

FINANCIAL REGULATIONS

1. What is the Coverage of Financial Regulations?

- (1) The regulations apply to all activities of the Council. In practice, this means all assets, budgets, money and funds administered by members and officers in carrying out their duties across all of the Council's services and activities. This also includes partnership arrangements where the Council is the accountable body.
- (2) External providers (outsourced services, contractors and consultants for example) are managed through the contract process. The contract document will set out the financial requirements.
- (3) The detailed financial requirements underpinning these regulations are set out in Financial Procedures

Definitions

Heads of Service

Within these Regulations, Heads of Service are defined as managers reporting directly to an Executive Director.

Executive Directors

Within these regulations includes the Head of Paid Service.

Chief Officers

Reference to a Chief Officer can be an Executive Director, Head of Service or, in the case of major projects and capital budgets, a Project Director or Project Manager.

Budget Holder

A Budget Holder can be a Chief Officer or another officer under the Scheme of Delegation as detailed in the Constitution.

Budget Item

Virement limits apply to the Council approved total net expenditure budget for each service area, holding account or capital scheme – this is referred to as the 'budget item'.

2. Awareness and Access

It is the responsibility of Chief Officers to ensure that all employees with financial responsibilities are made aware of and have access to these regulations and financial procedures (which set out in more detail how these regulations should be implemented and complied with).

3. Non-compliance with Financial Regulations

Failure to comply with these regulations and the accompanying financial procedures may have the following consequences:

- (1) For employees, these Regulations supplement the Code of Conduct for employees, so a breach will be considered a disciplinary offence which will invoke those procedures (and can lead to dismissal).
- (2) For Members, these regulations supplement the Code of Conduct for members.

4. Review of Financial Regulations

The Chief Financial Officer is responsible for maintaining a continuous review of these Regulations and submitting any additions or changes necessary to the full Council for approval.

5. Other Rules

Apart from these Regulations, there are other rules which all members and officers must comply with. These include:

- (1) the law:
 - (a) general local government law
 - (b) specific local government law
 - (c) general civil and criminal law
- (2) rules elsewhere in the Constitution
- (3) financial procedures and guidance notes
- (4) Contract standing orders and Financial Procedures (see Appendix 20)

FINANCIAL MANAGEMENT

6. Chief Financial Officer

- (1) The Chief Financial Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
 - (a) Section 151 of the Local Government Act 1972
 - (b) The Local Government Finance Act 1988
 - (c) The Local Government and Housing Act 1989
 - (d) The Accounts and Audit Regulations 2003
 - (e) Local Government Act 2003
- (2) The Chief Financial Officer is responsible for:
 - (a) the proper administration of the authority's financial affairs including the adequacy and robustness of financial management arrangements
 - (b) providing strategic financial planning and professional corporate advice
 - (c) setting & monitoring compliance with financial management standards
 - (d) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - (e) providing financial information and reporting on the overall budget position
 - (f) preparing the ~~medium term financial strategy~~ Medium Term Financial Strategy, revenue budget, capital programme and Capital Strategy
 - (g) treasury management and banking arrangement procedures
 - (h) maintaining an effective and adequate internal audit and audit arrangements

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- (i) financial and related ICT systems
- (j) procedures and controls for ordering services, supplies and works
- (k) payment of accounts and collection of income
- (l) control of the payment of salaries and wages.
- (m) all forms of taxation
- (n) approving all accounting procedures and financial records of the Council
- (o) advising on corporate risk management
- (p) having a formal input into all reports to Council, the Cabinet, committee meetings and/or Senior Leadership Team which have finance implications
- (q) financial scheme of delegation

7. Chief Officers

- (1) Chief Officers are responsible for:
 - (a) ensuring compliance with Financial Regulations, Financial Procedures
 - (b) ensuring that Portfolio Holders are advised of the financial (and other) implications of all proposals and that the financial implications have been agreed by the Chief Financial Officer
 - (c) ensuring the operation of financial processes within their services. To do this they must ensure that adequate ~~control~~controls are in place
 - (d) ensuring the control of expenditure and income, monitoring of performance and that the necessary action is taken to remain within budgets
 - (e) alerting the Chief Finance Officer to any financial issue(s) that may become of concern to the council
 - (f) signing of contracts on behalf of the authority (as set out in the Contract Standing Orders)

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- (g) identifying opportunities to improve efficiency, effectiveness and economy
 - (h) ensuring the Chief Finance Officer has advance notice (including receiving agendas, minutes, reports and related papers) of all relevant meetings at which a binding decision of the council may be made (including a failure to take a decision where one should have been taken) at or before the Council, the Cabinet, committee meetings, Senior Leadership Team (or equivalent) meetings
- (2) It is the responsibility of Chief Officers to consult with the Chief Financial Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

