

## SECTION 13

### FINANCIAL REGULATIONS

#### INTRODUCTION BY CHIEF FINANCIAL OFFICER

Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. In response to the requirements of Section 151 of the Local Government Act 1972, the County Council has designated the Chief Financial Officer to be responsible for the administration of these affairs.

In response to the requirements of Section 25 of the Local Government Act 2003, the Chief Financial Officer has a duty to report to the authority on:

- (a) the adequacy of the proposed reserves;
- (b) the robustness of the budget.

In response to Section 114 of the Local Government Finance Act 1988, the Chief Financial Officer has a duty to report to the Council if the authority or one of its officers:

- (a) has made, or is about to make, a decision which involves incurring unlawful expenditure;
- (b) has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the authority;
- (c) is about to make an unlawful entry in the council's accounts.

In addition, the Chief Financial Officer is required to make a report under Section 114 if it appears that the expenditure incurred and/or proposed in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

These Financial Regulations are part of the County Council's Constitution and establish the framework for the administration and control of the Council's financial affairs. The components of the framework are as follows:

Financial Regulations - Approved by the County Council

Schemes of Delegation:-

Delegations to Chief Officers (as set out in the Constitution) - Approved by the County Council (amendments require approval by the Cabinet or the Audit Committee)

- Delegations by Chief Officers - Approved by the Cabinet/Audit Committee
- Financial Rules - Approved by the Cabinet
- Schools Financial Regulations - Approved by the Cabinet
- Financial Instructions - Approved by the Chief Financial Officer
- Directorate Manuals of Instruction - Approved by the Chief Financial Officer

All documents within the framework are aimed at achieving four main objectives:

- (a) to maintain sound and proper financial procedures and arrangements for the administration of all the County Council's financial affairs;
- (b) to ensure that proper safeguards and controls exist;
- (c) to provide a framework for financial management and service delivery which will enable, wherever possible, managerial and financial responsibilities to be aligned;
- (d) to safeguard the members and employees of the County Council.

The last point is most important as without clearly defined financial procedures and arrangements, members and employees could find themselves in an invidious and vulnerable situation. The observance of these polices is very much in each individual's interest. Any infringement may involve an external complaint being made or disciplinary proceedings being taken against an employee.

Finally, I would like to emphasise that if you are in any doubt at all over compliance please consult either your Joint Finance Unit, the Corporate Accounting Section or the Internal Audit Section for guidance

Chief Financial Officer

## DEFINITIONS

County Council	means the full Council.
Cabinet	means the Leader and Cabinet.
Chief Financial Officer	includes such other persons authorised to undertake duties specified in these Regulations in accordance with delegations set out by the Chief Financial Officer pursuant to a Scheme of Delegation approved by the Cabinet/Audit Committee.
Chief Officer	means a Chief Officer appointed by the Council pursuant to Article 12 of the Constitution and includes the Chief Executive and such other appropriate persons authorised to undertake the duties specified in these Regulations in accordance with delegations made by the Chief Officer pursuant to a Scheme of Delegation approved by the Cabinet/Audit Committee.
Virement	means the transfer of resources between Budget Heads.
Services	the areas of activity as set out in the Budget approved by the County Council.
Budget Heads	means those parts of the County Council's Budget so identified by the Chief Financial Officer in Financial Instructions.
Procedural Standing Orders	the rules adopted by the County Council from time to time which regulate the proceedings and business of the County Council.
Contract Standing Orders	the rules adopted by the County Council from time to time which regulate the procedures by which the Council lets contracts for the supply of works, goods and services.

