

# Financial Regulations

## October 2012

Surrey County Council constitution part 5 (02)

# Financial Regulations

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## Introduction

- 1 Financial Regulations govern the manner in which the council's financial activity is conducted and its financial interests are safeguarded. All councillors, officers and contractors must comply with the Financial Regulations. Locally managed schools have their own financial governance and regulations, as set out in the Surrey Scheme of Financing Schools and the Schools' Finance Manual.
- 2 An officer of the council with the appropriate qualifications must ensure proper management of the council's financial affairs under section 151 of the Local Government Act 1972. The Chief Finance Officer and Deputy Director of Change and Efficiency is the Section 151 officer for Surrey County Council.
- 3 All Strategic Directors are accountable to the Section 151 officer for compliance with these regulations. The Section 151 officer is, in turn, accountable to Council. All officers with delegated responsibility for undertaking financial duties are accountable to their Strategic Director for compliance with these regulations.
- 4 These regulations outline the financial responsibilities of the Chief Finance Officer, Strategic Directors, heads of service and budget holders. They define what the council does financially, and why it does it. The Section 151 Officer is required to define more detailed requirements in respect of financial activity (Financial Instructions) that will facilitate compliance with these regulations and ensure there are clear operational practices.

## Governance

- 5 These regulations are part of the council's Constitution. The relevant parts of the Constitution are Article 6 (Budget and Policy Framework) and Article 13 (Contracts and Legal matters and Scheme of Delegation).
- 6 The Leader determines the Scheme of Delegation that sets out the level of authority for officers and members. These regulations are aligned to the Scheme of Delegation and amended accordingly.
- 7 The Chief Finance Officer reviews these regulations annually and proposes any amendments to the Leader.

## **Regulation 1: Officer roles and responsibilities**

### **Chief Finance Officer**

- 1.1. The Chief Finance Officer's responsibilities to administer and steward the financial affairs of the council are decreed by statute:
  - section 151 of the Local Government Act 1972
  - section 114 of the Local Government Finance Act 1988
  - Local Government and Housing Act 1989
  - Local Government Act 2003
  - Accounts and Audit Regulations 2011.
- 1.2. The Chief Finance Officer's key responsibilities are to:
  - a) provide strategic financial planning and advice to Corporate Board, the Cabinet, other committees and member task groups
  - b) ensure proper administration arrangements are in place for the council's financial affairs
  - c) report to members on the overall budget performance and recommend corrective action
  - d) ensure that the council or any officer of the council does not make any unlawful financial transaction or action
  - e) comply with the relevant accounting and financial procedures and standards in accordance with best accounting practices, and that all transactions are conducted in the spirit of the council's values (listen, responsible, trust and respect)
  - f) agree and ensure those locally managed schools and other local financial management arrangements are aligned to these regulations
  - g) nominate an appropriate council officer to perform these responsibilities in the absence of the Chief Finance Officer.
- 1.3. The Chief Finance Officer must be given access to any necessary information to comply with these statutory duties.

### **Strategic Directors**

- 1.4. Strategic Directors shall (jointly with the Chief Finance Officer) propose a revenue and capital budget to Cabinet for each service, within their total cash limit budget set by the cabinet.
- 1.5. Each Strategic Director must produce a monitoring report every month on the progress and projected spend of their approved revenue and capital budgets within agreed timescales.
- 1.6. Each Strategic Director is responsible for ensuring that there is a nominated budget holder responsible for controlling each part of their total budget. Strategic Directors will align budgetary accountability with managerial responsibility when nominating budget holders for the use of resources as closely as possible.
- 1.7. Each Strategic Director will be responsible for the effective operation of the relevant financial systems to the extent that they are operated or controlled within their directorate, taking into account the advice of the Chief Finance Officer.

**Heads of service / budget holders**

- 1.8. Heads of service may delegate local/ detailed budgetary responsibility to nominated budget holders. Heads of service will align budgetary accountability with managerial responsibility when nominating budget holders for the use of resources as closely as possible.
- 1.9. The budget holder should make all relevant staff aware of these regulations (and associated documents). The budget holder should highlight the relevance of these regulations to their team members' roles and how they must comply with them. Finance officers can assist budget holders in this.
- 1.10. Budget holders shall ensure that the actual revenue expenditure financial position does not exceed the approved budget.
- 1.11. Before the financial year starts, all budgets are evaluated on predefined risk criteria. Monitoring on the financial position depends on which rating the budget has been evaluated:
  - a) High risk – the budget should be monitored at least monthly and a budget narrative reported to Cabinet every month.
  - b) Medium risk – the budget should be monitored at least monthly and a budget narrative reported to Cabinet every quarter.
  - c) Low risk – the budget should be reviewed every quarter.
  - d) Budget holders must provide a narrative on any variances over 10% between the actual spend to date and budget spend to date position; and the full year forecasted spend and the full year budget.
- 1.12. The budget holder is responsible for providing the budget narrative to be reported as part of monthly reports on budget monitoring to Cabinet. Combining more than one budget holder report into a service report is the responsibility of the Head of Service. Combining more than one service report into a directorate report is the responsibility of the Strategic Director. The Finance Service can support heads of service and Strategic Directors in producing budget narratives.
- 1.13. The Chief Finance Officer and relevant Strategic Director should approve all arrangements, guidelines and procedures for the proper administration of the service's financial affairs.

