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SURREY
COUNTY COUNCIL

Making Surrey a better place

Financial Regulations
May 2018

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 members, 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 Executive Director for Finance and Orbis 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 Executive Directors, Heads of Service, budget holders / budget managers and members 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), Article 12 (Contracts and Legal matters) and Part 3 Responsibility of Function 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 Executive Director for Finance reviews the regulations regularly and proposes any amendments to the Leader.

Regulation 1: Officer roles and responsibilities

Executive Director for Finance

1.1. The Executive Director for 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 2015.

1.2. The Executive Director for Finance's key responsibilities are to:

a) provide strategic financial planning and advice to the Chief Executive, Executive Directors, Heads of Service, 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 Executive Director for Finance.

1.3. The Executive Director for Finance must be given access to any necessary information to comply with these statutory duties.

Senior leaders (Chief Executive, Executive Directors, Heads of Service)

1.4. Senior leaders of the organisation, including the Chief Executive, Executive Directors, Assistant Directors and Heads of Service have individual and collective responsibility, as well as members, 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.

1.5. Senior leaders shall (jointly with the Executive Director for Finance) propose a revenue and capital budget to Cabinet for each service, within their budget guidelines set by the Cabinet.

1.6. Senior leaders must produce a monitoring report every month on the progress and projected spend of their approved revenue and capital budgets within agreed timescales.

1.7. Senior leaders are responsible for ensuring that there is a nominated budget holder responsible for controlling each part of their total budget. Senior leaders will align budgetary accountability with managerial responsibility when nominating budget holders for the use of resources as closely as possible.

1.8. Senior leaders will be accountable, via the annual performance framework, for managing revenue and capital budget variations within annually agreed tolerances. In turn they are responsible for ensuring their nominated budget holders are similarly held to account.

1.9. Each senior leader 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 Executive Director for Finance.

Budget holders

1.10. 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.

1.11. Budget holders shall make arrangements to ensure that the actual revenue and capital expenditure does not exceed the approved budget in accordance with paragraph 2.24 below.

1.12. Risk criteria (gross expenditure, prior year variance, level of savings, complexity, political sensitivity and budget holder experience) 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.

1.13. Budget holders are accountable for their budget areas, and to make arrangements for managing and approving expenditure, including recruitment, to ensure value for money in service delivery. Accountability for budget areas means resources are managed within the all relevant policy frameworks, and within approved budget. The budget holder is responsible for taking action to recover and to report upon any variances from the budget. Budget managers are accountable and responsible for the budget narrative that informs the monthly report to Cabinet and other tracking mechanism as deemed relevant by the Executive Director for Finance. Combining more than one budget holder report into a service report is the responsibility of senior leaders. The Finance Service can support budget holders in producing budget narratives although the service must lead on preparation of that narrative.

1.14. While retaining accountability, budget holders may delegate day to day responsibility to budget managers. Budget managers are responsible for monitoring budgets within the Risk Based Approach as described in section 1.12. above and in section 2.19. The Finance Service can advise budget managers with this.

1.15. The Executive Director for Finance and relevant senior leader 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 November the Council will agree a draft revenue and capital budget including the following year's overall revenue budget, capital programme (see Regulation 3) and the medium term financial plan (MTFP) based on sensible funding assumptions and in alignment with the corporate vision. In late January or early February, the Leader and Cabinet propose the level of council tax precept for the coming financial year for the County Council to set.

2.2. The Executive Director for Finance submits a report to the Cabinet and County Council on the robustness of the budget proposals submitted for 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 Executive Director for Finance agree budget guidelines for each year of the MTFP. Senior leaders and Budget holders must propose revenue and capital budgets for the MTFP period that are sustainable for the council and are within the agreed guidelines. Senior leaders must present their budgets to the Executive Director for Finance, and Corporate Leadership Team, incorporating an explanation of key assumptions and risks.

2.4. Members will (through scrutiny committees) be actively involved in scrutiny of budget proposals ahead of submission to Cabinet and County Council and subsequently in the monitoring of progress.

2.5. The Leader presents the draft budget to Cabinet in October, County Council in November and final budgets (including precept proposal) to Cabinet in January or February and to County Council in February.

2.6. Any revenue budget changes must follow virement regulations (see paragraph 2.18).

Fees and charges

2.7. Every year services must review and update their fees and charges with 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 MTFP. Each fee or charge will be required to be reviewed in-depth periodically which must not exceed three years. Each review will ensure that all costs are recovered through the fee, unless there is a specific policy to provide a subsidy. This strategy must be part of the overall service strategies and communicated as part of the MTFP. Select committees may review and challenge the fees and charges elements of the service strategies.

