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FINANCE PROCEDURE RULES

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DEFINITIONS

- 1.1.** The Chief Financial Officer /S151 Officer is that person designated for the purpose of Section 151 Local Government Act 1972 and Section 114 Local Government Finance Act 1992.
- 1.2.** Budget Heads are those cost and income headings recorded in the Council's Budget Book.
- 1.3.** Advice and guidance issued by the Chief Financial Officer includes the Finance Manual, which provide detailed guidance on financial control, audit, accountancy, financial management matters and the design and use of controlled stationery.

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1.4 A Service is defined as a discrete area of the County Council's activity managed by a Director or Head of Service as defined in Part 5 of the Constitution.

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1.5 A Scheme in the context of the capital programme may be a single scheme or a package of smaller schemes being carried out in a defined geographical area of works of a similar type.

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GENERAL INTRODUCTION

2.1. These Finance Procedure Rules are that part of the Constitution approved by the Council, which provide the framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf with the exception of Schools to which Schools' Finance Procedure Rules apply.

2.2. The Constitution and Scheme of Delegation identify the financial responsibilities of the full Council, Cabinet and Scrutiny Members, the Head of Paid Service, the Monitoring Officer, the Chief Financial Officer and other Directors.

2.3. 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, provides value for money and achieves best value.

2.4. The Chief Financial Officer is responsible for maintaining a continuous review of the Finance Procedure Rules and submitting any additions or changes necessary to full Council for approval following consideration by the Cabinet or Leader of the Council or Cabinet Members and Audit and Governance Committee.

2.5. Directors are responsible for ensuring that all staff in their departments are aware of the existence and content of the Authority's Finance Procedure Rules and other internal regulatory documents (including the Finance Manual) and that they comply with them.

2.6. The Chief Financial Officer is responsible for issuing advice and guidance (e.g. the Finance Manual) to underpin the Finance Procedure Rules that Members, Officers and others acting on behalf of the Authority are required to follow.

FINANCE PROCEDURE RULE A: FINANCIAL MANAGEMENT

INTRODUCTION

Financial management covers all financial accountabilities in relation to the running of the Authority, including the Policy Framework and budget.

Actions that are "contrary to the budget" include:

- Initiating a new policy;
- Committing expenditure in future years to above the budget level;
- Incurring interdepartmental transfers above virement limits;

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- Causing the total expenditure financed from Council Tax, grants and corporately held reserves to increase beyond the budgeted level.

Virement and year end balances:

A.1 The Chief Financial Officer is responsible for the administration of the scheme of virement as set out below:

The Cabinet, Leader of the Council and Cabinet Members are responsible for taking in-year decisions on resources and priorities and can therefore approve virement between services provided:

- It does not involve a new policy or policy change;
- It does not involve an increasing commitment in future years that cannot be contained within existing approved budget allocations.

Directors may effect virement between Budget Heads provided:

- It does not involve a transfer of resources between services (*Note: A service is defined by reference to a particular Budget Head in the Budget Book*);
- It does not involve a new policy or policy change;
- It does not involve an increasing commitment in future years that cannot be contained within existing approved budget allocations;
- That the Chief Financial Officer is notified in respect of all virements over £50,000.

A.2 Unless otherwise determined by the Cabinet, Leader of the Council or a Cabinet Member any service under-spending or overspending will be carried forward to the following financial year and the approved budget adjusted accordingly.

Accounting policies:

A.3 The Chief Financial Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting procedures and records:

A.4 The Chief Financial Officer is responsible for determining the accounting procedures and records for the Authority.

A.5 The Chief Financial Officer can choose to delegate day-to-day responsibilities to an appropriate representative(s). Where this is the case the delegation and officer responsibilities must be clearly documented and be kept under regular review by the Chief Financial Officer.

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The annual statement of accounts:

A.6 The Chief Financial Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC). The Audit and Governance Committee is responsible for approving the annual statement of accounts.

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- B.1** The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the Policy Framework and for determining the circumstances in which a decision will be deemed to be contrary to the Policy Framework or budget. Decisions that appear contrary to the Policy Framework or budget should be referred to the full Council by the Monitoring Officer.
- B.2** The full Council is responsible for setting the level at which the Cabinet, Leader of the Council or a Cabinet Member may reallocate budget funds from one service to another. The Cabinet, Leader of the Council or a Cabinet Member is responsible for taking in-year decisions on resources and priorities in order to deliver the budget Policy Framework within the financial limits set by the full Council.

BUDGETING

Budget:

- B.3** The resource allocation, budget process and general format of the budget will be proposed by the Cabinet, Leader of the Council or a Cabinet Member on the advice of the Chief Financial Officer.

