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## **FINANCIAL REGULATIONS**

**MARCH 2023**

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## Introduction

Financial Regulations provide a framework within which all staff can carry out their responsibilities in an open and consistent manner. They outline the financial responsibilities of all officers and members of the Council, and have been designed to promote and maintain the high standards expected of the public sector in dealing with financial and other resources financed from taxation by:

- placing clear accountability with officers appointed to manage resources; and
- establishing key principles and processes which they should follow, supported by detailed operating arrangements approved by the Section 151 Officer.

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Finance Officer (**Section 151 Officer**) to have responsibility for those arrangements. The Deputy Chief Executive and Executive Director of Resources is the Section 151 Officer for Surrey County Council.

Whilst responsibility for the administration of the Council's financial affairs lies with the Section 151 Officer, all individuals engaged in Council activities are responsible for ensuring that their actions comply with Financial Regulations.

**Cabinet Members** and **Executive Directors** hold a dual role to ensure that strategic policies and priorities are delivered within resources and meet all fiduciary responsibilities, recommendations to Council are deliverable and that they support Budget Managers to spend within the Budget Envelopes.

The **Accountable Budget Officer (ABO)** (Executive Directors, Service and Assistant Directors, Heads of Service and other officers deemed to be Senior Officers) has overall accountability for a group of budgets. The ABO is ultimately accountable for ensuring effective planning and management of their budgets to deliver their service priorities within the agreed budget envelope. The ABO signs an annual Budget Accountability Statement.

A **Budget Manager** has day to day responsibility for the management of the budget of one or a group of services or projects under the oversight of an ABO. Their key responsibility is to make best use of financial resources through good planning and management, taking corrective action where required.

All officers with responsibility for undertaking financial duties are required to comply with these regulations. The Section 151 Officer is, in turn, accountable to Council. The Financial Regulations and supporting documents are reviewed annually and will be developed further in line with the cultural changes and transformation plans the Council is currently working towards.

Locally managed schools have their own financial governance and regulations, which are set out in the Surrey Scheme of Financing Schools and the Schools' Finance Manual.

The Financial Regulations should be read in conjunction with the Council's:

- Counter Fraud Strategy and Framework;
- Business Continuity Plan Guidance;
- Risk Management Policy;
- Whistle blowing Policy; and
- Procurement Standing Orders.

## **FINANCIAL REGULATION 1 - SCOPE OF FINANCIAL REGULATIONS**

**FR1.1** The Financial Regulations are binding on all Council members and officers, including contractors, agency staff, and anyone acting on behalf of the Council, including elected members.

**FR1.2** Financial Regulations are part of the Council's Constitution. The relevant parts of the Constitution are Article 12 (Finance, Contracts and Legal matters), Part 3 (Responsibility of Function and Scheme of Delegation), and Part 4 (Standing Orders – Budget & Policy Framework). Financial Regulations may only be amended by Full Council.

## **FINANCIAL REGULATION 2 - ROLES AND RESPONSIBILITIES**

### **Council**

**FR2.1** Council members, acting as the Full Council, are responsible for approving the Council's overall policy framework and the budget within which the Council operates, setting the Prudential Indicators for treasury management; limits on virements between budgets, and the Capital, Investment and Treasury Management Strategies.

### **Cabinet**

**FR2.2** The Cabinet is responsible for proposing the policy framework and budget to the Full Council and for the discharge of executive functions in accordance with it. Decisions can be delegated to individual cabinet members or officers in line with the Scheme of Delegation.

### **Section 151 Officer (Deputy Chief Executive and Executive Director of Resources)**

**FR2.3** The Section 151 Officer's role and responsibilities are set out in statute and are governed by (but not restricted to):

- 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; and
- Accounts and Audit Regulations 2015.

**FR2.4** All financial procedures and records shall be subject to his / her approval. Under The Accounts and Audit Regulations, the Section 151 Officer is responsible for the financial management of the Council, sound systems of internal control, risk management, and at least once in a year, a review of the effectiveness of the system of internal control.

**FR2.5** The Section 151 Officer is responsible for the day-to-day management of the Council's financial affairs. They shall provide information and assistance to all officers to help them carry out their responsibilities for effecting the sound financial management of their services.

**FR2.6** The Section 151 Officer shall report to members on the overall budget performance and recommend corrective action as and when required. They shall ensure, as far as practicable, Financial Regulations and supporting policies protect the Council against any unlawful financial transactions or actions.

**FR2.7** The Section 151 Officer must be given access to any necessary information to comply with his / her statutory duties.

**FR2.8** The Section 151 Officer will ensure that procedures are documented and made available to users for those financial systems identified as business critical.

**FR2.9** The Section 151 Officer shall, after consultation with the Chief Executive, report any non-compliance with these Regulations which they considers substantial. The report shall be made initially to the Leader and, following that, to the relevant Committee depending on the circumstances.

**FR2.10** The Section 151 Officer can nominate a Deputy Section 151 Officer or Officers that have the same role and responsibilities in the absence of the Section 151 Officer.

**Senior Officers (Chief Executive, Executive Directors, Service and Assistant Directors, Head of Service, other designated officers)**

**FR2.11** Senior Officers have individual and collective responsibility to ensure that the fundamental principles as established by the Cadbury Report on “the financial aspects of corporate governance”, namely openness, integrity and accountability, are established through compliance with Financial Regulations.

**FR2.12** Senior Officers of Surrey County Council have overall accountability for their revenue budgets and are ultimately accountable for ensuring effective planning and management to deliver service priorities and outcomes within the agreed budget envelope, whilst reporting any variations and working to rectify them as soon as possible. Annually Senior Officers, known as Accountable Budget Officers, are requested to acknowledge their responsibilities and budget remit for both revenue and capital. Budget Accountability Statements (BAS) are produced before the commencement of the financial year and require confirmation of the accountabilities and the budget envelope.

**FR2.13** Senior Officers may delegate day to day management to a Budget Manager in his / her directorate or service, provided that a list of officers so authorised shall be supplied to the Section 151 Officer. Although day to day management of a budget may be delegated, responsibility and accountability remains firmly with Senior Officers. Effective management of resources is a fundamental requirement of managers and failure to manage budgets will be investigated under the disciplinary procedure. Persistent or significant failure could constitute gross misconduct.