2.8. Any new charges or any changes in policy will need to follow the following approval process:

- When there is a change of service policy that could, depending on legal advice, require a public consultation, a separate Cabinet paper proposing the new fee or 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.

- When there is no change of service policy, the service could choose to have a separate Cabinet report or include a request within the budget monitoring report proposing the new fee and charge

2.9. 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 leaders have authority to waive fees and charges for reasons outlined in the 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.

2.10. 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

2.11. Senior leaders 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

2.12. Cabinet has discretion to use and allocate resources within the budget approved by County Council. Any decision of Cabinet, a committee, individual Cabinet Members, officers, local committees or a joint body discharging executive functions which would incur actual expenditure beyond the total approved Council budget requires County Council's agreement. If an over spend is projected, on the council's total approved budget, this will be identified and reported through the monitoring process. This will allow action to be taken to ensure that a balanced budget position is reached at the end of the financial year.

2.13. 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.

2.14. Revenue Invest to Save scheme proposals must follow the Investment Panel process set out in paragraph 3.7. Budget holders and budget managers 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.

2.15. Senior leaders 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 Executive Director for Finance's advice into account.

2.16. 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 and budget managers must seek approval through the virement process outlined in paragraph 2.18 for such amendments. Cabinet notes all grant virements reported within the Leader's budget monitoring reports.

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

2.18. The approval requirements depend on the virement. Gross expenditure identifies the size, and significance of an activity. Therefore gross expenditure thresholds are used to determine what level of approval is required.

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 – Executive Director Across directorates – Executive Director for Finance
Without existing Cabinet approval In line with key decision threshold (3.27)	Under £500,000 (full year effect – gross expenditure) -Executive Director for Finance Over £500,000 (full year effect – gross expenditure) within or across portfolios- formal approval by Cabinet after informal communication with the relevant Cabinet Member and the Leader

Revenue Budget Monitoring

2.19. Budget holders are required to monitor and report on their revenue (continuous and non-continuous i.e. project) budgets in accordance with risk ratings determined using the criteria in paragraph 1.12. While retaining their accountability, budget holders might delegate responsibility for monitoring and reporting to budget managers as stated in paragraph 1.14.

2.20. Budget holders will maintain the savings and pressures Tracker developed by Finance to enable prompt reporting of progress to the Corporate Leadership Team and then to members through monthly Cabinet reports.

2.21. 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, executive 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

2.22. Senior leaders and Finance review and validate completed budget monitoring forecasts and commentaries.

2.23. 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 2.18).

2.24. 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 2.18)
c) in very exceptional circumstances, request Cabinet to approve a supplementary budget allocation.

2.25. The budget holder must include comments about such actions taken in their budget monitoring commentary.

Reporting

2.26. The Executive Directors work together to agree the overall budget monitoring report for Cabinet each month. The Executive Director for Finance will coordinate and oversight of the report on behalf of the Leader.

2.27. At the financial year end, the Executive Director for Finance reports to Cabinet on the outturn of expenditure and income and the performance of each directorate compared with the updated budget. Each Executive Director will be held accountable, through their performance contracts, for ensuring that any outturn budget variation is not greater than 20% variation of the final outturn forecast reported at the end of quarter 3.

2.28. Savings and pressures status captured via Trackers will be reported to Corporate Leadership Team on a monthly bases.

Revenue budget – schools budget

2.29. 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 County 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 County Council may approve additional funding for a school in financial difficulties.

2.30. The Department for Education restricts use of Dedicated Schools Grant (DSG) to budgets delegated to schools and specified central expenditure on schools and pupils.. Statute requires that most categories of central expenditure from DSG (other than on high cost Special Educational Needs and Disabilities (SEND)) must be approved by Schools Forum (or Secretary of State) and various other constraints are imposed by the current school finance regulations. An over spend on the Schools Budget 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

2.31. The Executive Director for Finance, in consultation with the Monitoring Officer, 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 Monitoring Officer 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.

2.32. The Executive Director for 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 Executive Director for Finance and the Monitoring Officer. All other write offs require Cabinet approval.

2.33. The year-end financial outturn reports to Cabinet set out debt write offs granted in the year.

Stock write offs

2.34. The relevant senior leader and the Executive Director for 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

2.35. Procurement Standing Orders (PSOs) set out the thresholds for appointing consultants and contractors.

2.36. 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.

2.37. Procurement must subject all consultant or contractor engagements with an aggregate value of £100,000 or over to competitive tender and review by the Sourcing Governance Board 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 November the Council will agree a draft capital programme based on sensible funding assumptions an in alignment with the corporate vision. In late January and early February, the Leader and Cabinet will finalise this programme following the Local Government Financial Settlement and propose the level of council tax precept for the coming financial year for the County Council to set.