8. Expenditure Virement

- (1) Full Council is responsible for agreeing the procedures for virement of expenditure between budget headings set out in these Financial Regulations and supported by the Financial Procedures. Cabinet, Portfolio Holders and Executive Directors are responsible for agreeing in year virements within delegated limits, in agreement with the Chief Financial Officer.
- (2) Full Council approval is required for virements with a cumulative total over £500,000 on any single budget item.
- (3) Cabinet approval is required for virements with a cumulative total between £250,000 and £500,000 on any single budget item.
- (4) Portfolio Holder approval is required for virements with a cumulative total between £100,000 and £250,000 on any single budget item.
- (5) Executive Directors approval is required for virements up to a cumulative total of £100,000 on any single budget item.

9. Treatment of additional revenue grants and contributions

Where additional revenue funding is received as a grant, contribution or sponsorship, this funding will be held centrally. An offsetting income and expenditure virement will be required subject to the agreement of the Chief Financial Officer, upon clarification of the use of this funding. The Chief Financial Officer will determine the appropriate mechanism for this.

10. Treatment of Additional Income

Where additional revenue income is identified that is not covered under the above section, an offsetting income and expenditure virement will be required subject to the same approval levels as set out under expenditure virements.

For all other types of income, such as an increase in the income from fees and charges in year, where it is demonstrable that this income is needed to support the service it relates to, an offsetting income and expenditure budget virement will be required which is subject to the agreement of the Chief Financial Officer and is subject to the approval levels set out in section 8.

11. Release of Earmarked Revenue Reserves

Any release of funding from earmarked revenue reserves is subject to the approval of the Chief Financial Officer, provided that the use of the funds is in accordance with the purpose for which the reserve was established. Any release of funding from other earmarked revenue reserves is subject to the approval of the Chief Financial Officer up to £500,000 provided the use of the funds is in accordance with the purpose for which the reserve was established. A release of £500,000 or more must be approved by Cabinet provided the use of the funds is in accordance with the purpose for which the reserve was established. If funds are not to be used in accordance with the purpose for which the reserve was established, Full Council approval is required.

12. Transfer of Revenue Budgets Between Years

Cabinet approval is required to carry forward revenue budgets up to a cumulative total of £500,000 over the Council approved budget. Council approval is required to carry forward cumulative revenue budgets of £500,000 or more.

13. Capital Scheme Budgets

An existing capital scheme budget can be moved between financial years, subject to the approval of the Chief Financial Officer where it does not exceed the approved overall value of the scheme.

Where additional capital funding is received such as grant, contribution or sponsorship, ~~and~~ an increase in capital scheme budgets will be required subject to the agreement of the Chief Financial Officer.

14. Accounting Policies

The Chief Financial Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

15. Accounting Records and Returns

The Chief Financial Officer is responsible for determining the accounting procedures and records for the authority.

16. The Annual Statement of Accounts

The Chief Financial Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC). The Council, or a nominated committee of the Council is responsible for approving the annual statement of accounts.

BUDGETING

17. Budget Format

The format of the budget determines the level of detail to which financial control and management will be exercised. The general format of the budget will be approved by Full Council and proposed by the Leader and the Cabinet on the advice of the Chief Financial Officer. The proposed draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

18. Budget Preparation, Monitoring and Control

- (1) The Chief Financial Officer is responsible for ensuring that a revenue budget and a general plan (Medium Term Financial Strategy) are prepared on an annual basis and a general revenue plan (Medium Term Financial Strategy) on a ~~three~~four-yearly basis for consideration by the Cabinet, before submission to Full Council. Full Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- (2) It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with Cabinets proposed budget strategy.
- (3) The Chief Financial Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet and Council on the overall position on a regular basis.
- (4) The Executive Director is accountable for the control of income and expenditure for services. It is the responsibility of Heads of Service to control income and expenditure within their area. They should report on

budget variances and identify necessary actions to remain within budget in consultation with the Executive Director. Expenditure against budgets should be for the approved purpose.

19. Preparation of the Capital Programme

The Chief Financial Officer is responsible for ensuring that a capital programme is prepared on a 4 year basis for consideration by the Cabinet before submission to Full Council.

20. Guidelines

- (1) Guidelines on budget preparation are issued to members and Chief Officers by the Chief Financial Officer. The guidelines will take account of:
 - (a) legal requirements
 - (b) medium-term planning prospects
 - (c) the Council Plan
 - (d) available resources
 - (e) spending pressures
 - (f) best value and other relevant plans
 - (g) other internal policy documents
 - (h) maintenance of balances and reserves

- (2) It is the responsibility of the Chief Financial Officer to advise the Cabinet and/or the Council on;
 - (a) prudent levels of balances and reserves
 - (b) the robustness of the budget;
 - (c) the relevant matters to be taken into account when setting or revising Prudential Indicators; and
 - (d) an evaluation of all associated risks.

