



Making Surrey a better place

## **FINANCIAL REGULATIONS**

**NOVEMBER 2018**

**FINANCIAL REGULATIONS INDEX**

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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 members and officers 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;
- 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 Executive Director of Finance is the Section 151 Officer for Surrey County Council.

**Cabinet Members** and **Executive Directors** hold a dual role to ensure that 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.

**Senior Officers** (Executive Directors, Service and Assistant Directors, Heads of Service and other officers deemed to be Senior Officers) are responsible for the budget allocations for the services within their remit. Day to day management of the budget can be delegated to Budget Managers, however, overall responsibility and accountability remains with the Senior Officers. Failure to manage budgets effectively may lead to disciplinary action.

A **Budget Manager** is an officer who has delegated authority for controlling the income and expenditure for one or more cost centres or projects, for both Capital and Revenue Budgets.

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, as 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:

Strategy against Fraud and Corruption  
 Business Continuity Guide  
 Anti-Money Laundering Policy  
 Systems Control Policy  
 Whistle blowing Policy

## **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.

**FR1.2** Financial 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 Par 3 Responsibility of Function and Scheme of Delegation). Financial Regulations may only be amended by full Council.

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

### **Section 151 Officer (Executive Director of Finance)**

**FR2.1** The Section 151 Officer's role and responsibilities are set out in 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.

**FR2.2** 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.

**FR2.3** The Section 151 Officer is responsible for the day-to-day management of the Council's financial affairs. He / she shall provide information and assistance to all officers to help them carry out their responsibilities for effecting the sound financial management of their services.

**FR2.4** The Section 151 Officer shall report to members on the overall budget performance and recommend corrective action as and when required. He / she shall ensure, as far as practicable, financial Regulations and supporting policies protect the Council against any unlawful financial transactions or actions.

**FR2.5** The Section 151 Officer must be given access to any necessary information to comply with his / her statutory duties.

**FR2.6** The Section 151 Officer will ensure that procedures are documented and made available to users for those financial systems identified as business critical.

**FR2.7** The Section 151 Officer shall, after consultation with the Chief Executive, report any non-compliance with these Regulations which he / she considers substantial. The report shall be made initially to the Leader and, following that, to the relevant Committee depending on the circumstances.

## **Senior Officers (Chief Executive, Executive Directors, Heads of Service, other designated officers)**

**FR2.8** 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.

**FR2.9** 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.

**FR2.10** Senior Officers shall propose annual revenue and capital budgets for each service within the budget guidelines agreed by the Cabinet.

### **Budget Managers**

**FR2.11** 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.

**FR2.12** 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.

**FR2.13** Budget managers are responsible for the budget narrative that informs the monthly reports to members, Departmental Leadership Teams (DLT) and Corporate Leadership Team (CLT). Finance officers are available to support this process.

**FR2.14** 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 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 Capital Strategy, Treasury Management Strategy, Capital Programme, Annual Revenue Budget and Medium Term Financial Plan. Cabinet shall agree a timetable which will include stages for consultation with Scrutiny and Overview 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. Further guidance on submission and monitoring of capital schemes is set out in the Budget Holder Handbook - Capital.

**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 Holder Handbook and in the Budget Accountability Statement (BAS). Any additional expenditure not already included in the existing Revenue Budget must be found from corresponding savings 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 applicable to their service area. All possible partners shall be identified and considered for inclusion in a scheme, as appropriate.

**FR4.6** All bids for external grants shall be made in consultation with the Section 151 Officer before any grant application 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. Some applications may require member approval, as set out in the Constitution, particularly where the Council is entering into contractual arrangements or providing funding for the project.

**FR4.7** All proposals for externally funded schemes shall be made in consultation with the Section 151 Officer before a bid is submitted. A standard template will be made available for this purpose, and further detail of the process is outlined in the Budget Holder Handbook.

**FR4.8** All officers engaged in the progression of such schemes shall adhere to these Financial Regulations, the Council's Procurement Rules 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.

**FR4.9** 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.

#### **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, he / she 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.

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

**FR6.1** Senior Officers shall comply with the Budget Holder Handbook 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 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 Finance Officer, 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

**FR6.6** The Section 151 Officer will submit monthly monitoring reports to DLTs and CLT.

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

- Monthly monitoring information to Cabinet;
- Quarterly monitoring information to the appropriate Scrutiny Committees.

## **FINANCIAL REGULATION 7 - VIREMENT**

**FR7.1** Budget approval gives Budget Managers the right to incur expenditure on behalf of the Council. Budget Managers may vire between budget headings within the constraints outlined in the Financial Regulations, Budget Holder Handbook and with the appropriate approvals. 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** Virement thresholds:

Virement type	Approval required
Technical e.g. incorrect coding, capital transfers, redistributing funding	Relevant Finance Officer
Administrative i.e. already approved by Cabinet	Within a service – Head of Service
	Within a directorate – Executive Director
	Across directorates – Section 151 Officer



Without existing Cabinet approval	Under £500,000 (full year effect – gross expenditure) – Section 151 Officer
In line with key decision threshold	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.