**FR2.14** Senior Officers shall propose annual revenue and capital budgets for each service within the budget guidelines agreed by the Cabinet.

## **Budget Managers**

**FR2.15** Budget Managers should make all relevant staff aware of these regulations (and associated documents) and highlight the relevance and compliance of the regulations to team members.

**FR2.16** Budget Managers are accountable for their budget areas and to make arrangements for managing income and expenditure and ensure value for money in service delivery. Budget Managers are responsible for taking action to recover and to report on any budgetary variances, and for reporting to Senior Officers if there is a possibility that budgets may be overspent. Effective management of resources is a fundamental requirement of Budget Managers and failure to manage the budget properly will be investigated under the Council's disciplinary procedure.

**FR2.17** Budget managers are responsible for the budget narrative that informs the monthly reports to Directorate Leadership Teams (DLT), the Corporate Leadership Team (CLT) and to members. Finance officers are available to support this process.

**FR2.18** Senior Officers and Budget Managers are responsible for ensuring that all staff, contractors, agency workers in their directorates, anyone acting on behalf of the Council and elected members are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that there is adequate availability of and access to the current version of Financial Regulations.

## **FINANCIAL REGULATION 3 - INFORMATION AFFECTING THE COUNCIL'S FINANCES**

**FR3.1** Where a matter arises in any Directorate which could materially affect the Council's finances, other than a matter already approved, Senior Officers shall consult the Section 151 Officer before any provisional expenditure is incurred or any commitment given.

**FR3.2** All Cabinet reports shall contain a section dealing with the financial implications of the matter(s) covered by the report and shall be submitted to the Section 151 Officer, who shall satisfy himself / herself that the financial information is comprehensive and accurate before the report is finalised and published.

## **FINANCIAL REGULATION 4 - PREPARATION OF FINANCIAL PLANS**

**FR4.1** The Section 151 Officer, in consultation with the Chief Executive, shall advise Cabinet each year on the timescales and procedures to be adopted for the formulation of all Financial Plans including the Medium Term Financial Strategy, Annual Revenue Budget, Capital Strategy, Investment Strategy, Capital Programme and Treasury Management Strategy. Cabinet shall agree a timetable which will include stages for consultation with Resources and Performance and appropriate Select Committees and other appropriate stakeholders. Members will be actively involved in scrutiny of budget proposals ahead of submission to Cabinet and Council, and subsequently in the monitoring of progress.

**FR4.2** Senior Officers shall adhere to the agreed timescales and procedures in providing the information required to enable the preparation of Service Development and Financial Plans.

**FR4.3** In accordance with the agreed timescales, the Section 151 Officer shall submit a report to Cabinet, taking account of the views of appropriate committees, with the information required to enable Cabinet to recommend a Capital Strategy and Programme, Revenue Budget and Council Tax for the following financial year to Council. The report will comment on the robustness of the budget proposals submitted for approval in compliance with the requirements of Section 25 of the Local Government Act 2003.

**FR4.4** The responsibilities of Senior Officers are set out in the Budget Accountability Statement (BAS). Any additional expenditure not already included in the existing Revenue Budget must be found from corresponding savings/efficiencies in other areas. Under no circumstances can additional expenditure be incurred without the express approval of the Section 151 Officer.

**FR4.5** Senior Officers, in consultation with the Section 151 Officer, shall make appropriate arrangements for the effective identification, progression and management of external funding and partnership opportunities (there after referred to as “funding opportunity”) applicable to their service area. The External Bidding Hub (Sharepoint site for information and holds the bidding register) and Bidding community group (Teams group for advice, support and opportunity circular) are available to assist Senior Officers and delegations to ensure all possible partners can be identified and considered.

**FR4.6** All bids for a funding opportunity for externally funded schemes shall be made in consultation with the Section 151 Officer or his/her deputies before a bid is submitted. Proper allowance must be made for work which will have to be undertaken by all other services / directorates to implement the scheme, and all costs which have to be met by the Council, in consultation with the relevant Strategic Finance Business Partner. Some applications may require member approval, as set out in the Constitution, particularly where the Council is entering into contractual arrangements.

**FR4.7** All officers engaged in the progression of such schemes shall adhere to these Financial Regulations, the Council’s Procurement Rules, External Bidding Hub and any other directions or instructions given by the Council. Where the Council has been defined by the funder as the Accountable Body for a scheme, Financial Regulations applies equally to the staff of any partnering organisations in respect of the scheme.

**FR4.8** Where a third party works in partnership with the Council in delivering an externally funded project, officers must ensure that a third-party agreement is in place which reflects the terms and conditions of the funding agreement between the Council and the external funder. The responsible officer shall ensure that the third-party complies with the third-party agreement in order to safeguard the Council’s position regarding compliance with its agreement with the funder. For all significant arrangements, the advice of the Monitoring Officer should be taken on the form and content of any agreement.

**FR4.9** Further guidance on preparation of financial plans timescales and procedures, submission and monitoring of capital schemes, roles and responsibilities, and funding



proposals and process can be sought from the appropriate Strategic Finance Business Partner.

## **FINANCIAL REGULATION 5 - AUTHORITY TO INCUR REVENUE EXPENDITURE**

**FR5.1** Budget Managers are authorised to incur expenditure up to the amounts included in their approved budget.

**FR5.2** The Section 151 Officer shall update budgets to reflect approved variations agreed by Cabinet. In addition, they shall approve amendments and update the Revenue Budget in accordance with Financial Regulation 6.

**FR5.3** Overspending against the approved budget is not permitted. However, a situation may arise which requires expenditure to be incurred as a matter of such urgency that there must be no delay. If there is no, or insufficient, budget provision available, the Budget Manager should, in consultation with the relevant Senior Officer and Section 151 Officer obtain the necessary goods, and / or works, and / or services. The additional expenditure shall be met by virement in accordance with Financial Regulation 7.

