

FINANCIAL REGULATIONS

Status of financial regulations

1. Financial regulations provide the framework for managing the council's financial affairs and are part of the council's constitution. They apply to every member and employee of the council and anyone acting on its behalf. The council's detailed financial procedures set out how the regulations will be implemented.
2. The regulations identify the financial responsibilities of the council, its members, the head of paid service, the monitoring officer and the chief finance officer.
3. All members and employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
4. The chief finance officer is the responsible financial officer and is responsible for maintaining a continuous review of these regulations and submitting any additions or changes necessary to the council for approval. The chief finance officer is also responsible for reporting, where appropriate, breaches of the financial regulations to the council and/or to the cabinet and portfolio holders.
5. The chief finance officer is responsible for issuing financial procedures (and other advice on the application of the financial regulations) that members, employees and others acting on behalf of the council are required to follow.
6. The chief finance officer can allow exceptions to these regulations if he or she believes that the interests of the council would be best served if the regulations were not applied. The chief finance officer must keep a written record of any such exceptions and submit an annual report to council summarising his or her decisions. The deputy s.151 officer is authorised to act on behalf of the chief finance officer in agreeing exceptions.

Financial management

7. Financial management covers all financial accountabilities in relation to the running of the council, including the policy framework and budget.

The cabinet

8. The cabinet is responsible for proposing the financial policy framework and budget to the council, and for discharging executive functions in accordance with the policy framework and budget.
9. Executive decisions can be delegated to a committee of cabinet members, an employee or a joint committee.

The statutory officers

Head of paid service

10. The head of paid service for the purposes of the Local Government Act 1989 is responsible for the corporate and overall strategic management of the council as a whole. The head of paid service must report to and provide information for the council, the cabinet, the scrutiny committee and other committees.
11. The head of paid service is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The head of paid service is also responsible, together with the executive head of strategy, people and democracy, for the system of record keeping in relation to all the council's decisions.

The monitoring officer

12. The monitoring officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the standards committee. The monitoring officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the council and/or to the cabinet.
13. The monitoring officer is responsible for advising all members and employees about who has authority to take a particular decision.

The chief finance officer

14. The chief finance officer shall undertake the duties of the responsible financial officer and has statutory duties in relation to the financial administration and stewardship of the council. 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 Accounts and Audit Regulations 2003 to 2011.
15. The chief finance officer is responsible for:
 - (a) the proper administration of the council's financial affairs
 - (b) setting and monitoring compliance with financial management standards
 - (c) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - (d) providing financial information
 - (e) preparing the revenue budget and capital programme
 - (f) treasury management and banking.

16. The chief finance officer is responsible for advising the cabinet or council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Such actions include:

- (a) initiating a new policy
- (b) committing expenditure in future years to above the budget level
- (c) incurring interdepartmental transfers above virement limits
- (d) causing the total net expenditure financed from council tax, grants and corporately held reserves to increase or to increase by more than a specified amount beyond the approved budget.

17. Section 114 of the Local Government Finance Act 1988 requires the chief finance officer to report to the council, the cabinet and external auditor if the council or one of its employees:

- (a) has made, or is about to make, a decision which involves incurring unlawful expenditure
- (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the council
- (c) is about to make an unlawful entry in the council's accounts.

The chief finance officer must also make a report under this section if it appears that the expenditure of the authority (including expenditure it is proposing to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to meet that expenditure.

Section 114 of the 1988 Act also requires:

- (d) the chief finance officer to nominate a properly qualified member of his staff to deputise should he or she be unable to perform the duties under section 114 personally
- (e) the council to provide the chief finance officer with sufficient staff, accommodation and other resources, including legal advice where this is necessary, to carry out the duties under section 114.

Other financial accountabilities

Virement

18. The chief finance officer is responsible for agreeing procedures for virement of expenditure between budget headings.

19. The cabinet (with advice of the chief finance officer) is responsible for determining the use of balances to fund expenditure not covered elsewhere in the budget.

20. The chief finance officer is responsible for approving any virements of revenue budgets where it is for the release of earmarked sums from contingency provisions.
21. The chief executive or the chief finance officer (in consultation with the leader or the corporate resources portfolio holder) may exercise the virement powers of the cabinet where a matter is urgent.
22. Fortuitous savings, or additional income, cannot be used for revenue virement purposes. These must be reported to the cabinet for consideration of how these additional monies are to be used. Fortuitous savings are deemed to be savings not already assumed in the budget.