## 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 must review and update fees and charges annually with a view to ensuring that chargeable discretionary services are not subsidised without a specific supporting policy decision. The individual fees and charges will be approved annually before the start of the new financial year.

**FR8.3** In determining charges for discretionary services, the cost of providing the service should be calculated and fees charged to the service user in order to recover all direct and indirect costs incurred by the Council in the delivery of the service and in compliance with relevant legislation. The cost of chargeable officer time should be used as calculated by corporate finance. The service value to the users and charges made by neighbouring authorities and income targets should 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.

**FR8.4** 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. When there is a change of policy that could require public consultation, this should be reported to Cabinet. Any substantive change in policy in the application of fees and charges, or in the level of subsidy, will require Cabinet approval. Cabinet must agree proposals to start charging for or trading in goods or services not previously subject to charging or trading with third parties.

**FR8.5** 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).

**FR8.6** 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, or other designated Cabinet Member for Finance.

**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 Section 151 Officer shall be authorised to draw upon Reserves for the following items, subject to provision remaining available:-

- any items of expenditure or income which have been specifically approved by Cabinet since the setting of the Revenue Budget; and
- any claim for items known at the time reserves were set.

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

**FR11.1** The Council's approach to capital investment is set out in the Capital and Investment Strategy. New schemes and projects will usually only be added to the Capital Programme as part of the annual budget setting process, changes and additions may be made subject to assessment by formal member approval via the Capital Programme Panel. New capital schemes and projects as well as rolling maintenance programmes will be assessed and scrutinised in two stages prior to being included in the Capital Programme:

- The Capital Programme Panel, comprising a small team of Executive Directors and senior officers nominated by Executive Directors, and
- The Asset Strategy Board, comprising Cabinet Members, the Executive Director of Economy, Growth & Commercial and the Executive Director of Finance.

**FR11.2** All proposed schemes are based on a robust business case and subject to appropriate internal or external due diligence. In particular they must ensure:

- Capital Programme proposals are consistent with the Council's Corporate Strategy, Capital and Investment Strategy, Asset and Place Strategy and Directorate Strategies;
- Each capital scheme or project is assessed for both financial and service risk;

- The proposed timetable for the programme is realistic;
- All associated revenue implications are fully covered in the current and future years

**FR11.3** Only those schemes and projects that meet the strategic priorities and have been approved by members and assessed via the two stages outlined above, will be incorporated in the Capital Programme.

**FR11.4** 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, 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, Scrutiny and overview Committees and to Cabinet.

**FR12.2** If necessary, and following consultation with the Section 151 Officer, virements may be made between capital schemes to reflect the value of each accepted tender.

**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 members and officers on all taxation issues that affect the Council.

**FR13.4** The Section 151 Officer will sign off the annual Statement of Accounts, once he / she is 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 must sign a Manager's Assurance Statement each year in a form prescribed by the Section 151 Officer.

**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 Information Technology Strategy.

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

**FR14.1** The Section151 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 Section151 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;
- (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 Senior Officer on becoming aware of any irregularity, or suspected irregularity, affecting income, expenditure, cash, stores or any of the resources of the Council. Senior Officer shall inform the Chief Internal Auditor as soon as practicable. 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 he / she deems appropriate, whether the matter may require investigation by the Police and /or notification to the External Auditor. Where appropriate he / she 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 he / she considers 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 Section151 Officer and the Head of Human Resources and Operational Development (HR and OD). Such investigations will be undertaken in line with the Council's Counter Fraud Strategy and Framework, which forms part of the Constitution. The Head of HR and OD will ensure that "whistle blowing" procedures are defined, documented, widely communicated and reviewed at appropriate intervals, in consultation with the Section151 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** Procurement Standing Orders set out the thresholds for appointing consultants and contractors. 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.

**FR17.2** All consultant or contractor engagements with an aggregate value of £100,000 or over, must be subject to competitive tender and review by the Sourcing Governance Board before approval by the Leader and Chief Executive. The Leader and Chief Executive will not approve such engagements retrospectively.

**FR17.3** 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 and the Sourcing Governance Board. 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. The Budget Holder Handbook sets out the requirements for the use of Purchasing Cards.

**FR18.2** All material assumptions and risks inherent in evaluations of proposed contracts must be fully disclosed to those members and officers 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 within the Financial Management Toolkit. 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 Pay, Personnel and Development Committee (PPDC).

**FR19.2** The Head of HR and OD 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 Head of HR and OD, 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 Head of HR and OD.

