

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Chris Clarence

DATE: 14 December 2017
REPORT OF: Audit Manager
SUBJECT: Financial Instructions Amendments

PART I

RECOMMENDATION

To recommend the proposed amendments to the Financial Instructions to Council for approval.

1. PURPOSE

- 1.1 To seek members' agreement for proposed amendments to the Financial Instructions and for members to recommend these to full Council for approval.

2. BACKGROUND

- 2.1 Local Authorities must make arrangements for the proper administration of their financial affairs. The framework for this is provided through the Financial Instructions, which form part of the Council's Constitution. The Financial Instructions have been designed to guide members and officers in their dealings with financial matters. It is in their interest to ensure they are complied with so that accountability is demonstrated.
- 2.2 The Financial Instructions were last reviewed in September 2010. The current version can be seen in the [Constitution on the Council's website](#). The following changes are therefore proposed to help support current business requirements.

3. PROPOSED CHANGES

Section 6.1: Budget Changes (Virement)

The Council's Capital Review Group have carried out an extensive review of the procedures for capital project approval. This was led by the Capital Accountant, who flowcharted the process to make it clear to all involved.

It is proposed to amend the Financial Instructions to clearly show the approval limits as highlighted in *italics* and underlined red text below, to support the flowcharted process, and to amend the revenue virement limit as explained below:

Capital Budgets

Virement forms will be required in the following circumstances to cover virements between expenditure heads within the capital programme, and to cover further use of capital receipts and external funding, grants and contributions:

(v) Where the sum involved is up to £20,000, the appropriate responsible budget holder may approve the virement in consultation with the appropriate accountant. No form is required;

(vi) Between £20,001 and £50,000, the appropriate Business Lead or their nominated deputy shall complete and sign a virement form in consultation with the appropriate accountant; which is to be authorised by the Chief Finance Officer or nominated deputy; the Portfolio Holder is to be informed.

(vii) Where the sum involved is between £50,001 and ~~£250,000~~ £125,000 (and is not a Key Decision), the appropriate Business Lead and the Chief Finance Officer or their nominated deputies shall sign a virement form in consultation with the appropriate accountant. This must then be authorised by two Business Leads and agreed by the Portfolio Holder as a Portfolio Holder decision. ~~submitted to the Executive for approval, or as a Portfolio Holder decision for non-key decisions (£125,000 or less) and satisfying the other non-key decision requirements;~~

(viii) Where the sum involved is between £125,001 and £250,000, two Business Leads and the Chief Finance Officer or their nominated deputies shall sign a virement form in consultation with the appropriate accountant. This must then be submitted to the Executive for approval.

(ix) Where the amount exceeds £250,000 per individual virement ~~the appropriate~~ all Business Leads, and the Chief Finance Officer, ~~and all Business Leads~~ shall sign a virement form in consultation with the appropriate accountant and submit it to full Council for approval.

General Fund (Revenue) Budgets

Currently revenue virement limits are as follows:

- up to £20,000 can be approved by officers,
- from £20,001 to £40,000 by Business Manager and Chief Finance Officer
- from £40,001 to £100,000 by the above and approved by Executive or as a Portfolio Holder Decision
- Greater than £100,000 by full Council

It is proposed to increase the £40,000 threshold to £50,000.

General

6.1.16 Any such virements must not commit the Council to expenditure over more than the one financial year (revenue), and relate only to the intended project (capital).

6.1.17 In addition, the Chief Finance Officer or nominated deputy shall have the discretion whether or not to report a ny virement to the Executive Committee.

6.1.18 Responsible Officers are responsible for initiating the virement procedure if an overspend is likely to occur within the departmental budget. A virement request form is to be completed where approval is required.

6.1.19 Where any revenue or capital projects have initially already been submitted to, and agreed by, the Capital Review Group, Corporate Leadership team, and Executive Committee, and Council (if applicable), a retrospective virement request form will not be required if the funding arrangements have already been agreed by the Chief Finance Officer. ~~in conjunction with the Finance Department.~~

6.1.20 Fully funded schemes (e.g. Section 106 or external funding), up to £125,000, which are in accordance with an existing agreement or approved strategy, can be initiated by the Chief Finance Officer in consultation with the appropriate Business Lead, and reported in the members' newsletter for information.