## **FINANCIAL REGULATION A – GENERAL**

- A.1 These Financial Regulations form part of the Constitution approved by the County Council. These Financial Regulations will be reviewed at least once every two years to ensure that they remain modern and relevant. Subsequent changes will be submitted to the County Council for approval following consideration by the Cabinet and the Audit Committee.
- A.2 These Financial Regulations apply to all Chief Officers and departments and individual units and establishments of the County Council, with the exception of Schools to which the Schools Financial Regulations apply. The Schools Financial Regulations apply to those Schools covered by the Council's Scheme for Financing Schools in respect of the areas of expenditure and income which are delegated or devolved to Schools
- A.3 The Chief Financial Officer is responsible for keeping under review all matters relating to the financial administration of the County Council and will produce, from time to time, Financial Rules (approved by the Cabinet) and Financial Instructions to supplement these Regulations. Such documents will have effect as if they were Financial Regulations.
- A.4 Chief Officers are required to set out in manuals of instruction the detailed arrangements for the implementation of these Financial Regulations, Financial Rules, and Financial Instructions. The Chief Financial Officer must approve these manuals before they are brought into effect.

## **FINANCIAL REGULATION B – FINANCIAL PLANNING, BUDGETING AND REPORTING**

### **Budget Process**

- B.1 The Cabinet will, upon the recommendation of the Chief Financial Officer, determine a resource allocation and budget process that ensures due consideration of the County Council's Corporate Strategy.
- B.2 The Cabinet will, upon the recommendation of the Chief Financial Officer, make arrangements for determining the capital programme including individual project appraisal and prioritisation processes.
- B.3 Chief Officers will, in the preparation of the budget, observe the rules, procedures and timetables established by the Cabinet.

### **Financial Planning**

- B.4 The Cabinet will, upon the advice of the Chief Financial Officer recommend to the County Council a Medium Term Financial Strategy which, as part of the Policy Framework, will provide the financial framework for the preparation of the Corporate Strategy, Improvement Plans and Delivery Plans.
- B.5 In making recommendations or providing reports under B1, B2 B4, B7, and B10 the Chief Financial Officer will consult and will have regard to the advice of the Director of Law and Democracy.

## **The Budget**

- B.6 Service Leaders, in consultation with the Chief Executive, Chief Officers, the Director of Law and Democracy and the Chief Financial Officer, are responsible for submitting to the Cabinet for consideration an Improvement Plan and a revenue budget and capital programme within the approved resource allocation framework which sets out the proposed budget allocation and capital investment plans for the services within their areas of responsibility. No scheme will be included in the capital programme unless it has been through the appraisal and prioritisation processes determined by the Cabinet.
- B.7 In addition to receiving information detailed at B.6, the Cabinet will consider summarised reports from the Chief Financial Officer on the Revenue and Capital budget.
- B.8 The Cabinet will consult as appropriate with Scrutiny Committees on the budget plans detailed at B6 and B7.
- B.9 The Cabinet will consider the comments from the Scrutiny before finalising its revenue and capital budget plans for the County Council to consider. The report to the County Council will show the Cabinet's response to those comments.
- B.10 The Chief Financial Officer will produce a report on the County Budget summarising the service revenue and capital budgets for consideration by the Cabinet before submission to the County Council for approval.
- B.11 The County Council is responsible for approving the revenue and capital budgets, the allocation of financial resources to services, the provision for contingencies, the use of reserves and balances and the setting of the precept.

## **Business Unit Budgets**

- B.12 Chief Officers, in consultation with the Chief Financial Officer, will ensure that individual Business Units produce a Delivery Plan that includes a detailed budget reflecting the budget allocation detailed in B.6 above.
- B.13 The Delivery Plans for Trading and Support Service Business Units must set out the basis of charges to other County Council Departments and the planned trading surplus or deficit. Where a deficit budget is proposed the Delivery Plan must include proposals for addressing the deficit. Where the budget for the Business Unit involves a surplus the Delivery Plan should include the detailed proposals for utilising the surplus. The specific approval of the Cabinet is required for any planned deficit or surplus.
- B.14 The individual Delivery Plans will be circulated to all members of the relevant Scrutiny Committee.

## **Virement and In-year changes to the Budget**

- B.15 The Chief Financial Officer will administer the Scheme of Virement set out below. Any change to the Scheme requires the approval of the County Council.