Treatment of year-end balances

23. The chief finance officer is responsible for agreeing procedures for carrying forward under-and overspendings on budget headings.

Accounting policies

24. The chief finance officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting records and returns

25. The chief finance officer is responsible for determining the accounting procedures and records for the council.

The annual statement of accounts

26. The chief finance 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 based on International Financial Reporting Standards. The audit committee is responsible for approving the annual statement of accounts.

Financial planning

27. The council is responsible for agreeing the policy framework and budget, which will be proposed by the cabinet. In terms of financial planning, the key elements are:
 - (a) the medium term financial strategy;
 - (b) the budget;
 - (c) the capital programme.

Policy framework

Preparation of the corporate plan

28. The head of paid service is responsible for proposing a corporate plan to the cabinet for consideration before its submission to the council for approval.

Budgeting

Revenue budget format

29. The general format of the budget will be proposed by the cabinet on the advice of the chief finance officer and approved by the council. The draft budget should include allocations to different services and projects, proposed taxation levels and contingency funds, where appropriate.

Revenue budget preparation

30. The chief finance officer is responsible for ensuring that a revenue budget on an annual basis and a medium term financial strategy covering at least three years are prepared for consideration by the cabinet, before submission to the council. The cabinet shall, after considering the effect on the council's finances and any directives from central government, submit to the council:
- (a) Recommended budgetary requirements
 - (b) Recommended revenue estimates (incorporating any amendments)
 - (c) A report thereon
 - (d) The council tax base for the year
 - (e) A recommendation as to the council tax to be levied for the following financial year
 - (f) the calculation of the Non-domestic Rating Income
31. The council may amend the budget or ask the cabinet to reconsider it before approving it.
32. The cabinet is responsible for issuing guidance on the general content of the budget in consultation with the chief finance officer as soon as possible following approval by the council.
33. It is the responsibility of the head of paid service and the deputy chief executive (operations) to ensure that budget estimates reflecting agreed service plans are submitted to the cabinet and that these estimates are prepared in line with guidance issued by the cabinet and chief finance officer.

Preparation of the capital programme

34. The chief finance officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the cabinet before submission to the council.

Monitoring and control of the revenue budget and capital programme

35. The chief finance officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure and income against budget allocations and report to the cabinet on the overall position on a regular basis.
36. It is the responsibility of the head of paid service and the deputy chief executive (operations) to control income and expenditure and to monitor performance, taking account of financial information provided by the chief finance officer. The head of paid service should report on variances within service areas and take any action necessary to avoid exceeding the budget allocation and alert the chief finance officer to any problems.

Resource allocation

37. The chief finance officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the council's policy framework.

Maintenance of reserves

38. It is the responsibility of the chief finance officer to advise the cabinet on prudent levels of reserves for the council.

Risk management and control of resources

39. It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant risks to the council. This should include the proactive participation of all those associated with planning and delivering services.

Risk management

40. The audit committee is responsible for reviewing the council's risk management strategy and for reviewing the effectiveness of risk management. The cabinet is responsible for ensuring that proper insurance exists where appropriate.
41. The chief finance officer is responsible for preparing the council's risk management strategy, for promoting it throughout the council and for advising the cabinet on proper insurance cover.

Internal control

42. Internal control refers to the systems of control devised by management to help ensure that the council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources and that the council's assets and interests are safeguarded.
43. The chief finance 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.

Audit requirements

44. The Accounts and Audit Regulations 2003 (as amended) require every local authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
45. External auditors are appointed to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by Section 5 of the Audit Commission Act 1998.
46. The council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.
47. A continuous internal audit, under the direction of the head of internal audit and in consultation with the chief finance officer, shall be arranged to appraise and review:
- (a) the completeness, reliability and integrity of information, both financial and operational
 - (b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations
 - (c) the means of safeguarding assets
 - (d) the economy, efficiency and effectiveness with which resources are employed
 - (e) whether operations are being carried out as planned and objectives and goals are being met.
48. It shall be the responsibility of internal audit to review, appraise and report to the head of paid service:
- (a) the extent to which the council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:

- (i) fraud and other offences
 - (ii) waste, extravagance and inefficient administration, poor value for money or other cause
- (b) the suitability and reliability of financial and other management data developed within the council.

49. The head of internal audit will provide an opinion on the effectiveness of the internal control environment to the audit committee on an annual basis.