3.2. The Executive Director for Finance supplements this through submitting a report to Cabinet and the County Council showing the aggregate and detailed capital budgets, capital programme financing and assurances about the council's compliance with the Prudential Code's requirements.

3.3. Members will (though scrutiny committees) be actively involved in scrutiny of budget proposals ahead of submission to Cabinet and County Council and subsequently in the monitoring of progress.

3.4. Senior leaders 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.

3.5. 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 from the leadership team (CLT – Corporate Leadership Team) or Investment Panel as described below. For developer contributions and specific grant schemes follow the key decisions approval regulation (3.29 – 3.30).

Corporate Leadership Team & Investment Panel

3.6. 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 CLT. CLT 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.

3.7. 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) Executive Director for Finance for schemes valued at less than £100,000.

3.8. Investment Panel applies the following policy to exempt schemes from business case review:
a) capital schemes determined by local committees;
b) grant or third party contributions funded schemes awarded on a bid basis where CLT had considered the business rationale and Finance had agreed the council's business case included in its funding bid; and
c) highways, property waste and countryside maintenance programmes where prioritisation criteria exist within the services to manage the budgets for this work.

3.9. New capital schemes, including schemes where the council carries out work funded by or on behalf of third party or third party assets, should cover risk assessment in the business rationale. The business case review is taken to Investment Panel to evaluate risks significant to the council, including schemes with no financial impact.

3.10. To allow exemption from business case review based on prioritisation criteria, CLT 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.

3.11. The rules on virements (paragraph 3.19) 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.

Sourcing Governance Board

3.12. Procurement Standing Orders require approval by Sourcing Governance Board (SGB) 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). SGB 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 SGB. SGB reviews the proposal for: overall effectiveness of the proposed route to market, legality, affordability and value for money. Following SGB 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.

Value of contract (total value over the life of the contract)	Approval required
£100,000 - £500,000	SGB

Value of contract (total value over the life of the contract)	Approval required
£500,000 - £1,000,000	SGB, appropriate Cabinet member and Leader.
Over £1,000,000	SGB and Cabinet

3.13. Following return of tenders, senior leaders must submit proposals for contract award to SGB. SGB reviews the proposal for: overall effectiveness, legality, affordability and value for money. Following SGB 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.

Value of contract (total value over the life of the contract)	Approval required
£100,000 - £500,000	SGB
£500,000 - £1,000,000	SGB, appropriate Cabinet member and Leader.
Over £1,000,000	SGB and Cabinet

3.14. 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 executive 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

3.15. 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.

3.16. Where it is likely the total cost of a project already in progress will exceed its latest approved budget allocation, the relevant senior leader must report this with advice on how the head of service proposes to fund the overspend:

a) to the appropriate Executive Director and Cabinet Member; and
b) in the budget monitoring report to Cabinet.

3.17. The senior leader must explain the reasons for any overspend in each scheme's post implementation review.

3.18. Senior leaders must refer all proposals to enter into leasing arrangements, including those by schools, to the Executive Director for Finance for agreement prior to finalisation.

3.19. Senior leaders must conduct a post-completion review for capital projects, in line with requirements specified in the Financial Management toolkit. The senior leader must advise the Overview and Budget Scrutiny Committee, Investment Panel, appropriate select committee and the relevant Executive Director and Cabinet Member on a timely basis of all such reviews conducted.

3.20. In respect of additional capital grant funding awarded in-year, spending proposals should follow the Investment Panel process.

3.21. Virements are permissible subject to 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 – Executive Director Across directorates – Executive Director for Finance
Without existing Cabinet approval In line with key decision threshold (3.28)	Under £500,000 (full year effect) - Executive Director for Finance Over £500,000 (full year effect) within or across portfolios - formal approval by Cabinet after informal communication with the relevant Cabinet Member and the Leader

3.22. 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.

3.23. The Executive Director for 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

3.24. The Chief Executive and Executive Directors work together to agree the capital programme monitoring report for Cabinet each month. The Executive Director for Finance will coordinate an oversight of the report on behalf of the Leader.

3.25. At the end of the financial year, the Executive Director for 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

3.26. 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 Chief Executive and Executive Director for Finance.

3.27. 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.

3.28. Acquisitions or disposals below £1m require approval of Cabinet Member in conjunction with the Leader.

Key decisions – other than above

3.29. 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 the Corporate Leadership Team or Investment Panel is required on the decision.

Value (full year effect)	**Approval of the decision required**
Under £500,000	Executive Director for Finance
Over £500,000	If within or across portfolios formal approval by Cabinet after informal communication with relevant Cabinet Member and the Lear.

3.30. 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: Management of Risk

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 Executive Director for 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 unrestricted 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. This access will be granted in a timely manner. Any material unresolved issues emerging from audit work undertaken will be referred to the Audit and Governance Committee and/or the Cabinet, as appropriate.