**FR5.4** The Section 151 Officer or deputies approve any non-redundancy related settlement claims (not covered by FR5.5) over £50,000; otherwise the relevant Strategic Finance Business Partner will approve.

**FR5.5** The approval of special severance agreements and non special severance and redundancy applications (e.g. compulsory and voluntary redundancy, ill health retirement and compensation for an injury at work payments) are covered within the Scheme of Delegation Section 3 Part 3A.

## **FINANCIAL REGULATION 6 - FINANCIAL MONITORING**

**FR6.1** Senior Officers shall comply with the outlined roles and responsibilities and the Budget Accountability Statement (BAS). Individual budgets may be delegated to Budget Managers / Budget Holders within the directorate, however, Senior Officers maintain overall responsibility and are accountable for managing the budgets in compliance with the Budget Accountability Statement.

**FR6.2** Senior Officers are responsible for delivering services within the allocated budget. It is not acceptable to overspend, and mis-management of the budget may lead to disciplinary action.

**FR6.3** Senior Officers and Budget Managers are responsible for delivering the savings/efficiencies identified within their assigned budgets.

**FR6.4** Budget Managers shall provide accurate forecast returns in accordance with the budget monitoring timetable. Any overspends against a single budget line must be met by a saving elsewhere within the budget. If an overall unavoidable overspend is likely to occur, the Budget Manager must notify the appropriate Senior Officer and Strategic Finance Business Partner, and provide a detailed explanation of why the overspend is truly

unavoidable. Any underspends should also be reported early, as these may be required to offset unavoidable pressures elsewhere.

**FR6.5** The monthly forecast returns should provide:

- coherent and detailed explanations which support the reported figures activity levels for budget variances;
- highlight potential budget problems
- progress on management actions; and
- outline the impact on future budgets.

**FR6.6** On behalf of Senior Officers, Strategic Finance Business Partners will present monthly monitoring reports to DLTs. The Section 151 Officer will present a consolidated monthly monitoring report to CLT.

**FR6.7** Using a risk based methodology, regular financial monitoring reports shall also be prepared and submitted, in the agreed format,

- to Cabinet as a standing agenda item on a monthly basis and
- Quarterly monitoring information to the appropriate Select Committees.

#### **FINANCIAL REGULATION 7 - VIREMENT OF REVENUE BUDGETS**

**FR7.1** Budget approval gives Budget Managers the right to incur expenditure on behalf of the Council. Budget Managers may vire between their budget headings within the constraints outlined in the Financial Regulations, in consultation with the appropriate Strategic Finance Business Partners. Virements should not be used to adjust for under / overspends on various headings but only where a definite decision has been taken to change approved spending plans.

**FR7.2** Revenue virements resulting from a change in policy or priorities (either within the same portfolio or between portfolios) will be subject to the following approval:

Amount	Minimum approval required
Up to and including £1m	Executive Director (following consultation with deputy S151 Officer(s))
In excess of £1m, but no more than £2m	Executive Director (following consultation with s151 Finance Officer and relevant Cabinet member(s))
More than £2m	Cabinet (following consultation with relevant Cabinet member, Executive Director and S151 Officer (if not already involved))

**FR7.3** Exceptions to the virement rules are as follows:

- Member approval is not required where a budget will continue to be used for the approved purpose but is being moved, for example, to reflect a change in budget holder responsibilities. Such transfers will however require the approval of either the Director of Financial Insights or Director of Corporate Finance and the relevant Strategic Finance Business Partners(s).
- Member approval is not required for budget movements arising in order to comply with the CIPFA Service Expenditure Reporting Code of Practice guidance on accounting for overheads, or budget movements arising in order to comply with proper accounting practice. Approval is required from the relevant Strategic Finance Business Partner and/or the Director of Corporate Finance or Director of Financial Insights.

## **FR8 – FEES AND CHARGES**

**FR8.1** The Section 151 Officer shall issue guidance to all Directorates on the levels of increase in fees and charges for services to ensure that as far as possible a common approach to charges and revisions of charges is adopted across the Council.

**FR8.2** Senior Officers and Budget Managers will conduct an annual review of all fees and charges, in consultation with the relevant Strategic Finance Business Partners, as part of the annual budget setting process. The purpose of the review would be to ensure that:

- Increases are in line with issued guidance or clear evidence and reasoning for deviation;
- Chargeable discretionary services are not subsidised without a specific supporting policy decision; and
- the level of subsidy for chargeable statutory services is recorded.

The annual review will encompass a review of the budgeted income generation; level of subsidy, associated benchmarking comparatives, any changes to the local economy and any changes in legislation to statutory services.

**FR8.3** Each Directorate will supply to Finance Senior Management Team (FSMT) a list of fees and charges highlighting changes to the fee or charge, and comparative change from year to year. FSMT will consider whether any fees and charges are commercially sensitive, or politically high priority to define whether the change requires Cabinet approval or noting.

**FR8.4** Once the fees and charges (discretionary and statutory) annual review has been conducted and FSMT reviewed them, within the annual budget setting timeline, the following table provides the approval and publishing delegation:

Change:	Existing fees and charges			New fees and charges
	in line with guidance or rounding <sup>1</sup>	increase higher than issued guidance	part of a high priority schedule	
Approved by:	Budget Managers	Relevant Cabinet Member		
In consultation with:	Relevant Strategic Finance Business Partners	Finance Senior Management Team		
Published in	Noted within Cabinet Budget Report*	Approved by the relevant Cabinet Member (in year changes) or within Cabinet Budget Report*		

\*or within another Cabinet report before the start of the new financial year. If commercial sensitive, the individual fees and charges would be considered for Part 2 Committee report.

**FR8.5** In determining charges for discretionary services, the cost of providing the service should be calculated and fees charged to the service user in order and where possible to recover all direct, indirect, and overhead costs incurred by the Council in the delivery of the service and in compliance with relevant legislation. Where relevant, the cost of chargeable officer time should be used as calculated by corporate finance in the Commercial Rate Card (updated annually). The importance of services to the users, comparable charges made by neighbouring authorities and income targets should all be taken into consideration. Senior Officers should liaise with the appropriate finance officer in relation to the proposals. Finance officers must wherever possible prevent an unintended subsidy of discretionary services through the under-recovery of indirect and/or ancillary costs incurred in the delivery of discretionary services.

