

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE COUNCIL**

**21 November 2018**

**1. Revised Financial Regulations**

**Submitted by: Head of Finance**

**Portfolio: Finance and Efficiency**

**Ward(s) affected: All Indirectly**

**Purpose of the Report**

To approve the revised Financial Regulations and Procedures.

**Recommendations**

- (a) That the revised Financial Regulations and Procedures be approved.**
- (b) That on an annual basis the Financial Regulations and Procedures are reviewed and presented to the Constitution and Member Support Working Group for consideration.**

**Reasons**

The Council's Financial Regulations and Procedures need to be reviewed regularly and revised where necessary so that they reflect the current structure and requirements of the Council.

**1. Background**

- 1.1 Financial Regulations are designed to ensure that the Council's financial affairs are conducted in a proper, standardised and accountable manner. They set out for officers and members the practices and procedures which must be followed when dealing with financial and allied matters.
- 1.2 The Regulations comprise Key Regulations and associated Financial Procedures. The Key Regulations set out the general principles which are to be followed and the Financial Procedures set out in detail the procedures which must be followed. This is in accordance with the best practice format as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3 As part of the arrangements to ensure good corporate governance of the Council, a review of the Regulations is carried out on a regular basis. Following this year's review some minor amendments have been made. Accordingly, revised Regulations have been compiled and are now submitted for your consideration and approval.
- 1.4 Both this covering report and the revised Financial Regulations were presented to the Constitution and Member Support Working Group on 31 October 2018, where it was recommended that on an annual basis the Financial Regulations would be reported to the Group. This would ensure an annual review is undertaken, even if no amendments were subsequently identified. There were no further recommendations.

2. **Issues**

2.1 In the interest of efficiency, the whole document (68 pages) has not been circulated with the report. A full copy of the Regulations, showing the track changes which have been made, compared to the current Regulations, is available on the Members' Intranet site.

2.2 The main changes are as follows:

| <b>Section</b> | <b>Amendment</b>  |
|----------------|---|
| A21            | Removal of Head of Business Improvement, Central Services and Partnerships providing assistance to the Monitoring Officer.  |
| B18            | Rather than using best value as a specific guideline in relation to budget preparation, this is replaced by 'relevant government guidelines', ensuring that this remains relevant despite the Financial Regulations not necessarily being reviewed.   |
| C8 & Ce2       | The Audit Commission is no longer responsible for auditing the Council, and as such it is Full Council's responsibility for appointing external auditors as governed by the Local Audit and Accountability Act 2014.  |
| Ac4            | Explanatory notes, secondments from other authorities / agency workers who are working on behalf of the Council are now required to comply with the Financial Regulations.  |
| Ae4            | Reference to maintaining and retaining financial records as per the Council's policy.   |
| Bb3            | No longer required for the budgets to be reported alongside prudential indicators, and will instead be included within the Capital Strategy.  |
| Bf23           | Changes due to the reporting requirements stipulated by the Prudential Code, including the necessity for the Council to produce an annual Capital Strategy that shall be reported to Full Council. This will contain the Council's prudential indicators, including the operational boundary, authorised limit and capital expenditure indicator. |
| Cc1            | Updated to incorporate the joint CIPFA / IIA auditing guidelines, the Public Sector Internal Audit Standards (PSIAS).   |
| Cg4 (h) – (i)  | Reference to the Council's specific removable media / ICT policies removed. Due to ICT practices evolving regularly it is not suitable for details to be detailed within the Financial Regulations. In this instance it is better suited to the Council's specific removable media policy.  |
| Cg (o)         | Additional bullet point to incorporate the requirement for maintaining records in line with Council's document retention policy.  |
| Ch1            | Maintenance of a documented inventory must now be maintained for items with residual value of greater than £500, due to an overall increase in the cost of items that would be deemed suitable and a reduction in resources with the time to maintain an up to date listing.  |
| Cl1 – 2        | With the removal of the imprest system (petty cash), following the payment methods review, the section has been replaced with 'minor employee   |

