

# Financial Regulations

## December 2015

# 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 ('the 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 Director of Finance and Deputy Director of Business Services is the Section 151 Officer for Surrey County Council.
- 3 . All officers with delegated responsibility for undertaking financial duties are responsible for their compliance with these regulations. The Section 151 Officer is, in turn, accountable to Council.
- 4 The regulations outline the financial responsibilities of the Director of Finance, senior managers and budget holders within the council, defining what the council does financially, and why it does it. The Section 151 Officer is also required to define more detailed requirements in respect of financial activity (Financial Management toolkit) that facilitate compliance with the regulations and ensure there are clear operational practices.

## Governance

- 5 The 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 of the Council determines the Scheme of Delegation that sets out the level of authority for officers and members. The regulations are aligned to the Scheme of Delegation and amended accordingly.
- 7 The Director of Finance reviews the regulations annually and proposes any amendments to the Leader.

## Regulation 1: Officer roles and responsibilities

### Director of Finance

- 1.1. The Director of Finance'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 Director of Finance's key responsibilities are to:
  - a) provide strategic financial planning and advice to the Chief Executive, senior managers 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 Director of Finance.
- 1.3. The Director of Finance must be given access to any necessary information to comply with these statutory duties.

### Senior Managers

- 1.4. Senior Managers of the organisation, including Strategic Directors, Assistant Directors and Heads of Service, shall (jointly with the Director of Finance) propose a revenue and capital budget to Cabinet for each service, within their budget guidelines set by the Cabinet.
- 1.5. Senior Managers 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. Senior Managers are responsible for ensuring that there is a nominated budget holder responsible for controlling each part of their total budget. Senior

Managers will align budgetary accountability with managerial responsibility when nominating budget holders for the use of resources as closely as possible.

- 1.7. Each Senior Manager is 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 Director of Finance.

### **Budget holders**

- 1.8. Budget holders should make all relevant staff aware of these regulations (and associated documents) and highlight the relevance and compliance of the regulations to their team members. Finance officers can assist budget holders in this.
- 1.9. Budget holders shall make arrangements to ensure that the actual revenue expenditure does not exceed the approved budget in accordance with paragraph 2.21 below.
- 1.10. Risk criteria (size, complexity, volatility and political sensitivity) are applied to each budget as part of the budget setting process, which then determines how a budget will be monitored during the financial year (the risk based approach).
  - a) High risk – the budget is monitored monthly and a budget narrative reported to Cabinet every month.
  - b) Medium risk – the budget is monitored monthly and a budget narrative reported to Cabinet every quarter.
  - c) Low risk – the budget is reviewed every quarter and reported by exception.

Any variances more than £50,000 and over 10% of the actual spend to date and budget spend to date position; and the full year forecasted spend and the full year budget, must be monitored monthly until the variance is stable.

- 1.11. Budget holders are responsible for providing the budget narrative as part of monthly budget monitoring reports to Cabinet. Combining more than one budget holder report into a service report is the responsibility of Senior Managers. The Finance Service can support Senior Managers in producing budget narratives.
- 1.12. The Director of Finance and relevant Senior Manager should approve all arrangements, guidelines and procedures for the proper administration of the service's financial affairs.

## Regulation 2: Revenue financial planning and management

### Revenue budget and medium term financial plan preparation

- 2.1. In late January or early February, the Leader and Cabinet propose the level of council tax precept for the coming financial year for Council to set. In proposing the council tax precept, the Leader and Cabinet propose the following year's overall revenue budget, capital programme (see Regulation 3) and five year medium term financial plan (MTFP) for Council's approval. In setting council tax and approving the budget and MTFP, Council is responsible for ensuring it aligns with the corporate strategy.
- 2.2. The Director of Finance submits a report to the Cabinet and Council on the robustness of the budget proposals submitted for Council approval in compliance with the requirements of Section 25 of the Local Government Act 2003.
- 2.3. In developing the council's overall high level revenue budget, Cabinet, and the Director of Finance agree budget guidelines for each year of the MTFP. Senior Managers and Budget holders must propose revenue budgets for the MTFP period that are sustainable for the council and are within the agreed guidelines. Senior Managers must present their budgets to the Director of Finance, and others as required, and incorporate an explanation of key assumptions and risks.
- 2.4. The Leader presents the budgets for the five year MTFP to Cabinet in January or February and to Council in February.
- 2.5. Any revenue budget changes must follow virement regulations (see paragraph 2.16).