**FR8.6** As part of the annual review of fees and charges, Senior Officers shall also examine the possibility of introducing charges for services where no charges are currently made. This will be undertaken in consultation with Legal Services.

**FR8.7** Some fees and charges may not be fixed, but based on full or part cost recovery, subject to a supporting policy decision regarding subsidy (FR8.2).

**FR8.8** Where charges are assessed according to ability to pay, Senior Officers may make arrangements for the charges to be reduced in accordance with an assessment methodology approved by Cabinet.

## **FINANCIAL REGULATION 9 - CARRY FORWARD OF UNSPENT BUDGETS**

**FR9.1** The carry forward of unspent provisions in the Revenue Budget from one financial year to the next is not permitted except with explicit approval of the Section 151 Officer, in consultation with the Leader of the Council and the Cabinet Member for Finance.

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<sup>1</sup> Appropriate rounding eg: low value fees and charges being round up to the next normal increment – from £1 to £1.25

**FR9.2** The Section 151 Officer shall, as soon as is practicable, supply a detailed list of the items and amounts approved to Senior Officers and Budget Managers. The Section 151 Officer will report specific items to members within the overall outturn report.

**FR9.3** Year end balances will be transferred to and from reserves by the Section 151 Officer, in line with the Council's Reserves Policy, and with the approval of Cabinet.

#### **FINANCIAL REGULATION 10 – RESERVES**

**FR10.1** Reserves will be set by the Council each year as part of the budget setting process. The Section 151 Officer will advise the Cabinet and Council on the prudent level of reserves and balances, taking into account prevailing and anticipated levels of risk and uncertainty.

**FR10.2** The creation of any reserve will be subject to the approval of Cabinet, upon the advice of the Section 151 Officer. For each reserve established, the purpose, and usage will be clearly articulated.

**FR10.3** Increases in existing reserves come about through two routes:

- Through the budget setting process, the setting of which requires Full Council approval; and
- By transfer of an underspend into reserves in accordance with the table below:

Amount	Minimum approval required
Up to and including £1m	Executive Director (following consultation with deputy S151 Officer(s))
In excess of £1m, but no more than £2m	Executive Director (following consultation with s151 Finance Officer and relevant Cabinet member(s))
More than £2m	Cabinet (following consultation with relevant Cabinet member, Executive Director and S151 Officer (if not already involved))

**FR10.4** The Section 151 Officer shall be authorised to draw upon reserves for the agreed purposes of that reserve, subject to provision remaining available.

#### **FINANCIAL REGULATION 11 - AUTHORITY TO INCUR CAPITAL EXPENDITURE**

**FR11.1** The Council's approach to capital investment is set out in the Councils, Capital Investment and Treasury Management Strategy and the Investment Strategy, which is approved by Council as part of the budget setting papers each February. New schemes and projects will usually only be added to the Capital Programme as part of the annual budget setting process, however, changes, capital virements and additions may be made during the year, subject to one of two decision-making structures:

- Capital expenditure relating to equity investments or investment property will be subject to assessment by the officer-led Shareholder Investment Panel, the Asset Strategy Board and ultimately approved by members at Strategic Investment Board.
- All other capital expenditure will be subject to assessment by the appropriate Strategic Capital Group; for Information Technology, Infrastructure and Property, the Capital Programme Panel and formal member approval, where required by the Scheme of Delegation.

**FR11.2** Capital expenditure other than on equity investments and investment property is subject to a governance route based on value and an assessment of impact and risk. New capital schemes and projects and changes to existing schemes and projects are assessed and scrutinised in up to three stages prior to being included in the Capital Programme:

- Strategic Capital Groups, comprising the Head of Service or their nominated officer and Strategic Finance Business Partner or their nominated officer, for:
  - Information Technology,
  - Infrastructure; and
  - Property.
- Strategic Capital Groups can make decisions on new approvals of up to £250,000, or approve existing schemes where the scheme or project is within the approved Capital Programme Budget and does not require additional officer or member approval, based on an assessment of impact and risk. Variations to existing budgets can be approved up to 10% of total budget, up to a maximum of £250,000.
- The Capital Programme Panel, comprising of the Section 151 Officer or their nominated officer, the chairs of the Strategic Capital Groups and other nominated officers. The Capital Programme Panel can make decisions on new approvals of up to £1,000,000 where the scheme or project does not require member approval based on an assessment of impact and risk. Variations to existing budgets can be approved up to 10% of total project budget, up to a maximum of £500,000.
- Approval by Cabinet is required for all other additions and changes.
- Where overarching programme strategies are approved by Cabinet, Cabinet may delegate the approval of individual schemes over £1,000,000 to the relevant Cabinet Member(s) and Executive Director(s), subject to scrutiny of business cases by the Cabinet Programme Panel. Individual schemes should initially be reviewed by Capital Programme Panel and then be signed off by the relevant Executive Director(s). Final approval will be via the relevant Cabinet Member(s) via a formal delegated decision sheet which will be published and subject to call in processes.
- In these cases, the Cabinet Member, Executive Director and Capital Programme Panel will also be responsible for ensuring, in consultation with Strategic Capital Groups, that the overarching strategy approved by Cabinet remains deliverable

within the overall programme budget and that key metrics, eg number of additional school places, will be delivered.

**FR11.3** All proposed schemes must be based on a robust business case and subject to appropriate internal or external due diligence. In particular the business cases must ensure:

- Capital Programme proposals are consistent with the Council's Organisation Strategy, Capital Strategy and Investment Strategy, Asset and Place Strategy and Directorate Strategies and have a strategic mandate to proceed;
- Each capital scheme or project is assessed for both financial and service risk;
- The proposed timetable for the scheme or project is realistic; and
- All associated revenue implications are fully quantified and covered in the current and future years.