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## Regulation 2: Revenue financial planning and management

### Budget preparation and format

- 2.1. The Leader and Cabinet propose the budget, in the form of the Medium Term Financial Plan (MTFP) for Council approval. It is Council's responsibility to approve the budget and ensure it aligns with the corporate strategy.
- 2.2. The Section 151 Officer will submit a report to the Cabinet and Council in compliance with the requirements of Section 25 of the Local Government Act 2003 on the robustness of the budget proposals submitted for Council approval.
- 2.3. Budget holders must propose a revenue budget for a period advised by the Chief Finance Officer that is sustainable for the directorate and the council. The proposed budgets are collated and presented to Directorate Leadership Team meetings. Strategic Directors and the Chief Finance Officer are responsible for producing a budget that is within the provided cash limit.
- 2.4. Directorate budgets must be presented to Corporate Board and must include the key budgetary assumptions and risks. The Leader presents the budgets to Cabinet in January and Council in February each year, which forms the main part of the council's MTFP.
- 2.5. Any budget changes or decision spanning more than the current financial year must be approved in line with virement regulations (paragraph 2.16).

### Fees and charges

- 2.6. A schedule of fees and charges must be reviewed annually and agreed by Cabinet, as guided by the Chief Finance Officer.
- 2.7. All income properly due to the council must be collected promptly and recorded to the council's benefit, unless specific authority to waive, discount or write-off such income is approved through Cabinet, Cabinet Members or under delegated powers to officers. Heads of service have the authority to waive fees and charges for reasons outlined in the Financial Instructions, up to a cumulative value of £100,000 in any one case. Any value greater than this requires the approval of the Cabinet. Waivers granted in-year must be reported in year-end financial outturn reports to the Cabinet.
- 2.8. Proposals to commence charging for or trading in goods or services not previously subject to charging or trading, must be agreed by the Cabinet (external charging/trading only).
- 2.9. Heads of service must comply with any grant conditions where budgeted expenditure is to be met by grant income to ensure that the maximum possible grant income is received in respect of the relevant financial period.

### Mid-year changes

- 2.10. The Cabinet has discretion to use and allocate resources within the approved in-year budget. Any decision of the Cabinet, a committee of the Cabinet, individual Cabinet Members, officers, local committees or joint body discharging executive functions which would incur expenditure beyond the approved in-year budget requires the agreement of Council.
- 2.11. Cabinet approves any new projects arising in-year that were not included in the MTFP that require specific funding (but is within the overall financial limits of the

in-year budget). Revenue Invest to Save schemes must follow the Council Investment Panel process set out in paragraph 3.4.

- 2.12. Budget holders must not commit or incur expenditure on projects arising in year until Cabinet approval has been granted. This includes those projects that are being developed as a means of accessing sources of external funding.
- 2.13. Budget holders may request to carry forward a budget over to the next financial year. Cabinet can approve carry forwards in the context of the total outturn position, or forecast outturn position, taking into account advice from the Chief Finance Officer.
- 2.14. At the beginning of the financial year, it can be difficult to estimate revenue government grants accurately and grant adjustments will be required. These grant changes will amend the revenue expenditure levels for the relevant directorates. Budget holders must seek approval through the virement process outlined in paragraph 2.16. Cabinet approves all grant virements reported within the monthly Cabinet budget monitoring paper.
- 2.15. When all previous year carry forwards, grant changes and other budget virements are approved this amends the MTFP budget and is reported as the updated budget.
- 2.16. There are many differing reasons for a revenue virement and how it should be approved. If the virement is for:
  - a) technical reasons (e.g. incorrect coding, capital transfers, redistributing funding), then the relevant Finance Manager must approve.
  - b) administrative reasons (i.e. cabinet pre-approved) and within service, the Head of Service must approve; or within Directorate, the Strategic Director must approve, or across directorates, the Chief Finance Officer must approve.
  - c) approval where there is no existing Cabinet paper and if:
    - i. the virement is under £250,000 (full year effect) the Chief Finance Officer must approve; otherwise
    - ii. the virement must be approved by the relevant Cabinet Member if within a directorate, or the Leader in consultation with the relevant Cabinet Members (across directorates)

### **Monitoring**

- 2.17. Budget holders should monitor their revenue and projects budget according to risk rating as set out in paragraph 1.11. The budget holder must calculate the spend position to the end of the year. Budget holders' year-end projections must be submitted to the Finance Service each month (or quarterly for low risk budgets) according to the budget monitoring timetable. Once submitted, a review of the current position and brief budget commentary is required (monthly, quarterly or by exception, as per the risk based approach procedure). A budget commentary should include the reasons for any under or overspend including information on activity or volume levels, contract and price variations. A completed budget monitoring commentary must be approved by the Finance Service and submitted within any agreed deadlines.

