



# **Financial Regulations**

## **FINANCIAL REGULATIONS**

### **Background**

- 1.1 The Financial Regulations sets out the policies and regulatory framework which the County Council uses to manage its financial responsibilities. They clarify responsibilities and best practice to ensure that the Council complies with its statutory powers and duties.
- 1.2 The County Council's governance structure is laid down in its constitution, which sets out how the council operates and how decisions are made. As part of the constitution, this document explains the financial controls in place for the County Council.

### **Responsibilities**

- 2.1 The Head of Finance is responsible for issuing advice and guidance to underpin the Financial Regulations.
- 2.2 These regulations apply to every councillor and officer of the County Council and anyone acting on its behalf, with the exception of schools for whom separate financial regulations apply. The financial regulations for schools are explained in the Children and Young People Services Scheme of Delegation.
- 2.3 The regulations identify the financial responsibilities of Council, Cabinet, Committees, the Head of Paid Service, the Monitoring Officer, the Section 151 Officer, The Head of HR, the Chief Technology Officer, and of Directors. Directors which for this part, unless specified otherwise, includes the Chief Executive, Deputy Chief Executive, Executive Directors, Corporate Directors and Directors.

- 2.4 These responsibilities can be delegated and where this is the case, Cabinet and Directors shall maintain a written record of these. Where decisions have been delegated or devolved to another officer, references to the Director in the regulations shall be read as referring to them.
- 2.5 All councillors and staff have a general responsibility for taking reasonable action to provide for the security of the resources under their control, and for ensuring that the use of these resources is legal, is properly authorised and provides value for money.
- 2.6 Directors are responsible for ensuring that all staff in their directorates are aware of the existence and content of the County Council's Financial Regulations, understand the requirement to comply, and follow the detailed financial procedures and guidance issued.
- 2.7 Councillors, officers and others acting on behalf of the County Council including contractors and consultants are also required to follow all guidance issued.
- 2.8 The S151 Officer (Head of Finance) is responsible for regularly maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to Council for approval and is also responsible for reporting, where appropriate, breaches of these Financial Regulations to Council and/or to the Cabinet as appropriate.

### **Financial Management**

- 3.1 Financial management is the system of financial control throughout the County Council and covers financial responsibilities including integrating medium-term policy planning with financial planning.
- 3.2 Council is responsible for agreeing the strategic and budgetary framework for the County Council. Council also has the power to review decisions taken by Cabinet or a Director to ensure that they are not contrary to the budget or previous Council decisions.
- 3.3 Cabinet decisions can be delegated to a committee or an officer. Cabinet is responsible for:

- a) proposing the policy framework and budget to Council, and for discharging its functions in accordance with the policy framework and budget.
- b) agreeing policies on who can write-off debts and the limits that will apply to this authority.
- c) approval for the use of the county fund reserve in consultation with the Head of Finance.
- d) agreeing policies for virement of budgets and the carry forward of under and overspends on budget headings. Cabinet can also decide that on specific occasions these rules will not apply.
- e) keeping the overall and individual level of reserves under review and actively consider whether these reserves could be better used to meet the priorities of the County Council.

3.4 The Scrutiny Committee is responsible for:

- a) scrutinising the Council's strategic and budgetary framework and its implementation before agreement by Cabinet and Council.
- b) examining the ongoing work of Cabinet and officers and the performance of the County Council and its services, ensuring that the County Council is providing value for money, and managing its financial responsibilities well.

3.5 The Audit Committee is responsible for:

- a) monitoring compliance with these Financial Regulations and considering any proposal to change them.
- b) undertaking the Council's responsibilities under the Accounts and Audit Regulations 2015. This includes approving the Statement of Accounts and to ensure that the Councils' assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- c) monitoring that effective treasury management control procedures are in operation.

3.6 The Pension Fund Committee is responsible for:

- a) the effective and prudent management of the fund, having proper regard to the professional advice that it receives.
  - b) for the local administration of pensions and other benefits payable under Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended).
  - c) the management of the investments of the Pension Fund as set out in The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
  - d) the determination of the funding strategy following the triennial actuarial valuation and setting the employers contribution rates.
- 3.7 Together with the Head of Finance, the Head of Paid Service (Chief Executive) and the Monitoring Officer (Assistant Director Governance, Legal and Assurance) are responsible for advising Cabinet or Council about whether a decision is likely to be considered contrary, or not wholly in accordance with, the budget. Actions that may be 'contrary to the budget' include:
- a) initiating a new policy
  - b) committing expenditure in the current or future years above the budget level
- 3.8 The Section 151 Officer (Head of Finance) has statutory duties in relation to the financial administration and stewardship of the County Council that 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 Local Government Act 2000
  - e) The Local Government Act 2003
  - f) The Accounts and Audit Regulations 2015
- 3.9 The Head of Finance is responsible for:
- a) the proper administration of the Council's financial affairs.