RISK MANAGEMENT AND CONTROL OF RESOURCES

21. Introduction

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the

authority. This should include the proactive participation of all those associated with planning and delivering services.

22. Risk Management

- (1) The Audit and Accounts Committee is responsible for approving the authority's risk management policy statement and for reviewing the effectiveness of risk management. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.
- (2) The Executive Director ~~for Finance and Resources~~ of Corporate Services is nominated as the Council's Risk Management Champion and spearheads risk management in the organisation including the preparation of the authority's risk management policy.
- (3) The Strategic Leadership Team has responsibility for ensuring regular corporate assessments of risk and Heads of Services for reviewing operational risk quarterly.

23. Internal Control

Internal control refers to the systems of control to ensure the authority's objectives are achieved in a manner that promotes economical efficient and effective use of resources and that the authority's assets and interests are safeguarded.

- (1) The Chief Financial Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- (2) It is the responsibility of Chief Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

24. Preventing Fraud and Corruption

The Chief Financial Officer is responsible for developing and maintaining procedures to prevent fraud and corruption.

25. Assets

The Chief Financial Officer is responsible for reviewing the Council's land and property holdings in accordance with Council policies. The Council's Asset

Management Plan sets out acquisition, retention and disposal guidelines. Linked to this, any disposals must follow the Council's Land Disposal Standing Orders and the Disposal Procedure for Land and Property which are contained within the Constitution.

Chief Officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

SYSTEMS AND PROCEDURES

26. Introduction

Sound systems and procedures are essential to an effective framework of accountability and control.

27. General

- (1) The Chief Financial Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made/proposed by Heads of Service to the existing financial systems or the establishment of new systems must be approved by the Chief Financial Officer. However, Heads of Service are responsible for the proper operation of financial processes in their own Business Units.
- (2) Any proposed changes to agreed procedures by Heads of Service to meet their own specific service needs must be agreed with the Chief Financial Officer.
- (3) Chief Officers should ensure that their staff receive relevant financial training that has been approved by the Chief Financial Officer.
- (4) Chief Officers must ensure that, where appropriate and in consultation with the IT Services Manager, computer and other systems are registered in accordance with data protection legislation. Heads of Service must ensure that staff are aware of their responsibilities under freedom of information legislation and data protection.

28. Income and Expenditure

- (1) It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively.

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- (2) The scheme of delegation should identify staff authorised to act on the Chief Officers behalf, on or behalf of the Portfolio Holders, in respect of payments, income collection and placing orders, together with the limits of their authority.
- (3) For administrative and operational efficiency, all staff that are authorised by the financial scheme of delegation to place orders, can self authorise purchase orders in accordance with the ordering process specified by the Chief Financial Officer. With the authorisation of the Chief Financial Officer a higher self authorisation value may be awarded to specific officers where this is justified for operational reasons e.g. emergency purchases.
- (4) The Chief Financial Officer is responsible for specifying the procedure to be followed in ordering, making payments, collecting income and approving procedures for writing off debts as part of the overall control framework of accountability and control.

29. Payments to Employees and Members

The Chief Financial Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

30. Taxation

- (1) The Chief Financial Officer is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- (2) The Chief Financial Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

31. Trading Accounts / Business Units

It is the responsibility of the Chief Financial Officer to advise on the establishment and operation of trading accounts and business units.

32. Stocks, Stores and Inventories

Heads of Service must ensure that proper security is maintained at all times for all stocks and stores and that inventories are maintained for all items of moveable furniture, equipment, vehicles and plant above a limit agreed with the Chief Financial Officer.

33. Information Technology Systems

Chief Officers must ensure that there is a corporate approach to systems development in line with the IT strategy and liaise with the responsible Executive Director of ~~Finance and Resources~~Corporate Services.

EXTERNAL ARRANGEMENTS

34. Partnerships

- (1) The Cabinet and Portfolio Holders are responsible for approving partnership arrangements with other local public, private, voluntary and community sector organisations to address local needs.
- (2) The Chief Executive is responsible for ensuring the due diligence and legality of all partnership arrangements.
- (3) The Chief Financial Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- (4) The Chief Financial Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before arrangements are entered into with external bodies.
- (5) Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- (6) External providers (outsourced services, contractors and consultants for example) are managed through the contract process. The contract document will set out the financial requirements.

35. External Funding

The Chief Financial Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

36. Work for Third Parties

The Chief Financial Officer is responsible for approving the contractual arrangements for any work for third parties or external bodies.