### Fees and charges

- 2.6. Every year services must update and / or review their fees and charges with a view to ensuring that discretionary services for which a fee or a charge is applicable are not provided at subsidy without a specific supporting policy decision. The individual fees and charges schedules will be published annually with the transparency information. Each fee or charge will be required to be reviewed in-depth periodically which must not exceed three years. The review will apply relevant direct and indirect costs to assess the cost neutrality of the change. Cost neutrality should be aimed for by all services delivering discretionary activities for which a fee or a charge is applied. The level of any subsidy and other charge policies are combined into the fees and charges strategy for the service. This strategy should be part of the overall service strategies and communicated as part of the MTFP. Scrutiny Boards may review and challenge the fees and charges elements of the overall service strategies. The Director of Finance will provide appropriate support and guidance in the Financial management toolkit.
- 2.7. Any new charges or any changes in policy will need to follow the following approval process:
  - a) When there is a change of service policy that could, depending on Legal's advice, require a public consultation, a separate Cabinet paper proposing the new fee and charge is required. Any substantive change in policy in

the application of the fee or charge, or in the level of subsidy (if relevant) will also require Cabinet approval.

- b) When there isn't a change of service policy, the service could choose to have a separate Cabinet report or include a request within the budget monitoring report recommending the new fee and charge.
- 2.8. 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. Senior Managers have authority to waive fees and charges for reasons outlined in Financial Management toolkit, up to a cumulative value of £25,000 per year in any one case. Any waiver of higher value requires Cabinet approval. Waivers granted in year must be reported in year end financial outturn reports to Cabinet.
- 2.9. Cabinet must agree proposals to start charging for or trading in goods or services not previously subject to charging or trading with third parties.

### **Grant conditions**

- 2.10. Senior Managers must comply with any grant conditions where they budget to meet expenditure from grant income to ensure the service receives the maximum relevant grant income.

### **Mid-year changes**

- 2.11. Cabinet has discretion to use and allocate resources within the budget approved by Council. Any decision of Cabinet, a committee, individual Cabinet Members, officers, local committees or a joint body discharging executive functions which would incur expenditure beyond the approved budget requires Council's agreement.
- 2.12. Occasionally, new projects will arise in year that were not included in the MTFP and require specific funding. Cabinet may approve such new projects, provided their funding is within the overall limits of the budget.
- 2.13. Revenue Invest to Save scheme proposals must follow the Investment Panel process set out in paragraph 3.5. Budget holders must not commit or incur expenditure on projects arising in year until Cabinet has granted approval. This includes projects services develop to access external funding.
- 2.14. Senior Managers may request to carry forward a budget to the next financial year. Cabinet can approve carry forwards in the context of the total outturn position, or forecast outturn position, taking the Director of Finance's advice into account.
- 2.15. At the beginning of the financial year, it can be difficult for services 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 2.17 for such amendments. Cabinet notes all grant virements reported within the Leader's budget monitoring reports.

2.16. Approval of all previous year carry forwards, grant changes and other budget virements amend the MTFP budget, which becomes the updated budget.