- B.16 The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the Corporate Strategy within the net revenue budget approved by the County Council and can therefore approve virement between Services provided: -
- (a) it does not involve a new policy or policy change;
  - (b) it does not involve an increasing commitment in future years which cannot be contained within existing approved budget allocations.
- B.17 Chief Officers, after consultation with the Chief Financial Officer, may initiate virement between Budget Heads provided: -
- (a) it does not involve a transfer of resources between Services;
  - (b) it does not involve a new policy or policy change;
  - (c) it does not involve an increasing commitment in future years which cannot be contained within existing approved budget allocations.
- B.18 Virement that is likely to impact on the budget of another Chief Officer requires the written agreement of that Chief Officer before it can be implemented.
- B.19 The Cabinet is responsible for approving all allocations from contingencies.

### **Power to Incur Expenditure**

- B.20 Chief Officers have power, subject to these Regulations, to incur expenditure provided for in the revenue budget and capital programme approved by the County Council.
- B.21 No revenue or capital expenditure can be incurred without the approval of the County Council if it is considered contrary to, or not wholly in accordance with, the Corporate Strategy or Budget. In this context contrary to the budget may be through:
- (a) initiating a new policy;
  - (b) committing revenue or capital expenditure in current or future years to above the approved budget levels;
  - (c) transferring revenue resources between Budget Heads except as provided in the Scheme of Virement;
  - (d) entering into a capital commitment if it involves a material change in the nature of the project as set out in the original project appraisal.
  - (e) entering into a capital commitment if it (i) will count against the Council's Borrowing Limit or (ii) involves a revenue consequence for which no specific provision has been made in the budget for that service.
- B.22 Chief Officers are responsible for ensuring that any increase in a capital project estimate that occurs during the course of the project can be contained within the

overall capital budget for that service.

- B.23 No expenditure that requires the specific approval of a government department or agency, the European Union or any other external funding organisation may be incurred until the Council has received such approval or written assurance that such approval will be forthcoming in due course. Expenditure funded from these sources should not be incurred without the specific approval of the Cabinet or the Audit Committee (as appropriate) where the funding organisation may refuse to pay the grant or contribution.
- B.24 No lease, hire, rental or arrangements of a similar nature that may count against the County Council's Borrowing Limit may be entered into without seeking the prior approval of the Chief Financial Officer.

### **Staffordshire Local Community Fund**

- B.25 No expenditure will be incurred unless the proposed initiative has been approved in accordance with the Scheme, which is set out at Appendix 15 to the Constitution.

### **Partnerships**

- B.26 Chief Officers are responsible for ensuring that partnership arrangements are approved, carried out, monitored and evaluated in accordance with overarching principles as determined by the Cabinet.

### **Monitoring and Reporting**

- B.27 Chief Officers are responsible for ensuring the regular monitoring of revenue and capital budgets and for ensuring that significant variations are investigated and appropriate action taken to bring any forecast overspend back into line with the budget.
- B.28 Chief Officers, in consultation with the Chief Financial Officer, must, as soon as is practicable, report to the Cabinet where they are unable to balance expenditure and resources within the approved budget allocation. The Cabinet will consider such reports and, where appropriate, make recommendations to the County Council which address the shortfall.
- B.29 Chief Officers will submit monitoring and outturn reports to the Cabinet in accordance with timetables and procedures determined by the Cabinet.
- B.30 Unless determined otherwise by the County Council, any underspending or overspending may be carried forward to the following financial year and the approved budget adjusted accordingly.
- B.31 The Chief Financial Officer is responsible for co-ordinating the production of the Annual Statement of Accounts and for submitting it for approval by the Audit Committee.

## **FINANCIAL REGULATION C – FINANCIAL STANDARDS AND SYSTEMS**

### **Financial Management Standards**

- C.1 The Chief Financial Officer is responsible for setting the authority's financial management standards and for monitoring their compliance.
- C.2 The Chief Financial Officer is responsible for ensuring proper professional practices and accounting policies are adhered to and to act as head of profession in relation to standards, performance and development of finance staff throughout the authority.