**FR19.5** The Head of HR and OD 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 Head of HR and OD 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 – DEBT MANAGEMENT AND BAD DEBT WRITE OFF**

**FR21.1** The Section 151 Officer has authority to write off irrecoverable debts up to £10,000 in respect of any one debtor. Write offs should only be authorised once Senior Officers / Budget Managers have provide assurance that the debt has been subject to the correct process in accordance with the Council's Bad Debt / Write Off Policy, and all efforts to recover the debt have been exhausted.

**FR21.2** In addition, the Section 151 Officer, in consultation with the Monitoring Officer, has authority to write off individual debts of up to £100,000 they consider to be irrecoverable, where:

- the debtor has gone into liquidation;
- the debtor is deceased and there are no funds and the debt has been registered as a liability to the executor;
- the evidence against a debtor is inconclusive, and the Monitoring Officer recommends write-off;
- the debtor has absconded and all enquiries have failed; or

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

**FR21.3** For debts, between £10,000 and £100,000 which are not within the criteria set out in FR21.2, 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 Section 151 Officer and Monitoring Officer.

**FR21.4** For debts in excess of £100,000 for a single debtor, Cabinet approval is required.

**FR21.5** The year-end financial outturn report will provide a summary of all irrecoverable debt written off during the year.

**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.

**FR21.6** To the extent that they are not needed at year end, budgeted contributions towards bad debt will be transferred to reserves. Conversely, any contributions needed beyond the budgeted level toward bad debt will be met from reserves. Subject to consultation with the appropriate Senior Officer, the Section 151 Officer will have the authority to:

- transfer savings that arise through earlier than planned delivery of expenditure reductions to reserves
- transfer 'windfall' savings or increased income to reserves

The overall movement in the provision for bad debt will be reported to Cabinet.

## **FINANCIAL REGULATION 22 – ASSETS**

### **Land and Property**

**FR22.1** 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.

**FR22.2** All acquisitions of land or buildings valued at £1m or more require Cabinet approval.

**FR22.3** 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.

**FR22.4** All disposals of land or buildings valued at £1m or more require Cabinet approval. All disposals should be recorded within an approved register.

**FR22.5** All acquisitions and disposals must be referred to the 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**

**FR22.6** 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.

**FR22.7** Any proceeds from the disposal of assets should be receipted and recorded, even if the disposal value is nil.

**FR22.8** No items can be disposed of to a member of staff without the explicit approval of the Section 151 Officer.

**FR22.9** 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.

**FR22.10** 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.

**FR22.11** 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.

**FR22.12** 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.

**FR22.13** 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.

**FR22.14** Adjustments to inventory records in respect of any one item where the amount exceeds £5,000 shall be referred to Cabinet.

**FR22.15** 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 23 - STOCKS AND STORES**

**FR23.1** 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.

**FR23.2** 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.

**FR23.3** 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.

**FR23.4** The year-end financial outturn report to Cabinet will set out all stock write offs granted in the year.

### **FINANCIAL REGULATION 24 – ESTATES**

**FR24.1** The Senior Officer for Property shall update the Council's Asset Management Plan as necessary and maintain a land terrier recording details of all land and properties held by the Council. A land terrier is a record system for an organisation's land and property holdings. It differs from a land registry in that it is maintained for the organisation's own needs and may not be publicly accessible. It consists of written records related to a map.

**FR24.2** The Monitoring Officer shall have custody under secure arrangements of all the title deeds in the possession of the Council.

**FR24.3** The Senior Officer for 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. He / she shall ensure that all rents etc. are regularly reviewed.

### **FINANCIAL REGULATION 25 - RISK MANAGEMENT AND INSURANCE**

**FR25.1** 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 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 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.

**FR25.2** 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.

**FR25.3** 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.

**FR25.4** Senior Officers, in consultation with the Section 151 Officer, shall be responsible for the effective management of all insurable risks.

**FR25.5** 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.

**FR25.6** 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.

**FR25.7** 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 Head of HR & OD.

**FR25.8** 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.

**FR25.9** 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 26 - TREASURY MANAGEMENT AND THE PENSION FUND**

**FR26.1** 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. He / she shall seek expert advice on these matters when considered appropriate.

**FR26.2** 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. He / she shall propose to Cabinet and to Council a Treasury Management Policy Statement, Capital Strategy, Treasury Management Strategy Statement and Investment Strategy.

**FR26.3** The Section 151 Officer, through the Orbis Centre of Expertise, will ensure that the provisions of the strategic and operational requirements in FR26.2 are implemented, legislative requirements are complied with and regular monitoring of all Treasury Management activity is undertaken.

**FR26.4** The Audit and Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and treasury management activity throughout the year. The Section 151 Officer will submit a mid-year review and an annual outturn report on Treasury Management to the Audit and Governance Committee.

**FR26.5** 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.

**FR26.6** 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.

**FR26.7** 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.

**FR26.8** 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 Audit and Governance Committee and the Pension Fund Committee.

**FR26.9** 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 and also in compliance with:

- the CIPFA Code of Practice in Treasury Management
- any relevant Charity Commission guidance

to ensure provisions are appropriately implemented.