- 2.18. The budget holder can only commit to spend against budgets within their delegated responsibility. If the delegated responsibility changes, a virement is required to effect the change to the budget (paragraph 2.16).
- 2.19. If a budget is forecast to be over-spent or under-recovered (in the case of income), the budget holder, in consultation with their cabinet member, can:
- a) reduce expenditure or take action to increase income with Cabinet approval
  - b) re-direct resources by undertaking a virement between budgets (see paragraph 2.16)
  - c) in very exceptional circumstances, request the Cabinet to approve a supplementary budget allocation
- 2.20. The budget holder must include comments about the action taken in the budget monitoring commentary.

### **Reporting**

- 2.21. The Chief Finance Officer will collate the Strategic Directors' budget monitoring commentaries and present them to Corporate Board and Cabinet each month.
- 2.22. At the end of the financial year, the Chief Finance Officer will report to Cabinet on the outturn of expenditure and income and the performance of each directorate, as set out in the MTFP, compared with the updated budget.

### **Revenue budget – schools budget**

- 2.23. If individual schools overspend, that overspend is carried forward and becomes the first call on that school's budget in the following year unless, highly exceptionally, the council approves additional funding for a school in financial difficulties. Should the situation arise where schools as a whole have collectively overspent, then their combined overspends would still be carried forward and they would be required to recover these from the following years' budget shares, unless again the council approved additional funding from the centrally managed budget for schools in financial difficulties.
- 2.24. The Dedicated Schools Grant can be spent on schools and centrally held schools expenditure. The proportion of centrally held schools expenditure is limited by statute. Only the Schools Forum or Secretary of State can increase the proportion of centrally held expenditure. If the centrally held budgets are overspent and the council chooses to carry forward the overspend, the carry forward will count as part of the statutory limit. If this means that the statutory limit is exceeded, the carry forward may need to be approved by the Schools Forum or Secretary of State.

### **Debt write-offs**

- 2.25. The Chief Finance Officer, in consultation with the Head of Legal and Democratic Services, is authorised to write-off individual debts of up to £100,000 considered by them to be irrecoverable, where:
- a) the debtor has gone into liquidation
  - b) the debtor is deceased and there are no funds and the debt has been registered as a liability to the executor



- c) the evidence against a debtor is inconclusive, and the Head of Legal and Democratic Services recommends write-off
- d) the debtor has absconded and all enquiries have failed
- e) the debtor is in prison and has no means to pay.

2.26. The Chief Finance Officer can approve the write-off of irrecoverable debts under £10,000 not covered by the above. For debts of more than £10,000 and up to £100,000 which are not covered by the criteria above, having taken into consideration the advice of the Chief Finance Officer and the Head of Legal and Democratic Services, the relevant Cabinet Member can approve the write-off of irrecoverable debts in their portfolio in consultation with the Leader. All other write-offs will require the approval of the Cabinet. Write-offs granted in-year must be reported in year-end financial outturn reports to the Cabinet.

#### **Stock write-offs**

2.27. The maximum value of individual categories of stock items to be written off with the agreement of the relevant Strategic Director and Head of Service and the Chief Finance Officer's nominee is £10,000. All other write offs will require the approval of the Cabinet. Write-offs granted in-year must be reported in the year-end financial outturn reports to the Cabinet.

#### **Consultancy services**

2.28. The thresholds for the appointment of consultants and contractors are set out in the Procurement Standing Orders (PSO's).

2.29. The Leader and the Chief Executive must approve consultant or contractor appointments where the fee exceeds £50,000 per annum (or pro rata where the engagement is less than one year) before the contract can be started. All consultant or contractor engagements with an aggregate value of £100,000 or over must be referred to procurement tender, for vetting by the Procurement Review Group before approval by the Leader and Chief Executive. Under no circumstances will this be approved retrospectively.

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## Regulation 3: Capital planning and management

### Budget setting

- 3.1. The Chief Finance Officer will seek Cabinet approval of the aggregate and detailed capital budgets, the financing of the capital budget and compliance with Prudential Code requirements. These will then be subject to Council approval as part of the MTFP.
- 3.2. Strategic Directors and heads of service must ensure that any planned capital spend included within the MTFP does not exceed the capital resources allocated to that service. In particular, they must ensure that:
  - a) capital budget proposals are consistent with the council's capital strategy, asset management plan and the objectives of the service plan
  - b) each project is risk assessed, both in financial and service terms
  - c) the proposed timetable for the scheme is realistic; and
  - d) all consequential revenue costs, in the current and future years have been planned for and can be contained within the available revenue resources, or planned revenue resources likely to be made available to the service
  - e) the business case has been reviewed by the Council Investment Panel.
- 3.3. The approved capital budget gives 'in principle' approval for expenditure on land acquisitions, building works, professional fees, furniture and equipment (including IT equipment) on any project included therein, for:
  - a) new starts, in the year for which the project first appears in the capital budget and in any subsequent years
  - b) minor works allocations or other block sums, in the year for which the allocation is approved and specific carry-forwards approved by Cabinet
  - c) any government allocation that is dependent on expenditure being incurred within a specified year, only in that year.

