Report to the Constitution Working Group

Date of meeting: 12 March 2020

Epping Forest
District Council

Portfolio: **Business Support Services**

Subject: **Finance Strategy 2020/21**

Responsible Officer: **Nick Dawe (01992 564000 x 2541)**

Democratic Services Officer: **Vivienne Messenger (01992 564265)**

1. Recommendations/Decisions Required

A. **To approve a change to the current delegations and standing financial instructions to require only one sign off signature (electronic or physical) by the designated budget holder (usually a team manager) for purchases and payments with a value of £24,999 or less that are within budget and only purchases and payments off £25,000 and / or in excess of budget requiring a second signature from a director**. (This is to retain control whilst significantly reducing transaction costs and paperwork pending a major system review and change timetabled for April 2021).

B. **To approve the issues of real or virtual purchase cards to all budget holders and directors and expect all purchase below £1,000 to be made by this route and where applicable purchases of £1,000 to £4,999 to also be made by this route.** (This is to retain control whilst significantly reducing transaction costs and paperwork pending a major system review and change timetabled for April 2021).

2. Background

This balance between financial control and risk reduction has always been a consideration when reviewing purchasing and invoicing instructions and procedures. Modern integrated business systems in widespread commercial and local government use allow both these objectives to be delivered together, e.g. by using a delegated but largely automatic enterprise resource management system (ERM) approach.

The current position in Epping Forest District Council (EFDC), is that the business systems are only partly integrated and set up in such a way as to mimic the paper systems in use a decade or so ago that an immediate IT solution to the problem of delivering effective and efficient transactional processing is not possible. It should however be noted that the planned review of business systems is intended and will complete by the 30th September 2020).

In the interim, it is however possible to improve the approach to transaction management, ensure control and a return from the investment in recent management changes whist making procurement and payment transactional costs and procedures simpler and more efficient.

This will allow EFDC to improve and learn before the intended implementation of improved systems from April 2021 (at the latest).

3. Simplifying Procurement and Payment Transactions

Currently the approach both uses IT systems, but this is supported by a significant amount of paper vouchers and controls, email and double signature on relatively small items and values well within budget.

The approach is cumbersome, bureaucratic and adds to real transactional costs as well as opportunity costs associated with managers reviewing and signing paperwork which has already been validated by others.

In line with the majority of accountability and responsibility for budgets being passed to team managers it is proposed to use this approach and that the designated budget holder (usually a team manager) can make purchases and authorise payments with a value of £24,999 or less that are within the designated budget. It is only for purchases and payments of £25,000 and / or in excess of budget requiring a second signature from a director.

To ensure the process is controlled:

- A list of budget holders and the financial codes they can operate is already known and maintained securely.
- Monthly, finance business partners can update this list for any changes of budget overspend issues.
- Email and electronic signature and instruction can replace signed paper records as electronic sign off can be counted as a prime record and is as at least as safe and secure as a paper signature.

4. Simplified Procurement using Purchase Cards

Purchase cards are used widely in the commercial and government sector as a way of offering flexibility whilst reducing transaction costs.

Modern IT systems will place orders usually with the latest best price and quality approach and / or by contract determination electronically and allow for the electronic invoicing and settlement of the transactions.

Increasingly managers are asking for a faster and more rapid way of securing goods and services, e.g. for housing or the garden town.

Technology allows for a virtual rather than a real card to be broadly issued with spending controls at transaction, overall limit or nature of the goods and services purchased level.

Details of the transactions are received electronically and can be reconciled and posted to the main finance system with ease.

It is therefore proposed to issue real or virtual purchase cards to all budget holders and directors and expect all purchase below £1,000 to be made by this route and where applicable purchases of £1,000 to £4,999 to also be made by this route.

The default approach to these cards is to set a credit limit of £5,000 a month and limit them to the subjective areas covered by the designated budget, i.e. remove the ability to access cash or buy an unexpected item or service.

Purchase will be reviewed monthly as part of the transaction posting process.

Variation of the above limits and approach can be approved by the Section 151 officer, e.g. for the emergency purchasing role of the Executive Director of Commercial and Regulatory Services.

Again, this approach will be re-examined as part of the more major review of systems and process during 2020/21

5. Project Plan

This change will be delivered by a small start and finish project and will complete no later than the 30th April 2020. The project group will consist of:

Interim Strategic Director (resources soon to be Chief Operating Officer)

- Section 151 Officer
- Procurement Lead
- Payment Lead
- Representative of NatWest bank (for card issue)
- Internal audit representative