**FR11.4** Only those schemes and projects that meet the strategic priorities and have been assessed via the stages outlined above, subject to member approval where required, will be approved as part of the Capital Budget. Projects in an earlier stage of development may be included in the Capital Pipeline but will require business case approval, assessed via the stages outlined above, before they can commence.

**FR11.5** Contracts for capital works will be awarded in accordance with the rules set out in Procurement Standing Orders.

## **FINANCIAL REGULATION 12 - MONITORING OF THE CAPITAL PROGRAMME**

**FR12.1** Once a capital scheme or project has been approved in the Council's Capital Programme Budget, each Budget Manager shall be responsible for monitoring expenditure, and for providing information in accordance with arrangements set out in the Budget Holder Handbook – Capital to enable regular reports to be submitted to DLTs, CLT, Select Committees and to Cabinet. Note: Annually Senior Officers, known as Accountable Budget Officers, are requested to acknowledge their responsibilities and capital budget remit. Budget Accountability Statements (BAS) are produced before the commencement of the financial year and require confirmation of the accountabilities and the budget envelope.

**FR12.2** If necessary and following consultation with the Section 151 Officer or their nominated officer, virements may be made between capital schemes to reflect the value of each accepted tender. Virements should be approved by the appropriate Strategic Capital Group, Capital Programme Panel or Cabinet based on the thresholds and non-financial factors set out in FR11.2.

**FR12.3** Block items within the Capital Programme comprising a number of schemes (e.g. Maintenance and Minor Works Programmes) shall be regarded as a single project subject to

the total scheme costs not being exceeded, and satisfying the requirements of any external funder.

### **FINANCIAL REGULATION 13 – FINANCIAL ACCOUNTS**

**FR13.1** The Section 151 Officer shall ensure that all financial transactions of the Council are accurately reflected in the Council's accounting records.

**FR13.2** All financial systems, accounting policies and accounting records shall be in a form agreed by the Section 151 Officer. All proposed changes to accounting policies must be approved by the Section 151 Officer and discussed with the Council's external auditors before implementation.

**FR13.3** The Section 151 Officer will make appropriate arrangements for and advise officers and members on all taxation issues that affect the Council.

**FR13.4** The Section 151 Officer will sign off the annual Statement of Accounts, once they are satisfied that the statement represents a true and fair view of the financial position of the Council. The Statement of Accounts will be submitted for approval to the Audit and Governance Committee.

**FR13.5** Senior Officers are required to sign a Manager's Assurance Statement each year in a form prescribed by the Section 151 Officer to assist with evidence for the annual accounts. The Manager's Assurance Statement would be issued at the end of the financial year confirming:

- adherence and compliance to all relevant governance,
- contingent liabilities, post balance sheet events, claims, related parties and conflicts of interest related to financial year end transactions, and
- contribution and the correlation of actual financial year end position links to the outturn report.

The group of Senior Officers signing a Manager's Assurance Statement is similar to the group acknowledging Budget Accountability Statements. The Manager's Assurance Statements addresses those areas that don't have budgets due to being funded from other sources like Better Care Fund and mid-year alignments. Note: Budget Accountability Statements (BAS) are for Accountable Budget Officers acknowledging the framework and remit of responsibilities at the beginning of the financial year. The BAS outlines the budget responsibilities of the new financial year.

**FR13.6** Arrangements for the retention or destruction of financial records shall be in accordance with the Council's Record Retention Policy. In any event, no document relating to the financial transactions of the Council, or its employees shall be destroyed before the completion of the External Audit for the year concerned.

**FR13.7** Senior Officers shall be responsible for ensuring that there are adequate arrangements, in respect of financial information held in electronic form, to safeguard



continuity in the event of an emergency and shall comply with the requirements set out in the Council's IT Security Policy.

#### **FINANCIAL REGULATION 14 - DUTY TO CARRY OUT AUDIT**

**FR14.1** The Section 151 Officer shall ensure that the Council maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices, as laid down in The Accounts and Audit Regulations. This also extends to external audit, where appropriate, subject to external partners and external funding requirements. To facilitate independence and objectivity in reporting, the reporting lines of the Internal Audit function should be unfettered by line management structures so that direct access to any officer, member or external regulating authority (e.g. external audit) will be available.

**FR14.2** In order to discharge his / her responsibilities under FR14.1 above, the Section 151 Officer, Internal Audit and any other authorised staff shall have the right to:

- a) Enter any Council premises or land at any reasonable time, without prior notice;
- b) Have access at all times to all records and documents (including email and correspondence) relevant to the business of the Council as maintained by the Council or third parties on its behalf including (but not limited to) external contractors and consultants;
- c) Require and receive any information and explanations considered necessary to the audit; and
- d) Require any employee or agent of the Council to account for assets under his / her control.

**FR14.3** The Chief Internal Auditor shall report on a regular basis to the Audit and Governance Committee with a summary of internal audit activity, and shall bring to the attention of the Chief Executive and the Audit and Governance Committee any significant matters which may have come to his / her attention in the course of delivering the internal audit function.

#### **FINANCIAL REGULATION 15 - FINANCIAL IRREGULARITIES**

**FR15.1** All officers are required to inform their manager on becoming aware of any irregularity, or suspected irregularity, affecting income, expenditure, cash, stores or any of the resources of the Council. Senior Officers shall inform the Chief Internal Auditor as soon as practicable. If it is not appropriate to inform local management because of a potential connection to the alleged irregularity, then officers should contact the Chief Internal Auditor directly. This requirement also applies to elected members and to agents working on behalf of the Council where the concern is around Council related matters.

**FR15.2** The Chief Internal Auditor shall consider during the course of any investigation or at its conclusion, as they deem appropriate, whether the matter may require investigation by the Police and / or notification to the External Auditor. Where appropriate they shall seek the advice of the Monitoring Officer and inform the Chief Executive.

**FR15.3** At the conclusion of any investigation or earlier if appropriate, the Chief Internal Auditor shall, in consultation with the Monitoring Officer, agree with the Senior Officer concerned the steps that should be taken to mitigate any loss and prevent a recurrence of it. The Chief Internal Auditor shall report, if they consider it necessary, initially to the Chief Executive and, following that, to the Audit and Governance Committee, depending on the circumstances.

