Tax Support Overpayments up to the value of £10,000.</i>
<i>Up to £50,000</i>	<i>CDC - The Cabinet has the power to write off irrecoverable debts over £10,000. SBDC - Portfolio Holders have the power to write off irrecoverable debts up to £50,000 after consultation with their PAGS.</i>
<i>Over £50,000</i>	<i>The Cabinet has the power to write off irrecoverable debts over £50,000.</i>

** These limits are inclusive of VAT.*

15. Card Payment Requirements (Para 226)

- 15.1 An extra requirement is to be added to clearly specify that cardholder details are never to be written down in order to comply with the Payment Card Industry Data Security Standards.

Cardholder details must only be input directly into payment software / machines / devises. They must never be written down or stored elsewhere.

- 15.2 The paragraphs on credit card charges (226 and 228) have also been removed as under recent EU regulations businesses are no longer able to levy charges for paying by credit card.

16. Inclusive of VAT (Para 239)

- 16.1 The words inclusive of VAT are to be added to para 239 to clarify that the limit for very low value orders is £1,000 *inclusive of VAT*.

17. Approval of Car Loans (Para 265)

- 17.1 Car loan application are now approved at Head of Service Level, rather than by the Director of Resources, and thus this section needs to be amended to reflect this.

18. Other Amendments

- 18.1 There are also a few other minor amendments proposed to ensure the wording reflects current practice / terminology. All the proposed amendments are shown in tracked changes in the Appendix.

19. Options

19.1 Members have the option of not approving the proposed changes to the Financial Procedure Rules, or indeed proposing other changes.

20. Corporate Implications

20.1 There are no direct financial or legal implications.

21. Links to Council Policy Objectives

21.1 To conduct its business efficiently a local authority needs to ensure that it has sound financial management policies in place and that they are adhered to. Part of this process is the establishment of Financial Procedure Rules that set out the financial policies of the Authority

22. Next Step

22.1 Any changes to the Financial Procedure Rules will require the agreement of Council.

22.2 If changes are approved then the Financial Procedure Rules will be amended and officers of both Councils will be informed of the changes.

Background Papers:	None
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