Reason:

Capital: This revision does not change the overall financial limits, but aims to give clarity of process and align them to the Key Decision financial value of £125,000 up to which a decision can be dealt with by Portfolio Holder procedure, as opposed to full Council.

Revenue: This is a minor change to bring the lower level revenue virement limit in line with the Key Decision threshold of £50,000, and to align it with the capital limit at that level, to avoid confusion. It also helps reflect inflationary increases and spending power. It is only on virement between budgets so doesn't alter any use of reserves which stays at above £30k for Executive approval.

Sections 6.7 and 6.8: Asset Management and Disposal

Section 6 of the Financial Instructions deals with Asset Management including the acquisition and disposal of land and buildings. Changes are proposed as follows in underlined italic red text:

Acquisition

6.7.1 The acquisition of any land and buildings requires the approval of the Executive and shall be made within the context of the Council's Asset Management Plan and ~~Community Asset Transfer Policy~~, subject to the provisions of the Council's Constitution with regard to key decisions and 6.7.2 below.

6.7.2 Minor acquisitions up to £50,000 in value may be approved by the Business Manager – Economy and Assets, in consultation with the Portfolio Holder, the Head of Paid Service, the Business Lead, and Chief Finance Officer. The Business Manager – Economy and Assets and Chief Finance Officer will sign the Decision Notice for the acquisition to evidence their agreement.

6.7.3 All purchases or the leasing of land, buildings, vehicles or items of plant or equipment shall be within the budget provision and the Chief Finance Officer must be consulted on the method of financing.

6.7.4 All purchases or the leasing of land, buildings, vehicles or items of plant and equipment shall be on the best financial terms that can be obtained for the Council. The purchasing or leasing arrangements in respect of vehicles or items of plant and equipment are to be in accordance with the purchasing arrangements laid down elsewhere in these Instructions and the Contract Procedure Rules.

Disposal of Land and Buildings

6.8.1 The decision to agree to the disposal of assets with a value **up to £10,000** may be made by the Business Manager – Economy and Assets.

6.8.2 For those with a value above **£10,000** and up to £50,000 the Business Manager – Economy and Assets must consult with the Portfolio Holder, Head of

Paid Service, Business Lead, and Chief Financial Officer. The Business Manager – Economy and Assets and Chief Finance Officer will sign the Decision Notice for the disposal to evidence their agreement. Above £50,000 requires the agreement of the Portfolio Holder in accordance with the rules for Portfolio Holder decisions. the agreement of the Portfolio Holder is required, *These Instructions are* subject to the provisions of the Council's Constitution with regard to key decisions, as well as having regard to the Council's Asset Management Plan and ~~Community Asset Transfer Policy~~. *Decisions will be reported retrospectively to the next Executive committee.*

6.8.3 The decision to agree to the disposal **by Lease**, where the period of the lease does not exceed **10 years**, may be made by the Business Manager – Economy and Assets, having regard to the requirements of the Asset Management Plan and ~~Community Asset Transfer Policy~~, and where it does not prejudice existing land holdings or future development proposals.

6.8.4 Lease decisions which commit the Council to periods in excess of 10 years must be approved by the Executive.

Reason:

To enable a quicker decision process for minor transactions up to £50,000 where there may be a need to act rapidly on identified opportunities.

To facilitate Market Walk lease management in a timely manner.

Other minor and cosmetic changes to be made by the Audit Manager:

To include:

- Updating of job titles and departmental structures
- Income section to be amended to reflect the Council's move to cashless
- Remove references to the corporate petty cash facility and other cash floats
- Reflect minor changes to processes generated by new systems such as electronic ordering, forthcoming self-serve payroll services under the Midland iTrent system and changes to BACS through the new Smarter Pay software.

4. RECOMMENDATION

- 4.1 For members to accept the proposed changes and recommend them to Council for approval.

Sue Heath – Audit Manager

Wards affected	<i>N/A</i>
Contact for any more information	<i>Sue Heath – Audit Manager – 01626 215258</i>
Background Papers (For Part I reports only)	<i>Financial Instructions draft Vsn 5</i>
In Forward Plan	<i>N</i>
In Audit Scrutiny Work Programme	<i>N</i>