| Section    | Amendment   |
|------------|---|
|            | expenditure'. Any minor expenditure that an employee has had to urgently undertake within their role shall now be reclaimed through expenses. The Council's aim is to no longer utilise cash based transactions wherever possible.  |
| Cm 1 – 2   | Treasury management guidance has been subject to change recently following the publication of CIPFA's Treasury Management Code 2017. As part of this it is recommended that scrutiny of the treasury management strategy and ongoing monitoring is undertaken by those with the appropriate skills and knowledge. Responsibility however will still remain with Full Council. Section Cm1-2 has been updated to reflect this, and as such the strategy shall be reported to Finance, Assets & Performance Scrutiny Committee, before being presented to Full Council. |
| Cn2        | The Council no longer uses pre-signed cheques for creditors and housing benefits and therefore the requirement for a personal signature over set values is no longer required.  |
| Cn3 – 5    | The Council no longer holds pre-printed cheques for use in making payments to creditors and Housing Benefit claimants. This decision was made following the payment method review that has been undertaken prior to the move to Castle House. A manual cheque book is still held by the Finance department for use in extreme circumstances, with the preferred method of payment being electronic i.e. BACS. Sections Cn3 to Cn5 and the supporting explanatory note have been updated to reflect this.  |
| Dd6        | Due to the required changes identified by the payment method review and the move to Castle House, this section has been updated to identify that payments in cash will not be accepted at Castle House due to arranged collections no longer taking place.  |
| Dh2        | Due to changes to the Payment Services Regulations 2017, payment by Credit and Debit Cards can no longer include a percentage charge on top of the transaction value.   |
| Dh5        | Amended to reflect the requirement for a customer paying by card to input a valid pin number, or present a card capable of contactless payment if the transaction value is less than the upper limit (currently £30).   |
| Di3        | Updated due to the capabilities of the current leisure system which allows access to the leisure facilities to be withdrawn if payment in line with the membership's terms has not been received.   |
| Dk1        | In the rare circumstance where cash is still received within a department, this must now be deposited directly with the Council's bank.   |
| Dm1 & Dt12 | An increase from £100 to £500 at which schedules of amounts outstanding where a debtor account hasn't been raised needs to be supplied to the Executive Director (Resources and Support Services).  |
| Do1 – 2    | Amendments to the value at which write off of debtor accounts shall be referred to Cabinet, from £2,500 up to £5,000. With the financial challenges facing the Council, debtor accounts will only be approved for write off by the Executive Director (Resources and Support Services) where the Council is unable to obtain any degree of success. Increasing the limit at which this shall be referred to Cabinet ensures that efficient meetings continue to take place, with only   |

| Section    | Amendment   |
|------------|---|
|            | significant amounts being raised for consideration.   |
| Dp3        | Upon setting fees and charges for the forthcoming year, Executive Directors and their Heads of Service are required to consider the charge in line with the Council's Charging Policy. An update to Dp3 now requires explanations to be provided when the Charging Policy has not been met.                       |
| Dr25       | An additional provision has been inserted that enables the Executive Director (Resources and Support Services) to grant approval rights to individuals who are overseeing service areas, but are not directly employed by the Council.  |
| Ds2        | Removed the requirement for a register of contracts in a form approved by the Chief Executive to be maintained in relation to new works contracts and instead focuses on the requirement for Directors to directly monitor expenditure on contracts.  |
| Dt11       | Directors must specifically ensure that invoices are directly received within the Creditors department, and where this does not happen any invoice shall be immediately forwarded to Creditors to ensure it is captured by the internal controls that are in place that ensure accurate timely payments are made. |
| Appendix A | Petty Cash Guidance, removed due to no longer operating an imprest system.  |
| General    | References to the Standards Committee and the Audit and Risk Committee have been amended to reflect the new title, Audit and Standards Committee.   |
| General    | References to data protection have been amended to reflect the General Data Protection Regulations that have come in to force since 25th May 2018.  |
| General    | Replaced Audit Manager role with Head of Audit and Elections role.  |
| General    | Replaced Head of Business Improvement, Central Services and Partnership role with Chief Executive.  |
| General    | Minor amendments including spelling, explanatory note wording and correction of reference numbers following the changes that have been made.  |

3. **Legal and Statutory Implications**

3.1 There are none.

4. **Financial and Resource Implications**

4.1 There are no specific financial implications arising.

5. **Major Risks**

5.1 There are none.

6. **List of Appendices**

6.1 A copy of the full Financial Regulations document, showing the changes, has been placed on the Members' Intranet site.

7. **Background Papers**

There are none.