- b) setting and monitoring compliance with financial management standards.
- c) establishing an adequate and effective system of internal audit.
- d) advising on the corporate financial position and the key financial controls necessary to secure sound financial management.
- e) providing financial information.
- f) preparing the revenue budget and capital programme.
- g) treasury management.
- h) all decisions concerning the Pension Fund within the scope of the policies that have been approved by the Pension Fund Committee.
- i) approving accounting policies and ensuring that they are applied consistently.
- j) approving the accounting procedures and records of the County Council.
- k) ensuring that the annual statement of accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.
- l) ensuring that effective arrangements for insurance are in place
- m) advising Cabinet and Council on prudent levels of reserves; approving all new reserves; and ensuring that for each reserve established, the purpose, usage and basis of transactions is clearly identified.
- n) reporting to Cabinet the current level of reserves and determining whether there is scope for these to be better used to deliver the County Council's priorities.

3.10 Section 114 of the Local Government Finance Act 1988 requires the Head of Finance to report to Council, Cabinet and the external auditor if Council or one of its officers:

- 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 County Council
  - c) is about to make an unlawful entry in the County Council's accounts.
- 3.11 Section 114 of the 1988 Act also requires:
- a) the Head of Finance to nominate a properly qualified member of staff to deputise shall he or she be unable to perform the duties under Section 114 personally.
  - b) the County Council to provide the Head of Finance with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under Section 114.
- 3.12 Directors are responsible for:
- a) ensuring that the services under their control are managed to promote value for money and good standards of financial control and accountability
  - b) ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Head of Finance
  - c) entering into contracts on behalf of the council, in accordance with Procurement Regulations

### **Financial Planning and Budgeting**

- 4.1 Financial planning is the process of projecting income and expenditure to align the financial plan with the strategic objectives of the County Council.
- 4.2 Council is responsible for approving the policy framework and budget and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions shall be referred to Council by the Monitoring Officer.

- 4.3 Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the policy framework within the financial limits set by the Council.
- 4.4 The budget and council tax is proposed by Cabinet and approved by Council on the advice of the Head of Finance and the Corporate Leadership Team.
- 4.5 The County Council must decide the level of reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the County Council to provide for unexpected events and protect it from overspending, if such events occur.
- 4.6 The Head of Finance is responsible for ensuring that a medium-term financial plan and capital programme is prepared on an annual basis for consideration by Cabinet, before submission to Council. Council may amend the budget or ask Cabinet to reconsider it before approving it. The budget will include an assessment of the adequacy of contingencies and reserves.

### **Budget monitoring**

- 5.1 The Head of Finance is responsible for ensuring appropriate financial information is available to enable budgets to be monitored effectively and report to Cabinet on the overall position on a regular basis.
- 5.2 It is the responsibility of Directors to control income and expenditure within their area and to monitor budgets, taking account of financial information provided by the Head of Finance. They shall report on variances within their own Directorates. They shall also take any action necessary to avoid exceeding their budget allocation and alert the Head of Finance to any problems in doing so.

### **Internal control**

- 6.1 The Head of Internal Audit is responsible for advising on effective systems of internal control to help ensure the County Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the County Council's assets and interests are safeguarded.

- 6.2 These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statutory and other approvals that govern their use.
- 6.3 It is the responsibility of Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement; value for money; and for achieving their financial and other performance targets.

### **Audit requirements**

- 7.1 The Accounts and Audit (England) Regulations 2015 issued by the Secretary of State require the County Council to maintain an adequate and effective internal audit.
- 7.2 The Public Sector Audit Appointments Limited is responsible for appointing external auditors to local government bodies who opt into the national scheme. The basic duties of the external auditor are governed by the Local Government Act 1999.
- 7.3 The County 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.

### **Preventing fraud and corruption**

- 8.1 The Head of Finance is responsible for the development and maintenance of an Anti-fraud and Anti-corruption Policy, which is delegated to the Head of Internal Audit.
- 8.2 Directors are responsible for ensuring that this policy is implemented within their Directorates.