**FR15.4** All investigations of this type undertaken by Internal Audit will be under the direction of the Chief Internal Auditor, in consultation with the Section 151 Officer and the Director of People and Change. Such investigations will be undertaken in line with the Council's Counter Fraud Strategy and Framework, which forms part of the Constitution. The Director of People and Change will ensure that "whistle blowing" procedures are defined, documented, widely communicated and reviewed at appropriate intervals, in consultation with the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor.

**FR15.5** The Chief Internal Auditor or his / her delegated authority within Internal Audit 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, which is contained in the Counter Fraud Strategy and Framework, states that the Council will not accept cash payments in excess of £5,000.

#### **FINANCIAL REGULATION 16 - ORDERING PROCEDURES**

**FR16.1** Senior Officers shall be responsible for ensuring that all orders issued from their departments for goods, works and services are in accordance with Procurement Standing Orders.

#### **FINANCIAL REGULATION 17 - CONSULTANTS AND CONTRACTORS**

**FR17.1** Agency workers, Contractors, and individual Consultants should be sourced in accordance with Procurement and HR guidelines.

**FR17.2** For agency/interim staff, Surrey has a joint venture with Kent Commercial Services called Connect2Surrey (C2Su) to supply all agency workers. When the appointment is covering for permanent budgeted roles, the process is outlined through C2Su arrangements or Procurement Standing Orders, if C2Su can find the appropriate candidate. FR5.1 – FR5.3 outlines approval and specifics regarding overspending.

**FR17.3** When the appointment is for specific projects, the Chief Executive (and if required the Leader) must approve interim staff, 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.

**FR17.4** All consultant or contractor engagements with an aggregate value of £100,000 or over, must be subject to competitive tender and review by the regular procurement governance process before approval by the Leader and Chief Executive. The Leader and Chief Executive will not approve such engagements retrospectively.

**FR17.5** Consultants, contractors and agency workers engaged to supervise contracts on behalf of the Council shall be required to comply with these Financial Regulations as if they were direct employees of the Council. Such a requirement shall be included in every agreement for their services. Any reference in these Financial Regulations to a Budget Manager shall apply to a consultant, contractor or agency worker. Where a report is required, it shall be made by the consultant, contractor or agency worker to the appropriate Senior Officer, who shall report to members as required.

## **FINANCIAL REGULATION 18 – CONTRACTING ARRANGEMENTS**

**FR18.1** All procurement and purchasing undertaken must adhere to the specified processes as agreed by the Corporate Leadership Team and follow the requirements of the Procurement Standing Orders. The Section 151 Officer may authorise the use of Purchasing Cards for Council staff for the purposes of defraying petty cash and other minor or urgent expenses.

**FR18.2** All material assumptions and risks inherent in evaluations of proposed contracts must be fully disclosed to those officers and members making decisions on the award of the contract, before the contract award is made.

**FR18.3** Long term strategic contracts must include provision to secure continuous improvement, improved efficiency and value for money. Financial relationships must be made under the relevant corporate guidance as highlighted in the introduction. 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.

**FR18.4** All partnership arrangements and pooled budgets must be agreed under written terms appropriate to the extent of the financial risk to the Council and may only be entered into following appropriate consultation with and approval from the Section 151 Officer and the Monitoring Officer. Where the Council's contribution to, or financial risk from such arrangements, exceeds £100,000, Cabinet's approval is required. Appropriate approval must be obtained before entering into any proposed partnership.

## **FINANCIAL REGULATION 19 - PAYMENT OF SALARIES AND WAGES**

**FR19.1** The payment of all salaries, wages, pensions, compensation and other emoluments to employees, former employees or beneficiaries of the Council shall be made in accordance with arrangements approved by the Chief Executive and the People, Performance and Development Committee (PPDC).

**FR19.2** The Director of People and Change shall arrange for all relevant payments in respect of sums deducted from employees' remuneration and any employers' contributions to be made to the appropriate agency.

**FR19.3** Senior Officers shall notify the Director of People and Change, or his / her agent, of all matters affecting payment as soon as possible. Notification will be in the form prescribed by the Section 151 Officer and Monitoring Officer.

**FR19.4** Time records or other pay documents (including those relating to flexible working hours) shall be in a form prescribed or approved by the Director of People and Change.

**FR19.5** The Director of People and Change shall ensure that there are proper arrangements to maintain all necessary human resources records concerning pay, superannuation, statutory sick pay, national insurance and income tax.

**FR19.6** The Director of People and Change shall have regard to any recommendations made by the Section 151 Officer in all matters of a financial nature.

## **FINANCIAL REGULATION 20 - INCOME COLLECTION AND BANKING ARRANGEMENTS**

**FR20.1** Senior Officers and Budget Managers shall seek the prompt collection of all monies due to the Council in accordance with arrangements approved by the Section 151 Officer and as specified in the Income Manual.

**FR20.2** Senior Officers and Budget Managers are responsible for dealing with the receipt of money and other remittances and holding them in secure conditions before they are banked or otherwise dealt with.

**FR20.3** The Section 151 Officer is responsible for the Council's overall banking arrangements. All arrangements for opening bank accounts and for the banking and withdrawal of money shall be approved by the Section 151 Officer. The Section 151 Officer shall determine the arrangements for the reconciliation of all Council bank accounts.

## **FINANCIAL REGULATION 21 – ADULT SOCIAL CARE ASSESSED FEES & CHARGES DEBT MANAGEMENT AND BAD DEBT WRITE OFF**

**FR21.1** The Section 151 Officer has the authority to approve write offs of unpaid Adult Social Care assessed fees & charges up to the value of £100,000 per individual debt where the relevant Budget Manager and financial assessment staff in Adult Social Care, Legal Services and Corporate Finance agree there is no realistic chance of recovering the debt or it is considered uneconomical to attempt debt recovery. The Section 151 Officer has the overriding authority to approve or reject write offs if there is not agreement between Adult Social Care, Legal Services and Corporate Finance about a particular debt.