### Council Investment Panel

- 3.4. Each year Council will approve a list of capital schemes, plus allocations for recurring programmes such as minor works and maintenance. For all new schemes not previously included in the approved capital programme, budget holders must complete a strategic business case for review by the Council Investment Panel, prior to the MTFP being approved by Council in February.
- 3.5. Before the start of a project which has estimated spend of up to £100,000, budget holders must submit a full business case to the Chief Finance Officer for approval. For projects with an estimated spend of more than £100,000, budget holders must submit a full business case first to the Council Investment Panel and then to the relevant Cabinet Member, in consultation with the Leader, or Cabinet. For approval of additional allocations, advancement or deferment of an approved individual scheme, budget holders should refer to paragraph 3.12 for the rules on virements. The same approval process applies to projects receiving in-year government funding.

### **Procurement Review Group (PRG)**

- 3.6. Prior to tenders being sought, for all capital projects with total costs between £100,000 and £1m (or an amount as specified from time to time by the Chief Finance Officer in conjunction with the Head of Procurement), the Head of Service must report to the Procurement Review Group and to the appropriate Cabinet Member (or Cabinet if the project is greater than £1m) on the latest estimated costs of the scheme. If the final cost exceeds the last estimate formally reported to either Cabinet or Cabinet Member by 5% or £200,000, whichever is the lower, the Head of Service, after consultation with the appropriate Strategic Director and Cabinet Member, must determine whether the additional cost can be met from savings already identified on other projects within the existing capital budget or whether further savings can be made on other approved capital projects to offset the increased costs. If the increased costs cannot be absorbed, the Head of Service should submit a report to the Cabinet Member that will determine what action should be taken in consultation with the Leader.

### **Mid-year changes**

- 3.7. The deletion of a scheme, below £1m, that has been individually approved as part of the capital budget must be approved by the Cabinet Member, in consultation with the Leader. The Cabinet must approve the deletion of a scheme over £1m that has been individually approved as part of the capital budget.
- 3.8. Where it is likely that the total cost of a project already in progress will exceed the latest approved budget allocation, the Head of Service should report this both to the appropriate Strategic Director and Cabinet Member and in budget monitoring reports and in both cases advise how the overspend will be funded. The reasons for any overspend should be detailed in the scheme's post implementation review.
- 3.9. All leasing arrangements, including those by schools, must be referred to the Chief Finance Officer for agreement prior to being finalised.
- 3.10. A post-completion review must be completed by the Head of Service for capital projects concluded, in line with detailed requirements specified in Financial Instructions and approved by their Strategic Director. The relevant Strategic Director, Cabinet Member, Council Investment Panel, Council Overview and Scrutiny Committee and appropriate select committee must be advised, on a timely basis, of all such reviews conducted.
- 3.11. In respect of additional capital grant funding awarded in-year, spending proposals should follow the Council Investment Panel process.
- 3.12. Virements are permissible subject to the following limitations:
- a) Heads of service can approve virements between budgets within the same team (thresholds do not apply)
  - b) Strategic Directors can approve virements between team budgets within the same service (thresholds do not apply)
  - c) the Chief Finance Officer can approve virements below £250,000 between portfolios or services
  - d) the Cabinet Member can approve virements above £250,000, between services within the same portfolio area

- e) the Leader (with agreement from both relevant cabinet members) can approve virements above £250,000, between portfolios or services
  - f) Strategic Directors and service heads can approve virements to resolve scheme overspendings of up to 10% (to a maximum of £200,000) of the approved budget for the scheme, any overspend above this level will be permissible only with the approval of the Cabinet Member and Leader.
  - g) In cases of urgency a decision in relation to virements set out in (d.) to (f.) above may be taken by the Cabinet Member/Leader in accordance with Article 6.05(f) of the Constitution.
- 3.13. The only type of virement exempt from the rules above is a virement between the Members' Allocation budget to another capital budget, as they have already been approved by local committees.
- 3.14. Cabinet approval is required for the reprofiling across years of a capital scheme's budget, or for a carry-forward of capital budgets at the end of the financial year.
- 3.15. The relevant Head of Service can approve virements from revenue to capital below £100,000 and the Cabinet Member can approve if the amount is above £100,000. Virements are not permissible from capital to revenue budgets.

### **Reporting and monitoring**

- 3.16. The Chief Finance Officer will collate the Strategic Director budget monitoring commentaries and present them to Corporate Board and Cabinet each month.
- 3.17. At the end of the financial year, the Chief Finance Officer will report to Cabinet on the outturn of expenditure & income and the performance of each directorate, as set out in the MTFP, compared with the updated budget.

### **Disposal and acquisition of assets**

- 3.18. The acquisition of land and/ or buildings, required for an approved scheme or where acquisition has been specifically authorised, to the value of more than £1m in any one case requires Cabinet approval. This value relates to freehold and leasehold interests. Acquisitions authorised under the County Council's Scheme of Delegation must utilise a relevant professional valuation that is in line with the purchase price. These should be agreed in consultation with the Chief Finance Officer.
- 3.19. The sale of land and / or buildings declared surplus to the County Council's requirements and valued at £1m or more in any one case requires Cabinet approval. This value relates to freehold and leasehold interests, and includes the setting of a reserve figure for auction sales.
- 3.20. Acquisitions or disposals below £1m require Cabinet Member approval in conjunction with the Leader.