2.17. The approval requirements depend on the virement.

<b>Virement type</b>	<b>Approval required</b>
Technical e.g. incorrect coding, capital transfers, redistributing funding	Relevant finance manager
Administrative i.e. already approved by Cabinet	Within a service - Assistant Director or Head of Service Within a directorate – strategic director Across directorates – Director of Finance
Without existing Cabinet approval  In line with key decision threshold (3.27)	Under £500,000 (full year effect) - Director of Finance  Over £500,000 , (full year effect) and within a portfolio - relevant Cabinet Member  Over £500,000 (full year effect) and across portfolios- formal approval by Cabinet after informal communication with the relevant Cabinet Member and the Leader

### **Monitoring**

2.18. Budget holders are required to monitor and report on their revenue and projects budgets in accordance with risk ratings determined using the criteria in paragraph 1.11.

2.19. Budget holders must forecast the income and expenditure position for their budget throughout the year. Using the council’s forecasting tool, budget holders submit year-end forecasts and commentary to their line manager, Strategic Director and Finance according to the budget monitoring timetable.

The budget commentary should include:

- a) the extent of any under or overspend
- b) the reasons for any under or overspend, such as information on activity or volume levels, contract or price variations
- c) what the service is doing to address any under or overspend ;and
- d) the implications for future budgets and forecasts over the MTFP period

2.20. Senior Managers and Finance review and validate completed budget monitoring forecasts and commentaries.

2.21. Budget holders can only commit to spend against budgets within their delegated responsibility. Changes to delegated responsibility require a virement to effect the change to the budget (paragraph 2.16).



- 2.22. If a budget holder forecasts to over-spend or under-recovery (for income) then in consultation with the relevant Cabinet Member they can:
- a) reduce expenditure or take action to increase income with Cabinet approval
  - b) re-direct resources by making a virement between budgets (paragraph 2.16)
  - c) in very exceptional circumstances, request Cabinet to approve a supplementary budget allocation.
- 2.23. The budget holder must include comments about such actions taken in their budget monitoring commentary.

### **Reporting**

- 2.24. The Director of Finance uses Senior Managers' budget monitoring commentaries to prepare the overall budget monitoring report Cabinet each month.
- 2.25. At the financial year end, the Director of Finance reports to Cabinet on the outturn of expenditure and income and the performance of each directorate compared with the updated budget.

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

- 2.26. If an individual school overspends, it carries that overspend forward and it becomes the first call on the school's budget in the following year. In highly exceptional circumstances, the Council may approve additional funding for a school in financial difficulties. If schools as a whole overspend collectively, the overspends would still be carried forward and they would each be required to recover the funds from their following year's budgets. Again, in highly exceptional circumstances, the Council may approve additional funding for a school in financial difficulties.
- 2.27. The Department for Education restricts use of Dedicated Schools Grant (DSG) to budgets delegated to schools and specified central expenditure on schools and pupils.. Statuterequires that most categories of central expenditure from DSG (other than on high cost SEN) must be approved by Schools Forum (or Secretary of State) and various other constraints are imposed by the current school finance regulations. If there is an overspend on the Schools Budget, that can only be funded from DSG in the following year with the approval of Schools Forum or of the Secretary of State.

### **Debt write offs**

- 2.28. The Director of Finance, in consultation with the Director of Legal and Democratic Services, has authority to write off individual debts of up to £100,000 they consider 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; or

e) the debtor is in prison and has no means to pay.

- 2.29. The Director of Finance can approve the write off of irrecoverable debts under £10,000 not covered by the criteria above. For debts between £10,000 to £100,000 not covered by the criteria above, the relevant Cabinet Member in consultation with the Leader can approve the write off of irrecoverable debts in their portfolio, having taken into consideration the advice of the Director of Finance and the Director of Legal and Democratic Services. All other write offs require Cabinet approval.
- 2.30. The year end financial outturn reports to Cabinet set out debt write offs granted in the year.

#### **Stock write offs**

- 2.31. The relevant Senior Manager and the Director of Finance's nominee can agree to write off individual categories of stock items to a maximum value £10,000. All other write offs require Cabinet approval. The year end financial outturn reports to Cabinet set out stock write offs granted in the year.