### **Assets**

- 9.1 Directors shall ensure that records and assets are properly maintained and securely held. They shall 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.

## **Treasury management**

- 10.1 The Head of Finance is responsible for reporting to Cabinet a proposed treasury management strategy for the coming financial year before the start of each financial year.
- 10.2 The Head of Finance is responsible for managing all money controlled by the County Council.
- 10.3 Council is responsible for approving the treasury management strategy. The strategy statement is proposed to Council by Cabinet. The Head of Finance has delegated responsibility for implementing and monitoring the statement.
- 10.4 All Cabinet decisions on borrowing, investment or financing are delegated to the Head of Finance, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- 10.5 The Head of Finance is responsible for reporting at least twice in each financial year covering the implementation of treasury management policies; the effects of decisions taken; and the implication of regulatory, economic or market factors on the activities of the treasury management operation.

## **Staffing**

- 11.1 The Chief Executive is responsible for providing overall management to staff and determining appropriate officer staffing structures and for ensuring that there is proper use of the evaluation system for determining the remuneration of a job.
- 11.2 Directors are responsible for controlling total staff numbers and advising Cabinet on the budget necessary to cover estimated staffing levels. Directors are responsible for managing staffing levels to ensure that employee costs remain within the agreed budget.
- 11.3 The Head of HR is responsible for ensuring that:
  - a) arrangements are in place to ensure proper payment to staff and councillors.

- b) a framework of policies is in place to provide for the reward, care and management of staff.

### **Granting of Loans to Third Parties**

- 12.1 Requests for loan finance up to £500,000 shall be delegated to the Head of Finance, who will consult with the relevant Cabinet Member(s). Loans greater than £500,000 require approval by Cabinet.
- 12.2 Each application for a loan should include an Assistant Director or Director recommendation in respect of acceptance or rejection of the loan application.
- 12.3 Any resolution for the approval of a loan should include due diligence about the organisation, an acknowledgement of any exceptional risks (for example approval in spite of inadequate security) and clear written reasons for any approval given in spite of such risks associated with the proposed loan.

### **Systems and Procedures**

- 13.1 Sound systems and procedures are essential to an effective framework of accountability and control.
- 13.2 The Head of Finance is responsible for the operation of the County Council's accounting systems, the form of accounts and the supporting financial records.
- 13.3 Directors are responsible for the proper operation of financial processes in their own departments. Any changes to financial procedures or systems by Directors to meet their own specific service needs shall be agreed in advance with the Head of Finance.
- 13.4 Directors shall ensure that their staff receive relevant financial training that has been approved by the Head of Finance.
- 13.5 The Chief Technology Officer must ensure that appropriate computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of their responsibilities under freedom of information legislation.

- 13.6 It is the responsibility of Directors to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation shall identify staff authorised to act on the Director's behalf, in respect of payments, income collection and placing orders, together with the limits of their authority.
- 13.7 Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework.

### **Taxation**

- 14.1 The Head of Finance is responsible for:
- a) advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the County Council except for PAYE.
  - b) approving the County Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate, except for PAYE.
- 14.2 The Head of HR is responsible for:
- a) advising Directors, in the light of guidance issued by HM Revenue and Customs and relevant legislation as it applies, on all PAYE taxation issues that affect the County Council.
  - b) approving the County Council's PAYE tax records, making all PAYE tax payments, receiving credits and submitting PAYE returns by their due date as appropriate.

### **Partnerships, Joint Ventures and Subsidiaries**

- 15.1 Cabinet is responsible for approving delegations for all external arrangements.
- 15.2 The Chief Executive or their nominee, represents the County Council on partnership and external boards, in accordance with the scheme of delegation.
- 15.3 The Head of Finance must ensure that the accounting arrangements to be adopted relating to partnerships, joint ventures and subsidiaries comply with proper practice.

- 15.4 Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **External funding**

- 16.1 The Head of Finance is responsible for issuing guidance to ensure that sound financial arrangements are put in place in each circumstance where funding of services is shared or met by external bodies. These arrangements should include proper processes to ensure that all income is recovered and properly recorded in the County Council's accounts.
- 16.2 Directors are responsible for ensuring that all external funding arrangements provide value for money and contribute to the strategies and plans of the County Council.

### **Finance Guidance**

- 16.3 Finance Guidance documents are held on the Council's intranet site. These include the Finance Procedural Responsibilities. These guidance documents are available to ensure that officers are clear on their responsibilities in relation to financial activities and how they can ensure they meet those responsibilities.