### **Key decisions – other than above**

- 3.21. The Constitution determines that the financial threshold for key decisions is £500,000. This is for any items that are not already highlighted in the other paragraphs.
- 3.22. Delegated authority to take decisions in respect of matters outlined in this document must not contradict the general provisions on key decisions in the Constitution.

## **Regulation 4: Risk management**

- 4.1. The council's approach to risk management is a continuous and evolving process that runs through the council's strategies and service delivery. It ensures key risks are managed and resilience is strengthened in order to support the delivery of the council's priorities and goals.
- 4.2. The Risk Management Strategy outlines the arrangements in place to ensure the council identifies and deals with the key risks it faces. The Risk Management Framework complements the strategy and ensures a consistent approach to risk management across the organisation by detailing the council's approach to risk identification, assessment, control and reporting.

### **Internal Audit**

- 4.3. As a key part of internal control, on behalf of the council, an adequate and effective system of internal audit of the accounting records and systems of internal control will be maintained, to the satisfaction of the Chief Finance Officer and the audit and governance committee. To facilitate independence and objectivity in reporting, the reporting lines of this function should be unfettered by line management structures so that direct access to any officer, Member or external regulating authority (eg External Audit) will be available.
- 4.4. Internal audit staff will have access to all such documents, books, computer records, property, assets and explanations as considered necessary for the purposes of the audit from any Member, officer, agents or contractors of the council. Any material unresolved issues emerging from audit work undertaken will be referred to the Audit & Governance Committee and/or the Cabinet, as appropriate.
- 4.5. Members, heads of service, other senior officers and any other employees must notify the Chief Internal Auditor of any matter that involves or is thought to involve any instance of corruption or financial irregularity in the exercise of the functions of the council. An internal audit investigation of such allegations will be undertaken in line with the Council's Strategy Against Fraud and Corruption.

### **Fraud and corruption**

- 4.6. The Chief Finance Officer will ensure that measures to counter fraud and corruption and to facilitate such disclosures are defined, documented, widely distributed and reviewed at appropriate intervals, in consultation with the Chief Internal Auditor, as appropriate. Any investigations of this type undertaken by internal audit will be under the direction of the Chief Internal Auditor, in consultation with the Chief Finance Officer, with a report to the audit and governance committee, the Leader and Chief Executive as appropriate. The Head of Human Resources and Organisational Development will ensure that 'whistle-blowing' procedures are defined, documented, widely promulgated and reviewed at appropriate intervals, in consultation with the Head of Legal and Democratic Services and the Chief Internal Auditor.

**Business Continuity**

- 4.7. The Chief Finance Officer will ensure that procedures are documented and made available to users for those systems identified as business-critical. Systems so identified will be specified in Financial Instructions, together with the location of the relevant documentation.

**Money Laundering**

- 4.8. The Chief Internal Auditor acts as the council's Money Laundering Reporting Officer (MLRO). The MLRO will ensure that there is an Anti Money Laundering Policy published on the council's external website which sets out the procedures which must be followed to enable the council to comply with its legal obligations. This policy states that no payment to the council will be accepted in cash if it exceeds £5,000.

**Security and insurance of assets**

- 4.9. All Members and staff 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, benefits the council and represents value for money.
- 4.10. The Chief Finance Officer will ensure that there are sufficient arrangements in place to protect the County Council against insurable risks.

**System controls**

- 4.11. The corporate financial systems documented procedures will be updated and amended as necessary to ensure their continued accuracy and applicability.
- 4.12. The Chief Finance Officer will ensure that appropriate systems of internal financial control are maintained across the council and will ensure that any finance-related issues raised by Internal Audit, the External Auditor or by the Annual Governance Statement are appropriately addressed.
- 4.13. The Chief Finance Officer will ensure that key financial systems are regularly tested to ensure that they are secure and reliable.

## **Regulation 5: Reserves, balances and closure of accounts**

### **Reserves and balances - reporting**

- 5.1. The Chief Finance Officer must annually advise the Cabinet and council on the prudent level of reserves and general balances for the authority, taking into account prevailing and anticipated levels of risk and uncertainty. In year, the Chief Finance Officer should report on any financial forecast or anticipated event that could threaten the council's ability to maintain reserves of at least the stated level, drawing attention to any material financial implications.
- 5.2. Planned spending from reserves, provisions and funds must be approved as a part of the budget process. The use of reserves, provisions and funds for purposes other than those planned must be reported to and agreed by the Cabinet.
- 5.3. The Chief Finance Officer will report to the Cabinet for its approval to use reserves, provisions and funds held by the council.