#### **Consultancy services**

- 2.32. Procurement Standing Orders (PSOs) set out the thresholds for appointing consultants and contractors.
- 2.33. The Leader and the Chief Executive must approve consultant or contractor appointments where the fee exceeds £50,000 a year (or in proportion where the engagement is for less than one year) before the contract starts.
- 2.34. Procurement must subject all consultant or contractor engagements with an aggregate value of £100,000 or over to competitive tender and review by the Procurement Review Group before approval by the Leader and Chief Executive. Under no circumstances will the Leader and Chief Executive approve such engagements retrospectively.

## Regulation 3: Capital planning and management

### Budget setting

- 3.1. In late January or early February, the Leader and Cabinet propose the overall five year capital programme for Council's approval. The Director of Finance supports this with: aggregate and detailed capital budgets, capital programme financing and assurances about the council's compliance with the Prudential Code's requirements.
- 3.2. Senior Managers must ensure any planned capital spend included within the MTFP does not exceed the capital resources allocated to that programme or scheme. In particular, they must ensure:
  - a) capital programme proposals are consistent with the council's corporate strategy, capital strategy, asset management plan and directorate strategies;
  - b) each capital scheme or project is assessed for both financial and service risk;
  - c) the proposed timetable for the programme is realistic;
  - d) the available revenue resources (or planned revenue resources likely to be made available) can contain all consequential revenue costs in current and future years; and
  - e) Investment Panel has reviewed the business case for each scheme or project for robustness.
- 3.3. The approved capital programme gives 'in principle' approval for capital projects, and schemes. Expenditure on new capital projects or schemes can commence only following the approval of the Capital Working Group or Investment Panel as described below. For developer contributions and specific grant schemes follow the key decisions approval regulation (3.26 – 3.27).

### Capital Working Group & Investment Panel

- 3.4. Each year Council gives "in-principle" approval for 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 present a business rationale to Capital Working Group (CWG). CWG conducts the initial review of proposals to determine whether they should be presented to Cabinet for decision to identify schemes in the MTFP capital programme.
- 3.5. Investment Panel considers the robustness of business cases identified as part of the council's main capital programme approved by Cabinet. Sufficiently robust business cases proceed for approval to procure and start work to:
  - a) Cabinet for schemes valued at greater than £1m;
  - b) Cabinet Member in conjunction with the Leader for schemes valued between £100,000 and £1m; and
  - c) Director of Finance for schemes valued at less than £100,000.
- 3.6. Investment Panel applies the following policy to exempt schemes from business case review:

- a) capital schemes where the council carries out work funded by, and on behalf of a third party e.g. extending a Diocese run school;
  - b) capital schemes determined by local committees;
  - c) grant funded schemes awarded on a bid basis where CWG had considered the business rationale and Finance had agreed the council's business case included in its funding bid; and
  - d) highways and property maintenance programmes where prioritisation criteria exist within the services to manage the budgets for this work.
- 3.7. To allow exemption from business case review based on prioritisation criteria, CWG considers and approves the prioritisation criteria for the service before the start of each financial year and agrees a schedule for the service to report to Investment Panel on how it has applied the criteria for that year. This gives Investment Panel oversight of the programmes and enables it to monitor progress.
- 3.8. The rules on virements (paragraph 3.18) apply for approval of additional allocations, advances or deferrals of approved scheme. The same approval process applies to projects receiving additional government capital grant funding in year.

