

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 September 2019

**Report of:** Deputy Chief Executive Officer

**Subject:** REVIEW OF FINANCIAL REGULATIONS

#### SUMMARY

Following the approval of the new Procurement and Contract Procedure Rules last year it is now possible to conclude the review of the Financial Regulations. The whole set has now been amalgamated into one document for final approval.

Further changes to Financial Regulation 19 and the Procurement and Contract Procedure Rules are also proposed.

*The Audit and Governance Committee's areas of responsibility include to review and make recommendations to Council on its Financial Regulations and Contract Procurement Rules.*

#### RECOMMENDATION

It is recommended that the Committee: -

- a) consider the proposed changes; and
- b) forward any comments to Council, to aid its decision in approving the revised Financial 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. Each revised Regulation has been brought before the Audit and Governance Committee before adoption.
3. Following the approval of the new Procurement and Contract Procedure Rules last year, which subsumed Financial Regulation 15, it is now possible to conclude the review of the Council's Financial Regulations. The whole set has now been amalgamated into one document, as attached as Appendix C, for final approval.
4. Further changes to Financial Regulation 19 and the Procurement and Contract Procedure Rules are proposed.

## **AMALGAMATED FINANCIAL REGULATIONS**

5. The Financial Regulations, as attached in Appendix C, have been amalgamated into one document and assigned the standard corporate policy formatting. A separate amalgamated document is being prepared for all the support documents referred to in the Regulations. These do not form part of the Council's constitution.
6. Other minor changes have been made to update the regulations, such as updating them for any policy name or officer post name changes. A glossary has also been added.

## **PROPOSED CHANGES TO FINANCIAL REGULATION 19.4 WRITE OFFS**

7. A change is proposed to the Financial Regulation 19.4 as highlighted in Appendix A. The proposal is:
  - a) To introduce a £100 threshold under which nominated employees can process a write-off without an authorisation.
  - b) To introduce certain categories of write-off under £5,000, for which nominated employees can process a write-off without an authorisation, as these are usually mandatory.
  - c) To increase the threshold from £50 to £1,000 in which designated Lead Debt managers can authorise write-offs, leaving write-offs between £1,000 and £5,000 to be authorised by the Statutory Chief Finance Officer or Nominated General Finance Manager. This will also remove the need to distinguish the threshold for housing rents debts.
8. The value and number of write-offs in 2018/19 which would fall under these new thresholds is as follows:

Value of Debt or Credit	Number of Debts in 2018/19	Value of Debts in 2018/19	Number of Credits in 2018/19	Value of Credits in 2018/19
<b>£100 or less</b>	129	£2,024	80	<b>-£1,770</b>
<b>£100.01 - £1,000</b>	84	£33,163	41	<b>-£14,047</b>
<b>£1,001 - £5,000</b>	21	£40,588	8	<b>-£18,829</b>
<b>£5,001 +</b>	10	£118,208	1	<b>-£14,209</b>
<b>£5,000 or less but mandatory categories</b>	230	£138,529	-	-
<b>Total</b>	<b>474</b>	<b>£332,512</b>	<b>130</b>	<b>-£48,855</b>

9. All write-offs will continue to be recorded and circulated quarterly to the relevant managers. An additional safeguard is proposed in that the Lead Debt Managers will be required to undertake quarterly sample checks of those write-offs actions under their threshold.

## PROPOSED CHANGES TO THE PROCUREMENT AND CONTRACT PROCEDURE RULES

10. A change is proposed to the Procurement and Contract Procedure Rule 14, concerning who can sign agreements on behalf of the Council, as highlighted in Appendix B. The proposal is to make certain routine agreements, such as property and housing tenancy leases, exempt from needing a signature from a Director above £100,000. Instead these can be signed by the Head of Service, or other post-holders nominated by them, unless there is a significant adverse financial implication.
11. A second change is proposed to Procurement and Contract Procedure Rule 12.1 to clarify that contracts can be awarded by officers over £250,000 if they have been given delegated authority to do so:

<b>12. Approval and Award of Contract</b>	
12.1 Approval must be sought from the appropriate authoriser to award the contract to the highest scoring tenderer, in accordance with the following table below:	
Total Purchase Value	Authoriser
<b>Up to £100,000</b>	Head of Service
<b>£100,001 to £250,000</b>	Member of Chief Executive's Management Team
<b>£250,001 to £500,000</b>	Individual Executive Member or those with delegated authority
<b>Over £500,000 within Council budget and policy framework</b>	Executive Committee or Full Council
<b>Over £500,000</b>	Full Council

12. A third change is proposed to Procurement and Contract Procedure Rule 12.3 to clarify the definition of a key decision.

12.3 All awards made over **£250,000**, or those that affect 2 or more wards in the borough, constitute a key decision and should be formally recorded and reported to the next meeting of the Executive or Full Council.