### **Accountancy arrangements**

- 5.4. The Chief Finance Officer must ensure that all the financial transactions of the council are accurately reflected in the council's accounting records.
- 5.5. The accounting policies, practices and procedures adopted by the council will be determined by the Chief Finance Officer and will reflect professional standards and recommended good practice. All services are required to adhere to these policies, practices and procedures in recording the financial transactions of the council.
- 5.6. Any proposed changes to accounting policies, practices or procedures or material departures from professional standards or recommended good practice must be declared and must be acceptable to the Chief Finance Officer and to the council's external auditors before implementation.
- 5.7. Services must use corporate financial systems, unless the prior agreement of the Chief Finance Officer has been obtained and he / she is satisfied that the local system proposed contains adequate financial controls and is capable of feeding required data into corporate systems.
- 5.8. The Chief Finance Officer will make appropriate arrangements for and advise officers and Members of the council on, all taxation issues that affect the authority.
- 5.9. The Chief Finance Officer will sign off the annual statement of accounts once satisfied that the statement represents a true and fair view of the financial position of the council.
- 5.10. Strategic Directors, Assistant Directors and Heads of Services will sign a manager's assurance statement each year as prescribed by the Chief Finance Officer.

## Regulation 6: Contracting arrangements

- 6.1. All procurement and purchasing undertaken must adhere to corporately specified processes as agreed by Corporate Board and follow the requirements of Procurement Standing Orders (PSO's). The Financial Instructions set out the requirements for the use of purchasing cards in emergencies.
- 6.2. All material assumptions and risks inherent in evaluations of proposed contracts must be fully disclosed, (before the contract award) to those officers and Members making decisions on the award of contracts.
- 6.3. Long-term strategic contracts must include provisions to secure continuous improvement, improved efficiency and value for money.
- 6.4. All work undertaken for third parties should follow the contract procedures in the PSO's.
- 6.5. Goods and services commissioned from the voluntary or community sectors must assure value for money for the council. Financial relationships must be in the form of grants or contracts made under the relevant corporate guidance incorporated into the Financial Instructions.
- 6.6. In this context, partnerships are deemed to be joint arrangements involving the council pooling financial and/or other resources with other bodies in the pursuit of agreed joint objectives. As a minimum, all partnerships must follow corporately defined requirements for their governance arrangements outlined in the Partnership Governance Framework, ensuring that the council's interests are adequately protected.
- 6.7. All partnership arrangements and pooled budgets must be under written terms appropriate to the extent of the financial risk to the council and may be entered into only following appropriate advice from the Chief Financial Officer and the Head of Legal and Democratic Services. Where the council's contribution to or financial risk from such an arrangement exceeds £100,000, the Cabinet's agreement to the pooled arrangement is required.
- 6.8. Prior to the council entering into any proposed partnerships requiring an annual contribution (financial or otherwise) to the value of £100,000 or more, the approval of the Cabinet will be required.
- 6.9. The thresholds for the appointment of consultants and contractors are set out in the PSO's.



## **Regulation 7: The pension fund and treasury management**

### **The pension fund**

- 7.1. The Chief Finance Officer has delegated authority to take all decisions relating to pension fund investments on behalf of Surrey County Council, (administering authority of the Surrey Pension Fund) in consultation with the Investment Advisers' Group and having taken into account the views of all relevant advisers and in accordance with the relevant Local Government Pension Scheme regulations.
- 7.2. The Chief Finance Officer will ensure that monitoring reports on the Pension Fund's investment performance and activities, and any other business considered by the Investment Advisers' Group, are taken to the audit and governance committee at least quarterly.
- 7.3. The Chief Finance Officer will ensure that a report on the triennial actuarial valuation of the pension fund is taken to the audit and governance committee.

### **Treasury management**

- 7.4. The Chief Finance Officer will propose for adoption by the council the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, which governs treasury management activity, and will ensure that its provisions are implemented.
- 7.5. The Chief Finance Officer will define and propose for agreement by Council, a treasury management policy statement, stating the policies, objectives and approach to risk management in keeping with the code's recommendations and will monitor these throughout the year.
- 7.6. The Chief Finance Officer will ensure that Council receives an annual investment strategy as part of the Prudential Code report.
- 7.7. The audit and governance committee is responsible for ensuring effective scrutiny of the treasury management strategy and activity. The Chief Finance Officer will submit a mid-year review and an annual report on treasury management activity to the audit and governance committee.
- 7.8. The Chief Finance Officer will ensure that treasury management activities are administered within the parameters defined and agreed by Council and those defined by statutory requirements and professional best practice.