### **Systems and Procedures**

- C.3 The Chief Financial Officer is responsible for keeping the principal accounting records of the County Council. Such records will be maintained on the authority's Enterprise Resource Planning (ERP) system - SAP. No other system will be used for the keeping of accounting or other records relating to the County Council's finances without the prior written permission of the Chief Financial Officer.
- C.4 The Chief Financial Officer, in conjunction with Chief Officers, will ensure that all feeder systems and processes to SAP are fully documented with staff trained in their operation. Such systems and processes will incorporate the necessary controls to ensure that the data used to update SAP is complete, accurate, timely and not previously processed.
- C.5 Chief Officers must consult the Chief Financial Officer before introducing or amending any book, form, record, administrative procedure or system used for the keeping of accounting or other records relating to the finances of the County Council and should act on any advice given.
- C.6 The Chief Financial Officer and Chief Officers will jointly ensure that all accounting records are properly maintained and held securely. Such records and all related vouchers and documents must be managed in accordance with the County Council's Records Management Policy.

## **FINANCIAL REGULATION D - AUDIT, CONTROL AND IRREGULARITIES**

- D.1 The County Council has determined that the Chief Financial Officer is responsible for conducting a continuous internal audit in accordance with the Accounts and Audit Regulations 2003.
- D.2 Chief Officers will co-operate with, and provide all necessary information for, the Internal Audit Section and the Council's External Auditor.
- D.3 It is the responsibility of Chief Officers to establish effective and efficient arrangements for internal control. Chief Officers will seek the advice of the Chief Financial Officer in those instances of a material nature where the principles of internal control prove difficult to implement or maintain.
- D.4 The Chief Financial Officer must be notified immediately of all instances of potential and actual irregularity affecting the finances of the Council.



## **FINANCIAL REGULATION E - EXPENDITURE**

### **General**

- E.1 All payments made on behalf of the Council (with the exception of payments out of Advance accounts) will be made by the Chief Financial Officer.
- E.2 In making such payments, the Chief Financial Officer will, where necessary, rely on the certification (electronic or manual) of authorised employees.

### **Procurement of Works, Supplies and Services**

- E.3 Every employee involved in the procurement process will comply with the County Council's Contract Standing Orders and Procurement Rules as set out in Appendix 8 of the Constitution and with the Local Code of Conduct for Employees as set out in Appendix 11 of the Constitution.

### **Payments of Creditors**

- E.4 Payments will be made in accordance with the Council's standard payment policy as defined within Financial Instructions.

### **Advance Accounts**

- E.5 The Chief Financial Officer will provide such accounts as he considers appropriate for authorised employees to defray petty cash and other expenses.

## **FINANCIAL REGULATION F – INCOME**

- F.1 Subject to Regulation F.2, Chief Officers are responsible for:
  - (a) reviewing and making recommendations to the Cabinet or the relevant non-Executive Committee about charges that may be made for services provided by the County Council on a non-profit making basis in accordance with the Council's powers to charge set out in relevant legislation including the Local Government Act 2003; and
  - (b) reviewing and implementing all external fees and charges (where the amount of the fee or charge is at the discretion of the County Council) on an annual basis.
- F.2 The establishment or variation of any such fee or charge that involves a policy change requires the approval of the County Council.
- F.3 All money (cash or credit) due to the County Council shall be collected, receipted and banked in accordance with the Council's Credit Management Strategy as determined by the Cabinet. Such a Strategy will include arrangements for the write-off/down of bad debts and the procedures to be followed to ensure compliance with Money Laundering Regulations which seek to prevent the laundering of the proceeds of criminal and other defined activities.

## **FINANCIAL REGULATION G - TREASURY MANAGEMENT**

### **Banking**

- G.1 The Chief Financial Officer is responsible for arranging the Council's banking arrangements including the opening and closing of all accounts.
- G.2 With the exception of routine BACS transactions, the electronic transfer of funds, either internally or externally, will only be made by the Chief Financial Officer.
- G.3 All other payments made by the County Council, with the exception of those made from Advance accounts, will be made by a cheque bearing the facsimile or manuscript signature of the Chief Financial Officer.