### **Procurement Review Group**

- 3.9. Procurement Standing Orders require approval by Procurement Review Group (PRG) for award of contracts valued at £100,000 or more over the life of the contract (e.g. £25,000 a year for four years). PRG essentially covers route to market for procuring goods and services and awarding the contracts. Prior to seeking tenders, heads of service must present a strategic procurement plan proposing the preferred route to market for the project to PRG. PRG reviews the proposal for: overall effectiveness of the proposed route to market, legality, affordability and value for money. Following PRG approval, for proposals valued over £500,000 and under £1m, heads of service present proposals to the appropriate Cabinet Member, in conjunction with the Leader for approval; and for proposals valued over £1m, heads of service present proposals to Cabinet for approval.
- 3.10. Following return of tenders, Senior Managers must submit proposals for contract award to PRG. PRG reviews the proposal for: overall effectiveness, legality, affordability and value for money. Following PRG approval, for proposals valued over £500,000 and under £1m, the appropriate Cabinet Member, in conjunction with the Leader must approve; and for proposals valued over £1m, Cabinet must approve.
- 3.11. If the final tendered cost exceeds the last estimate reported formally to either Cabinet or Cabinet Member by 5% or £200,000, whichever is the lower, the head of service, after consultation with the strategic director and appropriate Cabinet Member, determines whether to meet the additional cost from savings already identified on other projects within the existing capital programme or whether to make further savings on other approved capital projects to offset the increased costs. If the head of service cannot absorb the increased costs they must submit

a report to the Cabinet Member in conjunction with the Leader or Cabinet proposing other action to take.

**Mid-year changes**

- 3.12. Deletion of a scheme that has been individually approved as part of the capital programme must be approved by the Cabinet Member, in consultation with the Leader if its value is below £1m and Cabinet if its value is over £1m.
- 3.13. Where it is likely the total cost of a project already in progress will exceed its latest approved budget allocation, the relevant Senior Manager must report this with advice on how the head of service proposes to fund the overspend:
  - a) to the appropriate strategic director and Cabinet Member; and
  - b) in the budget monitoring report to Cabinet.
- 3.14. The Senior Manager must explain the reasons for any overspend in each scheme’s post implementation review.
- 3.15. Senior Managers must refer all proposals to enter into leasing arrangements, including those by schools, to the Director of Finance for agreement prior to finalisation.
- 3.16. Senior Managers must conduct a post-completion review for capital projects, in line with requirements specified in the Financial Management toolkit. The Senior Manager must advise Council Overview and Scrutiny Committee, Investment Panel, appropriate select committee and the relevant strategic director and Cabinet Member on a timely basis of all such reviews conducted.
- 3.17. In respect of additional capital grant funding awarded in-year, spending proposals should follow the Investment Panel process.
- 3.18. Virements are permissible subject to the following limitations:

Virement type	Approval required
Technical e.g. incorrect coding, capital transfers, redistributing funding	Relevant finance manager
Administrative i.e. already approved by Cabinet	Within a service - Assistant Director or head of service Within a directorate – strategic director Across directorates – Director of Finance

<b>Virement type</b>	<b>Approval required</b>
Without existing Cabinet approval	Under £500,000 (full year effect) - Director of Finance
In line with key decision threshold (3.27)	Over £500,000 , (full year effect) and within a portfolio - relevant Cabinet Member Over £500,000 (full year effect) and across portfolios - formal approval by Cabinet after informal communication with the relevant Cabinet Member and the Leader

- 3.19. The only type of capital virement exempt from the above rules is one between the Members' Allocation budget to another capital budget, as local committees have already approved them ,this will be defined as an administrative virement.
- 3.20. Cabinet approval is required to reprofile a capital scheme's budget across years, or to carry forward capital budgets at the end of the financial year.
- 3.21. The Director of Finance can approve virements from revenue to capital below £500,000 and the Cabinet can approve if the amount is above £500,000. Virements are not permissible from capital to revenue budgets.

### **Reporting and monitoring**

- 3.22. The Director of Finance collates the overall capital budget monitoring report and presents it to Cabinet At the end of the financial year, the Director of Finance reports to Cabinet on the income and expenditure outturn and the performance of each directorate, as set out in the MTFP, compared with the updated budget.

### **Acquisition and disposal of assets**

- 3.23. The acquisition of land or buildings for an approved scheme or for a specifically authorised acquisition, with value of more than £500,000 in any one case requires Cabinet Member approval, or with value of more than £1m in any one case requires Cabinet approval. This value relates to freehold and leasehold interests. Acquisitions authorised under the Scheme of Delegation must use a relevant professional valuation in line with the purchase price. These should be agreed in consultation with the Director of Finance.
- 3.24. The sale of land or buildings declared surplus to the 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 setting a reserve figure for auction sales.
- 3.25. Acquisitions or disposals below £1m require approval of Cabinet Member in conjunction with the Leader.