4.5. Members, senior leaders, other senior officers and any other employees must notify the Chief Internal Auditor of any matter that involves or is suspected to involve any instance of corruption or financial irregularity in the exercise of the functions of the council. An internal audit investigation of such allegations will be undertaken in line with the council's Counter Fraud Strategy and Framework, which forms part of the Constitution.

Fraud and corruption

4.6. The Executive Director for 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 Executive Director for Finance 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 Monitoring Officer and the Chief Internal Auditor.

Business Continuity

4.7. The Executive Director for Finance will ensure that procedures are documented and made available to users for those financial 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, which is contained in the Counter Fraud Strategy and Framework. 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 Executive Director for Finance will ensure that there are sufficient arrangements in place to protect the 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 Executive Director for 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 in the Annual Governance Statement are appropriately addressed.

4.13. All senior leaders will ensure that they and their teams fully comply with system internal controls and act promptly to address any issues raised by Internal Audit, the External Auditor or in the Annual Governance Statement.

4.14. The Executive Director for Finance will ensure that key financial systems are regularly tested to ensure that they are secure, accurate and reliable.

Regulation 5: Reserves, balances and closure of accounts

Reserves and balances – reporting

5.1. The Executive Director for Finance must annually advise the Cabinet and County 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 Executive Director for 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 Executive Director for Finance will report to the Cabinet for its approval to use reserves, provisions and funds held by the council.

Accounting arrangements

5.4. The Executive Director for 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 Executive Director for 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 Executive Director for Finance and to the council's external auditors before implementation.

5.7. Services must use corporate financial systems, unless the prior agreement of the Executive Director for 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 Executive Director for 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 Executive Director for 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 leaders must sign a manager's assurance statement each year as prescribed by the Executive Director for 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 SGB (see paragraph 3.10). 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 agreed 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 Executive Director for Finance and the Monitoring Officer. 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 Executive Director for Finance has delegated authority to take any urgent action as required between Pension Fund Committee meetings but such action only to be taken in consultation with and by agreement with the Chairman or Vice Chairman of the Pension Fund Committee and any relevant Consultant or Independent Advisor.

7.2 The Executive Director for 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 Committee at least quarterly.

7.3 The Executive Director for Finance will ensure that a report on the triennial actuarial valuation of the pension fund is taken to the Pension Fund Committee.

7.4 The Executive Director for 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 Committee.

Treasury management

7.5 The Executive Director for Finance will propose for adoption by the County 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 Executive Director for Finance will define and propose for agreement by County 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 Executive Director for Finance will ensure that County 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 Executive Director for 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 Executive Director for Finance will ensure that treasury management activities are administered within the parameters defined and agreed by County Council and those defined by statutory requirements and professional best practice.

Trust Funds

7.10 The County Council, as corporate trustee for limited number of 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 CIPFA code of practice in treasury management and
- any relevant Charity Commission guidance

to ensure that their provisions are appropriately implemented.

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 *Revenue Reserves*.
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 expenditure	Expenditure on the acquisition of an asset (tangible or nontangible) or expenditure which adds to a value of an existing asset. The asset must yield benefits to the authority and the services it provides for more than one year.
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.
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.
Corporate Leadership Team (CLT)	CLT is the most senior officer group. It is their role to agree the financial budget with the Executive Director for Finance to propose to cabinet, including conducting initial reviews of proposed capital schemes.
Dedicated Schools Grant (DSG)	The Dedicated Schools Grant provides 100% ring-fenced funding for schools from the Department for Education. Local authorities are responsibility for distributing this funding to schools according to local needs and priorities.
Estimate	Expected expenditure in a given year by committee, service and expenditure description.
Fees and charges	Fees and charges are agreed upfront payable rates for providing services that are either set by statute or though the council's delegated authority, and include fines, licenses and penalties. The fees and charges are usually paid by individual members of the public and can be purchased by anyone. It is not a fee or charge when an arrangement to provide services to another organization, that the price and service is negotiated, under a form of contract.
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 funds given to support the cost of local services.
Investment Panel	Provides assurance that robust business cases support capital and invest to save

	project proposals, ensuring value for money.
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 Committee	A member committee responsible for the governance and administration of the council's pension fund.
Precept	An order issued by one local authority to another specifying the rate of tax to be charged on its behalf.
Procurement	The process of gaining the use of supplies, services or construction work.
Sourcing Governance Board (SGB)	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 probable but uncertain obligations.
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 non controllable cost (such as depreciation) 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 Leaders	The senior leaders of the council include the Chief Executive, Assistant Chief Executive, Executive Directors, Directors, Chief Fire Officer, Assistant Directors, and Heads of Service
Statement of Accounts	The council's accounts for the financial year.
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.