## **RISK ASSESSMENT**

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

**Appendix A** – Proposed Change to Financial Regulation 19.4 – Write offs

**Appendix B** – Proposed Change to Procurement and Contract Procedure Rule 14

**Appendix C** – Amalgamated version of Financial Regulations previously approved

**Background Papers:** None

**Reference Papers:** Reports of the Director of Finance and Resources to the Audit and Governance Committee between 2010 and 2018 on 'Reviews of Financial Regulations'

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

## Proposed Revision to Financial Regulation 19.4 – Write Offs

### 19.4 Recovery and Write-Offs

19.4.1 **Recovery Procedures:** Services must establish appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Any recovery procedure utilised must conform to the Council's **Collection and Recovery Policy**.

19.4.2 **Write-Offs:** Debts due to the Council, or credits owing to customers, may only be written off in accordance with the following rules: -

Value of Debt or Credit	Authorised by	Other requirements
<b>£100 or less</b>	Officers of a service designated by a Lead Debt Manager	Proportionate steps have been taken to collect the debt (or trace the credit owner) such that it has been deemed irrecoverable
<b>£100.01 - £1,000</b>	Lead Debt Manager	Appropriate steps have been taken to collect the debt (or trace the credit owner) such that it has been deemed irrecoverable
<b>£1,000.01 - £5,000</b>	Statutory Chief Finance Officer or Nominated General Finance Manager	
<b>£5,000.01 +</b>	Executive, or other relevant committee	
<b>£5,000 or less</b>	Officers of a service designated by a Lead Debt Manager	<p>The reason for the write off is for one of the following reasons:</p> <ul style="list-style-type: none"> <li>The debt was created in error</li> <li>The debt has become out of date and cannot be pursued</li> <li>The debtor has declared themselves insolvent * and the Council has received official notification of this status, and cannot be named as a preferred creditor or unsecured creditor to the agreement</li> </ul> <p>* Insolvent is defined as declared bankrupt (individual) or in liquidation (company), or has entered into a Debt Relief Order, Individual Voluntary Arrangement or Company Voluntary Arrangement.</p>
<b>Penalty charge notices</b> (cancelled or written off)	Nominated Chief Officer or Head of Service with responsibility for Enforcement	Cancelled in accordance with the <b>Parking Enforcement Policy</b>
Housing rent income which has been waived as <b>rent-free weeks</b>	Nominated Chief Officer or Head of Service with responsibility for Housing	

- a) ~~by designated officers of a service where the debt is £50 and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable.~~

~~The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;~~

~~b) by designated officers of the housing service where the Former Tenant arrears debts are £200 or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;~~

19.4.3 Sufficient information about the debt and recovery action taken must be provided and documented before authorisation for write-off can be given.

19.4.4 A record must be kept of all write-offs authorised and actioned ~~should subsequently appear on the monitoring reports received~~ which must be circulated quarterly to the relevant Lead Debt Manager and the Statutory Chief Finance Officer or Nominated General Finance Manager.

19.4.5 Lead Debt Managers must undertake a quarterly sample check of a proportionate number of write-offs processed without authorisation.

19.4.6 The total value and number of write-offs carried out by officers, under the delegated powers outlined above, should be reported to the relevant committee each year.

19.4.7 A list of officers designated as Lead Debt Managers ~~to write off debts~~ in accordance with this policy will be maintained as part of the "Posts assigned to the roles required by Financial Regulations" document.

~~19.4.8 A record must be kept of all write-offs authorised and actioned which is totalled at the end of each financial year.~~

## **Addition to Appendix B - Posts assigned to the roles required by Financial Regulations**

<b>Roles</b>	<b>Current Post Fulfilling the Role</b>	<b>Officer Name</b>	<b>Regulations with this Role</b>	<b>Specific Requirements of Role</b>
Lead Debt Manager	Finance Manager Head of Housing, and Benefits Local Tax and Corporate Debt Manager	Neil Wood Caroline Newman Adrian Collier	19.4	Managers authorised to write off debts and credits under the threshold set in Financial Regulation 19.4, and nominate other officers to process low value, non-recoverable write offs.  Undertake a quarterly sample check of a proportionate number of write-offs processed without authorisation.

## Proposed Revision to Procurement and Contract Procedure Rule 14

### 14. Signing and/or Sealing Contracts and Agreements

14.1 **Signing an Agreement or Contract:** Only Heads of Service and above can sign a contract or agreement on behalf of the Council in accordance with the following table:

Total Agreement Value	Signatory
Up to £100,000	Head of Service
£100,001 or more	Member of Chief Executive's Management Team

14.2 This Rule includes:

- agreements which tie the Council into expenditure (e.g. maintenance);
- agreements which tie the Council into a set of terms and conditions (e.g. grant award);
- contracts awarded through a tender process.

Purchase orders are excluded and can be authorised in accordance with Financial Regulation 4.

14.3 An exception to this are agreements drafted by the Council which are in use multiple times as part of the delivery of a specific service. For example: FBC property leases or council housing tenancy agreements. These can be signed by the appropriate Head of Service, or other post-holders nominated by them, irrespective of the value.

However, if there is a material adverse financial consequence to the Council in signing the agreement then this must be discussed with a finance manager before the agreement is signed.