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

- 3.26. 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 above

paragraphs. Depending on the issue, a note to Capital Working Group or Investment Panel is required on the decision. Decisions should be approved by;

- Under £500,000 (full year effect), Director of Finance
- Over £500,000 (full year effect) and within a portfolio, the relevant Cabinet Member.
- Over £500,000 (full year effect) and across portfolios, formal approval by Cabinet after informal communication with relevant Cabinet Member and the Leader

3.27. 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 Policy Statement and Strategy outline the arrangements in place to ensure the council identifies and deals with the key risks it faces. The Risk Management Framework complements the statement and 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 must be maintained, to the satisfaction of the Director of Finance 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, Senior Managers, 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 suspicion 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 Director of Finance 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 Director of Finance, 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 communicated and reviewed at appropriate intervals, in consultation with the Director of Legal and Democratic Services and the Chief Internal Auditor.



**Business Continuity**

- 4.7. The Director of Finance 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 the Financial Management toolkit, 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 Director of Finance 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 Director of Finance 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 Director of Finance 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 Director of Finance 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 Director of Finance 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 or budget monitoring processes. 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 Director of Finance will report to the Cabinet for its approval to use reserves, provisions and funds held by the council.

### **Accountancy arrangements**

- 5.4. The Director of Finance 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 Director of Finance 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 Director of Finance and to the council's external auditors before implementation.
- 5.7. Services must use corporate financial systems, unless the prior agreement of the Director of Finance 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 Director of Finance will make appropriate arrangements for and advise officers and Members of the council on, all taxation issues that affect the authority.
- 5.9. The Director of Finance 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. The accounts of the Council and associated opinions and reports of the external auditor will be presented to the Audit and Governance Committee.
- 5.10. Senior Managers must sign a manager's assurance statement each year as prescribed by the Director of Finance.

## Regulation 6: Contracting arrangements

- 6.1. All procurement and purchasing undertaken must adhere to corporately specified processes as agreed by the Continuous Improvement & Productivity Network and follow the requirements of PSO's and the PRG (see paragraph 3.9). The Financial Management toolkit sets 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 within the Financial Management toolkit.
- 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.
- 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 Director of Finance has delegated authority to take any urgent action as required between Pension Fund Board meetings but such action only to be taken in consultation with and by agreement with the Chairman and/or Vice Chairman of the Pension Fund Board and any relevant Consultant and/or Independent Advisor.
- 7.2 The Director of Finance will ensure that monitoring reports on the Pension Fund's investment performance and activities, and any other business are considered by the Pension Fund Board at least quarterly.
- 7.3 The Director of Finance will ensure that a report on the triennial actuarial valuation of the pension fund is taken to the Pension Fund Board.
- 7.4 The Director of Finance will ensure that a report on the annual accounts and associated external audit of the pension fund is taken to the Audit and Governance Committee and the Pension Fund Board.

### Treasury management

- 7.5 The Director of Finance 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.
- 7.6 The Director of Finance 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.
- 7.7 The Director of Finance will ensure that Council receives an annual investment strategy as part of the Prudential Code report.
- 7.8 The Audit and Governance Committee is responsible for ensuring effective scrutiny of the treasury management strategy and activity. The Director of Finance will submit a mid-year review and an annual outturn report on treasury management activity to the Audit and Governance Committee.
- 7.9 The Director of Finance 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.
- 7.10 The Council, as corporate trustee for various Trust Funds, through its members and officers will ensure that the Council administers them in accordance with its legal responsibilities as a trustee, distinct and separate from its functions as a local authority and also in compliance with:
  - the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice in treasury management, which governs pension funds, and
  - any relevant Charities Commission guidance

to ensure that their provisions are appropriately implemented.