## Glossary

Accruals	An amount shown in our accounts to cover money we owe or money owed to us, in the financial year, but which we will not actually pay or receive until the following year or period end. (See also <i>Creditors</i> and <i>Debtors</i> .)
Academies	An academy is a school that is directly funded from central government and independent of local authority control. An academy may receive additional support from individual or corporate sponsors.
Actuarial gains or losses	The actuarial gains or losses to the pension fund are made up of: <ul style="list-style-type: none"> <li>• actual gains or losses to the value of the fund's investments;</li> <li>• changes to the number, age and sex of staff that contribute to the pension fund; and</li> <li>• changes to the assumptions regarding the growth of investments and the liabilities of the scheme.</li> </ul>
Agency services	Services that are performed for the council by another authority or outside body.
Annual Report	A published report reviewing the council's stewardship over the financial year, containing simplified accounts and supporting.
Apportionment	A way of sharing the cost of management and administration to services using an appropriate method (for example, floor space for accommodation-related support services).
Asset management plan	A strategic overview of the property portfolio which sets a broad direction for asset management over the medium term.
Balances	See <i>Revenue Reserves</i> .
Budget	A document stating the council's policy for using resources for the first year of the <i>MTFP</i> period. May also include information on non-financial resources such as manpower.
Budgetary control	Setting financial targets and ensuring that actual expenditure and income meet them.
Cabinet	The Cabinet is the part of the council that is responsible for key decisions and policy. The Cabinet comprises a Leader (an elected councillor) and up to nine other elected councillors, one of which must be the statutory portfolio holder for Children's Services.
Capital budget	Statement of approved capital expenditure for present and future years.
Capital charges	A charge included in the accounts for the use of assets. Their purpose is to ensure that the cost of services reflects the true economic cost of financing and consuming the capital assets (property, vehicles, equipment and plant) used in the delivery of the service.
Capital contributions and grants	Money we receive towards capital spending for a particular service or scheme.
Capital expenditure	Money spent on acquiring assets that have long-term value, eg. land, buildings, furniture and equipment, and software.
Capital financing charges	The charge to our capital financing reserve for repaying loans. It does not include: <ul style="list-style-type: none"> <li>• interest on the loans; or</li> <li>• the direct cost of buying assets in the year.</li> </ul>
Capital receipts	Money received from the sale of land or other long-term assets.
Capital strategy	The strategy outlines the council's approach to capital investment, summarising the principles, policies, priorities and practices that will underpin investment planning over the medium to long term (ten years), ensuring that value for money is secured.
Capitalised maintenance	The financing of structural maintenance, expected to yield benefits over several years from the Capital Programme, instead of from current, ie. <i>Revenue Expenditure</i> .
Carry-forwards	Unspent revenue or capital budgets that services can use in future years.

Cash Limit Budget	Budget set out in cash terms for the council, directorate and services for the medium term financial plan. This limit includes any approved inflation or growth pressures.
Central government grants	There are three types of grant. <ul style="list-style-type: none"> <li>• Formula Grant / Revenue Support Grant - the main government grant to support local-authority services.</li> <li>• Specific service grants - payments from the Government to cover local-authority spending on a particular service or project. Specific grants are often a fixed percentage of the costs of a service or project.</li> <li>• Supplementary grants - grants towards capital spending for highway schemes.</li> </ul>
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the professional institute governing how public money is used and how it has to be reported.
Collection funds	A fund administered by each <i>district/borough</i> council (billing authority) into which council tax is paid. A proportion of this fund is paid to the county council (a precepting authority) as its share of the council tax collected. A surplus (or deficit) on the fund will arise if more (or less) council tax is collected in any given year than was budgeted for; the surplus or deficit is shared between the various authorities in the year after the collection took place.
Contingency	An amount of money set aside in the budget for unquantifiable items of expenditure.
Council Investment Panel	An officer and member panel set up to provide assurance to corporate board and members that robust business cases support capital and invest to save project proposals, so ensuring value for money.
Council tax	Tax set by local authorities levied on all domestic dwellings. The amount is dependent on the valuation band in which the property falls.
Debtors	People who owe us money that we are due to receive but which we have not been paid by the end of the financial year.
Dedicated Schools Grant (DSG)	The Dedicated Schools Grant provides 100% ring-fenced funding for schools from the Department for Education. Local authorities are responsibility for distributing this funding to schools according to local needs and priorities.
Deficit	There are two types of deficits. A fund is said to be in deficit when its liabilities are higher than its assets. An in-year deficit is achieved when spending is higher than income.
Depreciation	A charge in the accounts in respect of the loss in value to the Authority incurred by the deterioration of an asset over its life.
District/Borough	Sub-division of a County. Surrey contains two Districts and nine Boroughs, each of which is a local authority in its own right
Estimate	Expected expenditure in a given year by committee, service and expenditure description. Part of <i>Budget</i> .
Fees and charges	Income arising from the provision of services such as school meals, further education and meals on wheels.
Financial control	This term covers many functions of control and good financial practice, including <i>budgetary control</i> , audit and <i>financial regulations</i>
Financial instructions	An authoritative reference repository through which staff members, partners and contractors can identify the mandatory requirements, recommended measures and good practice advice that are to guide/inform their decisions and actions in all council dealings that have a financial impact.
Financial regulations	A formal code of procedure to be followed in the financial management of the Authority.
Financing transactions	Also known as interest and investment income. They mainly relate to interest payments and receipts associated with managing our cash flow and reserves during the year.
Financial Year	The year of accounts for Surrey County Council is 1 April to 31 March.
Fixed assets	Items such as land, buildings, vehicles and major items of equipment, which benefit us over more than one year.

