

**Agenda Item No 4(b)**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**22 November 2017**

**Report of the Director of Finance & ICT**

**TO SEEK APPROVAL FOR THE ADOPTION OF THE REVISED FINANCIAL REGULATIONS**

**1 Purpose of the Report**

To consider the proposed amendments to the Financial Regulations.

**2 Information and Analysis**

A detailed revision of the Council's Financial Regulations took place in 2014. Whilst the changes that were implemented are working well, it was felt appropriate to revisit and review them. The emphasis has been to examine the areas where 'lower level', routine decisions could be delegated to officers, to reduce the number of reports taken to Portfolio meetings, and also to address the need for Departments to be able to respond in a timely manner to purchasing decisions.

These changes will be underpinned by a revised scheme of delegation which will set out the requirements required to ensure compliance with the revised regulations.

A copy of the revised Financial Regulations will be sent to each Committee member by email for reference only.

The key areas that are being recommended for change are:

**Procurement**

The regulations relating to procurement were significantly amended in 2014 with the introduction of 10 protocols covering procurement and award procedures. These protocols encompassed changes in financial thresholds, evaluation of risk, increased requirement for transparency and the use of framework agreements. As part of this review it is proposed to make the following amendments:-

- Increase the Strategic Director approval limit covering the award of contracts from £20,000 to £100,000 (Protocols 2a, 5, 7b, 8, 9 and 10).
- Corresponding change to the contract award limit for Cabinet Member from £100,000 up to the Official Journal of the European Union (OJEU) threshold limit (currently £164,176) (Protocols 2a, 5, 7b, 8, 9 and 10).
- Introduction of a one quote rule for one-off requirements up to £1,000 (Protocol 7a).
- Increase all procurement thresholds from £20,000 to £25,000 (Protocols 2a, 5, 6, 7b, 8, 9 and 10).
- Following Cabinet or Cabinet Member approval to use a non-DCC framework, delegation of award off the framework to be approved by Strategic Director (Protocol 2b).

Many of the procurement protocol approval limits that were introduced in 2014 refer to the OJEU limit, which is currently £164,176. It is to be noted that this limit is reviewed on a bi-annual basis and will next be reviewed and amended in January 2018.

## **Capital Programme**

The revised regulations build in more flexibility for Strategic Directors in the way that their departmental capital programme is managed. Where funding is provided to meet a particular need or issue, such as Local transport Plan and Basic Need, this will essentially be recognised as a 'single project' for the purposes of the regulations. For new projects not agreed in the Capital Programme, or where virements are needed between schemes, the following limits are proposed:

- Up to £100,000 to be approved by the Strategic Director
- from £100,000 to £250,000 by the Strategic Director, in consultation with the Director of Finance & ICT and the relevant Cabinet Member
- from £250,000 to £500,000 to be approved by Cabinet Member
- Over £500,000, to be approved by Cabinet

Where there is a need for extra borrowing this will need the approval of Cabinet.

## **Property related issues**

In order to reduce the number of relatively low level decisions in respect of property matters and to streamline the decision making process, there needs to be a change to the Council's constitution. There is currently a limit of £20,000 for the reporting of certain issues, and it is proposed to put through an amendment to Council at the same time as the financial regulations are reported.

## **Write off of redundant stocks/stores**

The proposed limits have changed as follows:

Strategic Director, from £3,000 to £25,000  
 Cabinet Member, from £25,000 to £100,000  
 Cabinet from £100,000

## **Imprest and debit cards**

Since the last revision of the regulations, the Council has introduced debit cards for low value spend and has moved to an electronic imprest system.

The revised regulations emphasise the need for Strategic Directors to ensure that staff comply with the Corporate Debit Card Policy when using the cards.

## **Write off of bad debt**

Previous limits were:

Up to £3,000	Strategic Director
£3,000 to £5,000	Cabinet Member
Over £5,000	Cabinet

The proposed limits are:

Up to £1,000	Director of Finance & ICT
£1,001 to £10,000	Director of Finance & ICT and Director of Legal Services
£10,001 to £25,000	Strategic Director
£25,001 to OJEU limit currently £164,176)	Cabinet Member/Pensions & Investments Committee
Over OJEU limit	Cabinet/Pensions & Investments Committee

From time to time we are faced with the situation where a debt is irrecoverable due to bankruptcy or insolvency. In these circumstances, the Director of Finance & ICT and Director of Legal Services will authorise the write off of the debt and report these retrospectively.

## **Work for Third Parties**

Strategic Directors are increasingly looking towards income generation and developing a more 'commercial approach' as a means of dealing with budget savings. In order to provide more flexibility to take on work for external organisations, the following contract limits are proposed:

- Up to £50,000 to be approved by the Strategic Director

- £50,000 to £250,000 per annum, approved by the Strategic Director with retrospective reporting to the relevant Cabinet Member
- £250,000 to £500,000 per annum with formal approval of the Cabinet Member
- Over £500,000 per annum with the approval of Cabinet

For contracts over £50,000 per annum, the relevant department must provide the Director of Finance & ICT with a business case setting out how the contract will recover costs.

## **Secondary employment**

The issue of secondary employment is detailed in the Council's Code of Conduct for Employees and Members, but has now been included in the financial regulations.

Essentially, the Council recognises that employees may want to undertake secondary employment, but they must ensure that:

- It does not create a conflict of interest
- Make use of Council resources
- Bring the Council into disrepute

Each department will need to maintain a register of employees undertaking secondary employment

## **3 Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

## **4 Background Papers**

Papers are available from the Accountancy Section, Finance & ICT Division.

## **5 Officer's Recommendation**

That the Committee commends the approval of the proposed amendments to the Financial Regulations to Cabinet and Council.

PETER HANDFORD

Director of Finance & ICT