- 7.11 The Director of Finance will define and propose for agreement by the relevant Cabinet Member, an investment strategy, stating the policies, objectives and approach to risk management in relation to all trust funds where the Council is corporate trustee in keeping with the code's recommendations, and will monitor these throughout the year.
- 7.12 In relation to any trust fund for which the Council is corporate trustee, the Director of Finance will submit to the relevant Cabinet Member an annual outturn report on the financial position and any investment activity.
- 7.13 After undertaking proper professional advice, any buying and selling of investments (including any portfolio investment units) will be managed by the Director of Finance and other staff delegated by the Director.

## Glossary

Asset management plan	A strategic overview of the property portfolio that 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 MTFP period. May also include information on non-financial resources such as manpower.
Business case	Prepared and submitted to Investment Panel for approval to spend capital and Invest to Save revenue schemes.
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. It is responsible for key decisions and policy.
Capital budget	Statement of approved capital expenditure for present and future years.
Capital grants	Money received towards capital spending for a particular service or scheme.
Capital 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.
Capital Working Group (CWG)	Conducts initial reviews of proposed capital schemes.
Carry-forwards	Unspent revenue or capital budgets that services can use in future years.
CIPFA	The Chartered Institute of Public Finance and Accountancy. The leading accountancy body for local government.
Continuous Improvement and Productivity Network	Provides leadership, challenge and oversight to issues relating to the delivery of the Corporate Strategy, including finance and risk.
Council Investment Panel	Provides assurance that robust business cases support capital and invest to save project proposals, ensuring value for money.
Dedicated Schools Grant (DSG)	The Dedicated Schools Grant provides 100% ring-fenced funding for schools from the Department for Education. Local authorities are responsible for distributing this funding to schools according to local needs and priorities.
Estimate	Expected expenditure in a given year by committee, service and expenditure description.
Fees and charges	Income arising from the provision of services such as school meals, further education and meals on wheels.
Financial control	Good financial practice, including budgetary control, audit and financial regulations.
Financial Management toolkit	Guidance, instructions and support relating to the council's financial activity.
Financial year	1 April to 31 March - the year of accounts for Surrey County Council.
Government grants	Central Government contributions towards the cost of local services.
Income	The amount received, or expected to receive, from any source. Service revenue income includes grants, sales, rents, fees and charges.

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.
Outturn	The actual income and expenditure for a particular year of account.
Pension Fund Board	A member committee responsible for the governance and administration of the council's pension fund.
Precept	A charge levied by one local authority on another.
Procurement	The process of gaining the use of supplies, services and construction work.
Procurement Review Group (PRG)	Considers the robustness of business cases identified as part of the council's main capital programme approved by Cabinet.
Procurement Standing Orders (PSO)	Set out how the council authorises spending, including all types of goods, works and services, as well as non-permanent workforce such as temporary and agency staff and consultants.
Projection	An estimate of expenditure in future years.
Provisions	Money set aside to pay for known, future costs.
Prudential Code	Sets out the principles that local authorities must follow when borrowing.
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.
Risk Based Approach (RBA)	Risk criteria applied to each budget as part of the budget setting process. Determines how a budget is monitored during the financial year.
Senior Managers	The Senior Managers of the council include the Chief Executive, Assistant Chief Executive, Strategic Directors, Directors, Chief Fire Officer, Assistant Directors, and Heads of Service
Statement of Accounts	The council's accounts for the financial year.
Statutory Officers Meeting	The council's statutory officers led by the Chief Executive and includes the Strategic Directors for Adult Social Care, Children, Schools & Families, Director of Finance, Director of Legal & Democratic Services and Chief Internal Auditor.
Surplus	When income is higher than expenditure.
Virement	The authorised transfer of a budget from one expenditure head to another.
Whistle blowing	Raising concerns about wrongdoing.
Write off	Reduces the value of an asset to zero in a set of accounts.