

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **28 November 2016**

Report of: **Head of Finance and Audit**

Subject: **UPDATES TO FINANCIAL REGULATIONS**

SUMMARY

Some changes are proposed to the wording in Financial Regulation 4 (Authorisation Limits) and Financial Regulation 13 (Physical Assets). In particular it is proposed that the Directors' authorisation level is increased from £500,000 to £1,500,000.

RECOMMENDATION

That the proposed changes are considered and any comments forwarded to the Council, to aid its decision in approving the revised regulations.

INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs.
2. Work has been carried out in recent years to streamline the regulations down to the key rules that are necessary for the Council to adequately manage its financial affairs. A few further amendments are now proposed to a few of the regulations.

REGULATION 4 – AUTHORISATION LIMITS

3. The Appendix to Financial Regulation 4 summarises the different authorisation limits relating to spending the Council's finances. This is attached as [Appendix A](#) with the following proposed changes highlighted:
 - **Clarification of the Level 1 Authorisation level** – As Heads of Service now sit on the Chief Executive's Management Team, this table heading is reworded to clarify that this level of authorisation is restricted to the Chief Executive Officer and Directors.
 - **Increase in Level 1 Authorisation level** – It is proposed that the limit for the level 1 authorisers is increased to £1.5million before the physical authorisation of the Chief Finance Officer is needed. This will give greater control over the larger orders as they will become more visible to the Director of that service and they will be better placed to understand the need or otherwise for any large orders.
 - **Clarification of Single and Monthly limits for Procurement Cards** – Wording has been added to the Procurement Cards rules to clarify the difference between single and monthly transaction limits, with a limit being set for the latter of £10,000.
 - **Clarification of Finance Management Authorisation** – The list of items that the Finance Management Authorisers, based in the accountancy team, can approve has been reworded to be clear that these relate only to payroll administration and pension payments, whereas life assurance claims would first be approved by Human Resources.

Also wording has been added to clarify that transfers between accounts over £3million, do not require Chief Finance Officer approval but can be completed on authorisation of 2 Finance Management authorisers. These are typically overnight transfers from the current account to short term savings accounts to achieve better interest rates.

REGULATION 13 – PHYSICAL ASSETS

4. A recent internal audit of fixed assets has identified that a current rule in Financial Regulation 13 no longer meets the needs of the authority and therefore a change to the wording is proposed as summarised in the table below:

Current Wording FR 13.2.2	Proposed Wording FR 13.2.2
<p>LAND & BUILDINGS</p> <p>Acquisition of Assets: All negotiations for the purchase, occupation and development of land and buildings owned by third parties, or use of Council land (with the exception of casual lettings) should be carried out in liaison with the Head of Estates and the Council's Nominated Procurement Manager.</p> <p>Any land acquisition over £10,000 should be approved by the Executive Committee.</p>	<p>LAND & BUILDINGS</p> <p>Acquisition of Assets: All negotiations for the purchase, occupation and development of land and buildings owned by third parties, or use of Council land (with the exception of casual lettings) should be carried out in liaison with the Property, Estates or Procurement teams, as appropriate to the acquisition.</p> <p>Any land acquisition over £10,000 should be approved by the Executive Committee.</p>

RISK ASSESSMENT

5. There are no significant risk considerations in relation to this report

[Appendix A](#) – Proposed new version of Financial Regulation 4 – Authorisation Limits

Background Papers: None

Reference Papers: Report of the Head of Finance and Audit to the Audit and Governance Committee on 23 November 2015 -'Updates to Financial Regulations'

Enquiries: For further information on this report please contact Elaine Hammell. (Ext 4344)

Appendix A – Proposed Changes to Authorisation Limits in Financial Regulation 4

			Level 1	Level 2	Level 3	Other
	Covers	Additional Rules	Member of CXMT Chief Executive Officer or Director	Head of Service	Other staff nominated by their Head of Service or Director	Finance Team Authoriser
Budget Expenditure	Electronic authorisation on efinancials, Orchard or Technology Forge Manual authorisation of order forms, yellow stickers or payment vouchers/certificate	Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation. Any non-cheque payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser. Any payment over £500,000 £1,500,000 must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser.	£500,000 £1,500,000	£75,000	£10,000	Not applicable
Petty Cash	Cash Advances Reimbursement Float Top Up	Any payment over £200 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.	£200	£100	£50	Not applicable
Procurement Cards	Advance payments In person payments Telephone payments Internet orders	Limits are the upper limit for single transactions. Higher limits can be given in individual cases, up to the maximum single transaction Procurement card limits, on approval of the Nominated General Finance Manager or Statutory Chief Finance Officer. The maximum <u>monthly</u> limit that can be set for any card is £10,000. Limits above £5,000 must be approved as above. Actual limits for single and monthly transactions are set out in individual Procurement Card agreements.	Up to £5,000	Up to £2,000	Up to £1,000	Not applicable

			Level 1	Level 2	Level 3	Other
Financial Management	<p>Life Assurance Claims</p> <p>Payroll administration and pension payments</p> <p>Precepts to other precepting authorities</p> <p>Routine transfers to Government Departments (e.g. Inland Revenue. NNDR)</p> <p>Pension payments</p> <p>Authorisation of sundry debtor refunds</p> <p>Tax Adjustments</p> <p>Inter-account transactions</p> <p>Treasury management transactions</p>	<p>Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.</p> <p>Any non-cheque payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</p> <p>Any Financial Management transaction over £3,000,000 must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser. An allowance exception to this rule is transfers of money between accounts held by the Council's nominated bank.</p>	Not applicable	Not applicable	Not applicable	£3,000,000
Employee Expenses	<p>Payments to employees made through the electronic expenses system:</p> <p>Mileage, Overtime, Hourly Salary, Standby, Eye care, Subsistence, Parking, Public transport.</p>	<p>Any claim where the employee's manager is not available can be authorised by a Super User.</p>	<p>A post holder can authorise any claim of an employee whose post reports to theirs in the management structure. A claim submitted by a Director can only be authorised by another Director or a Super User. A claim submitted by the Chief Executive Officer can only be authorised by another Statutory Officer. This is controlled electronically by the system. Claims shall not be submitted and authorised by the same person.</p>			
Pay Advances		<p>Any payment over £500 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.</p>	£500	£200	Not applicable	Not applicable