

Report to the Constitution and Member Services Standing Scrutiny Panel



Date of meeting: 27 February 2013

Report of: Assistant to the Chief Executive

Subject: Review of Financial Regulations

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Recommendations:

- (1) That a review of Financial Regulations be conducted this year;
- (2) That Appendix C (Section 5) of Financial Regulations be amended as shown in Appendix 2 to permit Directors to dispose of surplus items via E Bay; and
- (3) That Appendix B (Section 4) of Financial Regulations be amended as shown in Appendix 3 in order to increase each authorisation level for virements.

Report:

Introduction

1. Normally, Financial Regulations would not be due for review in 2012/13. However, two items have arisen which are considered sufficiently important for them to be brought forward now, rather than waiting another year.

Surplus Items – Use of E Bay

2. The use of E bay for disposing of surplus items by the Council was raised by a member of staff in the Housing Directorate. Under Financial Regulations, this medium for disposal is not permitted. However, the Management Board sanctioned the use of E bay for one item of surplus equipment in response to the request by the member of staff concerned. The results received in financial terms were judged successful.

3. Appendix 2 shows the present wording of Section 5 of Appendix C to the Financial Regulations with proposed amendments shown in bold type. All the remaining requirements for disposals continue to apply, namely:

- (a) consultation with the Chief Internal Auditor;
- (b) competitive quotes;
- (c) updating of inventories and maintenance of records;

(d) regular stock checks and certified statements to be submitted to the Chief Financial Officer annually;

(e) special approval in respect of disposal to staff with a presumption against this; and

(f) Portfolio Holder approval if disposed items are valued over £2,500 after consultation with the Chief Financial Officer.

4. Each Director would be accountable for proper procedures in the use of E bay if chosen as the appropriate disposal method.

Virement Limits

5. Virements are the transfer of Council budgets between different headings on the same budget sheet. Approval of such virements is delegated as follows:

Under £5,000	- by relevant Director
£5,000 - £25,000	- by relevant Portfolio Holder
£25,000 - £100,000	- by the Cabinet
£100,000 +	- by the Council

6. Last year, the limit for Portfolio Holder approval was increased to £25,000 from £10,000 and this change has not caused any problems. However, the low limit on approvals by Directors (£5,000) has remained in place and is thought to be increasingly restrictive, bearing in mind that Directors are fully accountable for budgetary control.

7. The Panel is asked to consider a proposal to amend the virement authority limits to the following:

Under £20,000	Directors
£20,000 - £50,000	Portfolio Holder
£50,000 - £250,000	Cabinet
£250,000 +	Council

8. For comparison purposes, the Chief Internal Auditor checked the practices of other Districts in the area. The results received are set out below:

Harlow

Value	Authorised by
Under £5k	Cost Centre Manager
Between £5k and £25k	Head of Service
Between £25k and £50k	Chief Operating Officer
Between £50k and £100k	CEO and Portfolio Holder
Between £100k and £500k	Cabinet
De minimus level for virements	£1k

Broxbourne

Value	Authorised by
Under £10k	Director
Between £10k and £50k	Director in Consultation with Portfolio Holder
Over £50k	Cabinet

Rochford

Value

Under £5k
Between £5k and £10k
Between £10k and £50k
Over £50k

Authorised by

Head of Service
Chief Finance Officer
Chief Executive
Executive

Uttlesford

Value

Under £10k
Between £10k and £25k
Over £25k

Authorised by

Budget Holder
SMB
Cabinet

Next Steps

9. The Panel is asked to consider these two changes and, if they agree, to recommend these for adoption by the Overview and Scrutiny Committee and the Council prior to the Financial Regulations being amended in the Constitution.