### **Treasury Management**

- G. 4 The County Council is responsible for approving:
  - (a) Borrowing Limits and Prudential Indicators in accordance with the Local Government Act 2003 and the CIPFA Prudential Code;
  - (b) The Annual Treasury Management Investment Strategy.
- G. 5 The Cabinet is responsible for approving the Treasury Management Policy Statement from time to time.
- G. 6 The Cabinet is responsible for approving the Annual Treasury Management Strategy and monitoring Treasury Management activities.
- G. 7 The Chief Financial Officer is responsible for carrying out all Treasury Management activities within the Council's Treasury Management Policy Statement and Annual Treasury Management Strategy. More specifically, such responsibilities will be carried out in accordance with CIPFA's Code of Practice for Treasury Management in the public services and CIPFA's Prudential Code and will include:
  - (a) To keep under review and to update as required, the Treasury Management Policy Statement for approval by the Cabinet;
  - (b) To prepare and maintain suitable Treasury Management Practices setting out the manner in which treasury management policies and objectives will be achieved and presenting how those activities are managed and controlled;
  - (c) To prepare the Annual Treasury Management Strategy at or before the start of each financial year for approval by the Cabinet and the Annual Treasury Management Investment Strategy for approval by the County Council;
  - (d) To regularly monitor performance against Borrowing Limits and Prudential Indicators and to seek approval for changes to those limits if applicable;
  - (e) To report the outcome of all Treasury Management activities at least once a year including an annual outturn report for approval by

the Cabinet.

## **FINANCIAL REGULATION H - ASSETS**

### **Land and Buildings**

- H.1 The Deputy Chief Executive will maintain a register of all properties owned, or occupied, by the Council.
- H.2 The Director of Law and Democracy will be responsible for making arrangements for the safe custody of all title deeds and formal contract documents.
- H.3 Chief Officers are responsible for exercising proper stewardship over the assets they manage and must ensure that properties are kept in an appropriate condition to provide a safe, watertight and comfortable environment.
- H.4 The Deputy Chief Executive is required to submit to the Cabinet an annual asset management plan, which ensures that assets are reviewed regularly to identify under-utilised and surplus properties.

### **Stocks and Stores**

- H.5 Chief Officers are responsible for keeping proper records and for the custody of stocks and stores.
- H.6 Chief Officers are responsible for defining and maintaining efficient stock levels. Such levels must be periodically checked.
- H.7 Chief Officers may write-off stocks and stores up to an individual item value as defined within Financial Instructions. Amounts exceeding this figure may not be written off without the approval of the Chief Financial Officer.

### **Inventories**

- H.8 Chief Officers will maintain inventories of furniture and equipment.
- H.9 Chief Officers are responsible for checking at least annually that all items on the inventory are accounted for.
- H.10 Chief Officers may write-off individual inventory items up to a value as defined within Financial Instructions. Amounts exceeding this figure may not be written off without the approval of the Chief Financial Officer.

### **Security**

- H.11 Chief Officers are responsible for arranging proper security for all assets and records under their control.
- H.12 All employees must comply with the requirements of the Council's Corporate Information Technology Security Policy at all times.

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

- I.1 The Chief Financial Officer is responsible for arranging appropriate insurance cover for risks which are not self-insured. Where appropriate the Chief Financial Officer will consult Chief Officers prior to arranging cover.
- I.2 Except where otherwise provided for in agency agreements, the Chief Financial Officer will negotiate the settlement of claims with insurers.
- I.3 The Chief Financial Officer is responsible for co-ordinating risk management activity across the County Council including the allocation of the annual dedicated risk management budget.

#### **FINANCIAL REGULATION J – OTHER FUNDS**

- J.1 Chief Officers will maintain a record detailing the purpose and nature of all voluntary funds maintained by their staff in the course of their duties within the Authority.
- J.2 Chief Officers will ensure that such funds are operated in accordance with Financial Instructions.
- J.3 All members and employees acting as trustees by virtue of their official position will ensure that accounts are audited as required by law and submitted annually to the appropriate body.