**FR21.2** The Section 151 Officer may delegate in writing approval of individual write offs of unpaid Adult Social Care assessed fees & charges to another member of the Corporate Finance service.

**FR21.3** The Section 151 Officer or the delegated Corporate Finance officer may delegate in writing approval of write offs of unpaid Adult Social Care assessed fees & charges up to £5,000 to designated officers in Adult Social Care. Where this delegation is made, the designated Adult Social Care officers will have the authority to approve write offs without the need to seek advice and formal approval from Corporate Finance.

**FR21.4** Any individual debts relating to unpaid Adult Social Care assessed fees & charges of more than £100,000 must be approved by Cabinet, subject to the recommendation of the Section 151 Officer.

**FR21.5** Write off of irrecoverable debt will be charged to the relevant budget in Adult Social Care. The year-end financial outturn report will provide a summary of all irrecoverable debt written off during the year relating to Adult Social Care assessed fees & charges.

**FR21.6** Credit balances, which are over three years old and which cannot be substantiated or justified, will be released to the relevant fund after closure of accounts of each year, subject to formal approval by the Section 151 officer.

**FR21.7** The Council will maintain a provision for bad debt relating to unpaid Adult Social Care assessed fees & charges. The Section 151 Officer will determine the criteria to calculate how much to provide for outstanding debts in relation to their age and type in consultation with Adult Social Care and Legal Services. The social care bad debt provision will be recalculated based on the latest debt levels and types on at least a quarterly basis. Adult Social Care will bear the impact of any increase or decrease required to the social care bad debt provision. Adult Social Care will review each year how much it is proposed is budgeted for potential bad debt to limit in-year impacts of write offs, changes to the bad debt provision or other costs associated with bad debts such as legal fees paid for debts that prove to be irrecoverable. Any budget provision proposed by Adult Social Care will be approved as part of the annual budget setting process.

## **FINANCIAL REGULATION 22 – DEBT MANAGEMENT AND BAD DEBT WRITE OFFS NOT RELATING TO ADULT SOCIAL CARE ASSESSED FEES & CHARGES**

**FR22.1** The Section 151 Officer has the authority to approve write offs of unpaid debts up to the value of £100,000 per individual debt where the relevant Budget Manager, Legal Services and Corporate Finance agree there is no realistic chance of recovering the debt or it is considered uneconomical to attempt debt recovery. The Section 151 Officer has the overriding authority to approve or reject write offs if there is not agreement between the Budget Manager, Legal Services and Corporate Finance about a particular debt.

**FR22.2** The Section 151 Officer may delegate in writing approval of individual write offs of unpaid debts to another member of the Corporate Finance service.

**FR22.3** Any individual debts of more than £100,000 must be approved by Cabinet, subject to the recommendation of the Section 151 Officer

**FR22.4** Write off of irrecoverable debt will be charged to the relevant budget code where the debt was first raised unless otherwise agreed by the Section 151 Officer or their delegated representatives. The year-end financial outturn report will provide a summary of all irrecoverable debt written off during the year.

**FR22.5** Credit balances, which are over three years old and which cannot be substantiated or justified, will be released to the relevant fund after closure of accounts of each year, subject to formal approval by the Section 151 officer.

**FR22.6** The Council will maintain two provisions for bad debts (in addition to the one relating to unpaid Adult Social Care assessed fees & charges) as follows:

- A specific provision for all debt outstanding with Integrated Care Boards (ICBs).
- A general provision for all other debt.

The Section 151 Officer will determine the criteria to calculate how much to provide for outstanding debts in relation to their age and type in consultation with the relevant Budget Managers and Legal Services. The bad debt provisions will be recalculated based on the latest debt levels and types on at least a quarterly basis. Relevant services will bear the impact of any increase or decrease required to the bad debt provision relating to ICBs. The impact of increases or decreases required to the general bad debt provision will be charged to Central Income and Expenditure. Each year consideration will be given as to whether any budget provision should be made to account for the potential impact of bad debt on the Council's revenue budget in the coming year. This will be approved as part of the annual budget setting process. Any savings realised against this budget provision will be transferred to reserves.

## **FINANCIAL REGULATION 23 – ASSETS**

### **Land and Property**

**FR23.1** All acquisitions of land and buildings up to the value £1m require approval from the relevant Cabinet Member in conjunction with the Leader. This value relates to freehold and leasehold interest.

**FR23.2** All acquisitions of land or buildings valued at £1m or more requires Cabinet approval.

**FR23.3** All disposals of land or buildings up to the value of £1m require approval from the relevant Cabinet Member in conjunction with the Leader. This value relates to freehold and leasehold interest and includes setting a reserve figure for auction sales.

**FR23.4** All disposals of land or buildings valued at £1m or more requires Cabinet approval. All disposals should be recorded within an approved register.

**FR23.5** All acquisitions and disposals must be referred to the Land and Property Team. The application of best value considerations may result in disposal of assets at less than market value due to wider economic, environmental and social value factors. The approach to valuation should be agreed in advance, in consultation with the Section 151 Officer.

### **Assets other than Land and Property**

**FR23.6** Assets declared surplus to the Council's requirements should be disposed of at the most appropriate time, and only when it is in the best interest of the Council, and best value

is obtained. For assets of significant value, disposal should be by competitive tender or public auction.

**FR23.7** Any proceeds from the disposal of assets should be receipted and recorded, even if the disposal value is nil.

**FR23.8** No items can be disposed of to a member of staff without the explicit approval of the Section 151 Officer.

**FR23.9** All acquisitions and disposals valued over £10,000 must be subject to a professional valuation. The approach to valuation should be agreed in advance, in consultation with the Section 151 Officer.

**FR23.10** Senior Officers are responsible for and shall make arrangements for the safe custody and care of all assets in his / her department, including exercising proper control over the use of those assets. Such assets shall include plant, machinery, vehicles, furniture, equipment, other non-consumable property, stocks and stores and IT equipment.

**FR23.11** Senior Officers are responsible for keeping inventory records and the marking of Council property. The Council's property shall not be removed other than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes.