Formula Grant	Formula grant is the main grant paid by central government towards the cost of local authority services in general. It comprises revenue support grant and redistributed non-domestic rates.
Full business case	This is prepared and submitted to <i>Council Investment Panel</i> for approval to spend capital and Invest to Save revenue schemes.
General reserves	Amounts built up this year, and prior years, that are not set-aside for specific purposes.
Government grants	Central Government contributions towards the cost of local services.
Income	The amount that we receive, or expect to receive, from any source. Service revenue income includes grants, sales, rents, fees and charges.
Inflation	A continuous process reducing the real value of money caused by numerous increases in the nominal prices of goods and services. Usually measured by either the Consumer Price Index (CPI) or Retail Price Index (RPI)
Invest to Save	Schemes that are funded from the council's invest to save fund as the initial investment is paid back through savings over the life of the scheme.
Medium term financial plan	Sets out the council's spending and funding plans for the following five years including detailed plans by Directorate for both capital and revenue budgets. Approved at Council in February each year.
National non-domestic rates (NNDR)	Paid on a commercial or business property, ie. non-domestic property. The Government determines the level, although district councils are responsible for its collection. The proceeds are pooled nationally and distributed amongst local authorities according to their resident population.  This arrangement is due to be changed. See: <i>Business rate retention</i>
Net service underspend	The net service underspend is the amount that a service's total spending is less than that service's allocated budget plus use of carry-forward.
Operating leases	Under this type of lease, the risks and rewards of ownership of the leased goods stay with the company leasing out the goods.
Outturn	The actual income and expenditure for a particular year of account.
Performance indicators (PI)	A means of assessing how well local authority services are performing, both over time and in comparison with other local authorities.
Precept	A charge levied by one local authority on another. For example the precept levied on district councils by the county council
Private finance initiative (PFI)	The opportunity for those responsible for the provision of public services to procure those services, or the buildings and infrastructure within which to provide the services, while leaving the risks of asset and infrastructure ownership and maintenance with the private sector.
Procurement	The process of gaining the use of supplies, services and construction work.
Projection	An estimate of expenditure in future years assuming a continuation of current policies, known changes and prices.
Provisions	This is money we set aside to pay for known, future costs.
Prudential Code	The Prudential Code has been introduced by the regulations supporting the Local Government Act 2003. This code replaces central government control with self-regulation; each local authority is now responsible for deciding how much it can afford to borrow. Under the regulations, when we are making this decision we must keep within the Prudential Code, which sets out the principles that local authorities must follow. These include the following. <ul style="list-style-type: none"> <li>• Affordability – can we afford to make the repayments?</li> <li>• Prudence – are we planning to borrow sensibly?</li> <li>• Value for money – will the loan pay for something that is good value for money?</li> <li>• Service delivery – will the loan help us to deliver our service aims?</li> </ul>
Public Works Loans	A government agency providing long term loans to Local Authorities to finance part of

Board (PWLB)	their <i>Capital Expenditure</i> .
Related organisations and people	Under accounting rules, we have to show transactions between us and other organisations that are also funded by the Government. We also have to show transactions between us and the immediate families of County Councillors or senior officers, and any companies or organisations that they have a controlling interest in.
Remuneration	Includes taxable salary payments to employees less employees' pension contributions, together with non-taxable payments when employment ends (including redundancy, pension enhancement payments, and pay in lieu of notice), taxable expense allowances and any other taxable benefits.
Revenue budget	An estimate of annual income and expenditure that sets out the financial implications of the council's policy for the budgeted year.
Revenue expenditure	The day-to-day spending on employment costs, other operating costs and capital charges less any income from fees, and charges.
Revenue Support Grant (RSG)	Formula grant paid by DCLG to individual authorities on the basis of a formula. The formula collates the relative resources and needs of each authority. See <i>Four Block Model</i>
Ring-fenced grant	This is money that can only be used for specific purposes.
Segregation of duties	Where individual tasks involved with important financial procedures (for example, buying goods, making payments or receiving income) are separated between different employees. This makes sure that no one person is too involved and prevents losses in areas of high risk.
Slippage	The term we use to describe capital or project spending which happens later than originally planned.
SORP	A statement of recommended practice issued by the Accounting Standards Board or by one of the accountancy institutes (such as CIPFA). SORPs are developed in the public interest and set out current best accounting practice. They are produced for subjects for that it is not considered appropriate to issue a financial reporting standard. Our accounts keep to the relevant SORPs (unless we say otherwise), particularly the Service Reporting Code of Practice.
Specific grants	<i>Government Grants</i> to local authorities in aid of particular projects or services, eg. Student Awards (may or may not be ring fenced).
Statement of Accounts	The published summary of the council's accounts for the financial year.
Strategic business case	To be prepared and submitted to <i>Council Investment Panel</i> in advance of member's considering capital scheme proposals for the following year.
Surplus	There are two types of surplus. A fund is said to be in surplus when its assets are higher than its liabilities. We achieve an in-year surplus when our income is higher than our spending.
Virement	The authorised transfer of a budget from one expenditure head to another.
Whistle blowing	Staff and Members have access to an independent, external helpline for raising any serious concerns including bullying.
Work-in-progress	The value of work on an incomplete project at the end of the year that is accounted for as Fixed Assets Under Construction.
Write down	To reduce the value of an asset in a set of accounts.
Write off	To reduce the value of an asset to zero in a set of accounts.