50. The internal auditors shall have sufficient independence in order to enable them to perform their duties in a manner which will allow their professional judgement and recommendations to be effective and impartial. This shall include the right to report directly to the monitoring officer or the cabinet in appropriate circumstances.

Preventing fraud and corruption

51. The chief finance officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy and reporting suspicious transactions to the appropriate enforcement agency.

52. It is the responsibility of the head of paid service to maintain the internal control systems and to ensure that the council's resources are properly applied in the manner and on the activities intended, including the prevention and detection of fraud and other illegal acts.

Treasury management and banking

53. The council must have regard to the CIPFA Code of Practice for Treasury Management in the Public Services.

54. The cabinet is responsible for approving the treasury management policy statement. The chief finance officer has delegated responsibility for implementing and monitoring the statement.

55. The cabinet is responsible for approving a treasury management strategy for the coming financial year at or before the start of each financial year. The strategy is proposed by the chief finance officer and reported to the council by the cabinet.

56. All executive decisions on borrowing, investment or financing shall be delegated to the chief finance officer, who is required to act in accordance with CIPFA's code of practice for treasury management in the public services. Should the chief finance officer wish to depart in any material respect from the main principles of the code of practice the reasons should, in the first instance be disclosed in a report to the cabinet.

57. The chief finance officer is responsible for reporting to the cabinet, on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. These reports will include an annual report on treasury management for presentation to the council by 30 September of the succeeding financial year and a mid-year review.
58. The chief finance officer is responsible for the opening and closing of bank accounts in the name of the council. All cheques drawn on the council's bank accounts shall bear the facsimile signature of the chief finance officer or be signed by the chief finance officer, or such other employee as may be authorised from time to time under the scheme of delegation of the council.
59. All cheques drawn for an amount in excess of £2,500 that bear the facsimile signature of the chief finance officer, shall also be countersigned by one of the employees specified in accordance with paragraph 58 above.

Staffing

60. The head of paid service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a post.

Financial systems and procedures

61. Sound systems and procedures are essential to an effective framework of financial accountability and control. The chief finance officer is responsible for the operation of the council's accounting systems, the form of accounts and the supporting financial records. Any changes proposed to be made by the head of paid service to the existing financial systems or the establishment of new systems must be approved by the chief finance officer before they are implemented. However, the head of paid service is responsible for the proper operation of financial processes.
62. Any changes to agreed procedures by the head of paid service to meet specific service needs shall be agreed with the chief finance officer.
63. The head of paid service shall ensure that staff receive relevant financial training that has been approved by the chief finance officer.
64. The head of paid service shall ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. The head of paid service shall ensure that staff are aware of their responsibilities under freedom of information legislation.

Income and expenditure

65. It is the responsibility of the head of paid service and deputy chief executive (operations) to ensure that a proper scheme of delegation (operational arrangements) has been established within their area and is operating effectively. The operational arrangements should identify staff authorised to act on the manager's behalf, or on behalf of the cabinet, in respect of committing expenditure, payments and income collection, together with the limits of their authority.
66. The chief finance officer is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

Payments to employees and members

67. The chief finance officer is responsible for approving the system of payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

Taxation

68. The chief finance officer is responsible for advising of the head of paid service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the council.
69. The chief finance officer is responsible for maintaining the council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Trading accounts/business units

70. It is the responsibility of the chief finance officer to advise on the establishment and operation of trading accounts and business units.

Partnerships

71. The cabinet can delegate functions, including those relating to partnerships, in accordance with the scheme of delegation set out in the constitution. Where functions are delegated, the cabinet remains accountable for them to the council.
72. Representation of the council on partnership and external bodies will be decided in accordance with the scheme of delegation.
73. The chief finance officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory, including the verification of third party identities.
74. The head of paid service is responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External funding

75. The chief finance officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the council's accounts.

Work for third parties

76. The cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies unless this is delegated to an officer.

Financial procedures

77. The detailed financial procedures [insert internet link] set out how the financial regulations shall be implemented.

Contract procedures

78. The detailed contract procedures [insert internet link] set out the rules which are designed to ensure that all contracts for works, services and supplies (goods and services) are entered into by the council in a manner which:

- (a) secures the best possible value for money;
- (b) is demonstrably free from impropriety.

Review of the regulations

79. The constitution working party shall review financial regulations periodically and recommend any amendments to cabinet or council as appropriate.