**FR23.12** Senior Officers are authorised to adjust their inventory records, relating to items outlined in FR22.10 where any surplus or deficiency arises up to £2,500 in respect of any one item, provided appropriate investigations have been carried out to establish the reasons and prevent a recurrence. Records of such adjustments are subject to Internal Audit inspection.

**FR23.13** The Section 151 Officer shall authorise Officers to adjust their inventory records where any surplus or deficiency arises between £2,500 and £5,000 in respect of any one item provided the appropriate Officer has investigated and reported the reasons for the discrepancy.

**FR23.14** Adjustments to inventory records in respect of any one item where the amount exceeds £5,000 shall be referred to Cabinet.

**FR23.15** Budget Managers, after consultation with the Section 151 Officer, are authorised to delete any item from their inventory records where the item has become obsolete and is no longer adequate for the purpose intended, or the item is broken or worn.

## **FINANCIAL REGULATION 24 - STOCKS AND STORES**

**FR24.1** Lead Officers and Budget Managers are responsible for the receipt, issue and checking of the stocks and stores in their departments and for maintaining appropriate stock levels.

**FR24.2** The extent to which items shall be included in records, and the form of record-keeping, shall be determined by the appropriate Senior Officer in consultation with the Section 151 Officer.

**FR24.3** Senior Officers, in consultation with the Section 151 Officer, are authorised to adjust stock balances up to £10,000 in respect of any one item provided appropriate investigations have been carried out to establish the reasons and prevent a recurrence. All other write offs require Cabinet approval.

**FR24.4** The year-end financial outturn report to Cabinet will set out all stock write offs granted in the year.

## **FINANCIAL REGULATION 25 – ESTATES**

**FR25.1** The Director of Land and Property shall update the Council's Asset Management Plan as necessary and maintain a terrier recording details of all land and properties held by the Council.

**FR25.2** The Monitoring Officer shall have custody under secure arrangements of all the title deeds in the possession of the Council.

**FR25.3** The Director of Land and Property shall be responsible for land and property under his / her control, and for obtaining the best economic return possible consistent with Council policy and legal requirements. They shall ensure that all rents etc. are regularly reviewed.

## **FINANCIAL REGULATION 26 - RISK MANAGEMENT AND INSURANCE**

**FR26.1** The Risk Management Strategy outlines the arrangements in place to ensure the Council identifies and deals with the key risks it faces. The Section 151 Officer is responsible for ensuring that a risk management process is maintained across the Council and may specify risk management activity to be undertaken by other officers. 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.

**FR26.2** 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.

**FR26.3** The Section 151 Officer is responsible for advising Cabinet on insurance arrangements. The Section 151 Officer shall be responsible for the day to day administration



of the Council's insurances, through the Orbis Centre of Expertise, and negotiating all policies and claims in consultation with the relevant Senior Officers and Budget Managers.

**FR26.4** Senior Officers, in consultation with the Section 151 Officer, shall be responsible for the effective management of all insurable risks.

**FR26.5** Senior Officers shall consult the Monitoring Officer and the Section 151 Officer concerning the terms of any indemnity which the Council may be requested to give.

**FR26.6** All Officers shall give prompt notification to the Section 151 Officer of all new risks, properties or vehicles which require to be insured in accordance with arrangements determined by him / her.

**FR26.7** Any person who makes use of his / her own vehicle for Council business shall comply with the appropriate County Council policies with regards to car users and any instructions relating to this policy issued by the Director of People and Change.

**FR26.8** Senior Officers shall make arrangements for maintaining proper security at all times for all assets under his / her control and safe and proper arrangements for the custody of keys to safes and similar receptacles.

**FR26.9** Senior Officers shall immediately notify the Section 151 Officer of any loss, liability, damage or other similar event likely to lead to a claim. Where appropriate, the Section 151 Officer shall inform the Monitoring Officer and the Police. Such notification shall be confirmed promptly in writing.

## **FINANCIAL REGULATION 27 - TREASURY MANAGEMENT AND THE PENSION FUND**

**FR27.1** All money held by the Council (except the Pension Fund) shall be aggregated for the purposes of treasury management and shall be under the control of the Section 151 Officer, subject to the constraints of delegated powers given to schools. They shall seek expert advice on these matters when considered appropriate.

**FR27.2** The Section 151 Officer is responsible for the Council's treasury management activities in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities and the Prudential Code. They shall propose an annual Treasury Management Strategy Statement to the Audit and Governance Committee.

**FR27.3** The Section 151 Officer, through the Orbis Centre of Expertise, will ensure that the provisions of the strategic and operational requirements in FR27.2 are implemented, legislative requirements are complied with and regular monitoring of all Treasury Management activity is undertaken.

**FR27.4** Effective scrutiny of the Treasury Management Strategy will be undertaken by the Resources and Performance Select Committee, as part of the overall scrutiny of the budget. The Section 151 Officer will submit a mid-year review and an annual outturn report on treasury management to the Audit and Governance Committee.

**FR27.5** The Section 151 Officer has delegated authority to take urgent action as required between Pension Fund Committee meetings, but such action can only be taken in consultation with and by agreement with the Chairman or Vice Chairman of the Pension Fund Committee and following consultation with any relevant Consultant or Independent Advisor.

**FR27.6** The Section 151 Officer will ensure that monitoring reports on the Pension Fund's investment performance and activities, and any other business, are considered by the Pension Fund Committee at least quarterly.

**FR27.7** The Section 151 Officer will ensure that a report on the triennial actuarial valuation of the Pension Fund is taken to the Pension Fund Committee.

**FR27.8** The Section 151 Officer will ensure that a report on the annual accounts and associated external audit of the pension fund is taken to the Pension Fund Committee.

**FR27.9** The Council, as corporate trustee for a limited number of Trust Funds through its members and officers, will ensure that the Council administers them in accordance with its legal responsibilities as trustee, distinct and separate from its functions as a local authority. The council when undertaking the aforementioned duties will also comply with the CIPFA Code of Practice in Treasury Management and any relevant Charity Commission guidance, to ensure provisions are appropriately implemented.