Budget preparation:

- B.4** The Chief Financial Officer is responsible for ensuring that an annual revenue budget, capital programme and medium term financial strategy is prepared for consideration by the Cabinet, Leader of the Council or a Cabinet Member before submission to the full Council. The full Council may amend the budget or ask the Cabinet, Leader of the Council or a Cabinet Member to reconsider it before approving it.
- B.5** The Cabinet, Leader of the Council or a Cabinet Member is responsible for issuing guidance on the general content of the budget in consultation with the Chief Financial Officer as soon as possible following approval by the full Council.
- B.6** It is the responsibility of Directors to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet, Leader of the Council or a Cabinet Member and that these estimates are prepared in line with guidance issued by the Chief Financial Officer and/or Cabinet.

Budget monitoring and control:

- B.7** Subject to these Regulations, Directors have the authority to incur expenditure provided in the revenue budget or capital programme approved by the full Council.

B.8 Expenditure may not be incurred if it is contrary or not wholly in accordance with the Policy Framework or budget.

B.9 Directors must undertake regular monitoring of revenue and capital expenditure and, subject to these Regulations, where there is an overspending, investigate and take appropriate action to bring spending back into line with the budget.

B.10 ~~Executive Directors have overall budget responsibility and can delegate the day-to-day management to Budget Managers and Budget Holders as appropriate for their service.~~

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B.11 The Chief Financial Officer is responsible for providing advice to Directors to enable budgets to be monitored effectively. The Chief Financial Officer must report to the Cabinet, Leader of the Council or a Cabinet Member and Scrutiny on the overall financial position on a regular basis.

B.12 It is the responsibility of Directors to control income and expenditure within their area and to monitor performance, taking account of advice provided by the Chief Financial Officer. They should report to Cabinet, Leader of the Council or a Cabinet Member and Scrutiny on variances in both capital and revenue spending within their own areas, take action where necessary to avoid exceeding their budget allocation and alert the Chief Financial Officer to any problems.

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Resource allocation:

B.13 The Chief Financial Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.

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The Capital Programme:

B.14 The Chief Financial Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Cabinet, Leader of the Council or a Cabinet Member before submission to the full Council. No scheme shall be included in the capital programme unless it has been through the appraisal and prioritisation process approved by the Cabinet. ~~The following are exceptions to this process which would need Council agreement:~~

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- Initiating a new policy;
- Committing capital expenditure in the current or future years to a level above the approved budget levels;
- Transferring resources between revenue and capital budgets except as Revenue Contribution to Capital Outlay (RCCO).

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B.15 Directors are responsible for ensuring that variations in capital project costs, that occur during the course of a contract are contained within the resources allocated to that service.

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B.16 No lease, hire, rental or similar agreement that may involve a charge against the County Council's approved borrowing or credit limit may be entered into without advice from the Chief Financial Officer.

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Guidelines:

B.17 Guidelines on budget preparation are issued to Members and Directors by the Cabinet, Leader of the Council or a Cabinet Member following agreement with the Chief Financial Officer. The guidelines will take account of:

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- Legal requirements;
- Medium-term planning prospects;
- The corporate strategy;
- Available resources;
- Spending pressures;
- Best value and other relevant government guidelines;
- Other internal policy documents;
- Cross-cutting issues (where relevant).

Maintenance of reserves and balances:

B.18 It is the responsibility of the Chief Financial Officer to advise the Cabinet, Leader of the Council or a Cabinet Member and/or the full Council on prudent levels of reserves and balances for the Authority.

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Treatment of Year-end Under/Overspends:

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B.19 Any underspend at the finance year-end on a service area's revenue budget will not be carried forward to the following financial year but will be transferred to General Reserves unless approved as detailed below.

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B.20 The Chief Financial Officer may approve a budget carry forward of a ring-fenced grant or where a grant has conditions or expectations attached, where the related expenditure is not expected to be incurred in the current financial year. Cabinet will approve all other budget carry forward requests through the outturn report, taking advice from the Chief Financial Officer.

FINANCE PROCEDURE RULE C: RISK MANAGEMENT AND CONTROL OF RESOURCES

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Risk Management

- C.1** Directors are responsible for ensuring the development and monitoring of effective and comprehensive systems for identifying, evaluating and controlling significant business risks in their directorates.
- C.2** The Chief Financial Officer is responsible for the development, monitoring and review of the Council's risk management policy statement and strategy, which is approved by Cabinet and for reviewing the effectiveness of risk management. The Chief Financial Officer is also the Council's principal risk management adviser and co-ordinator.
- C.3** The Chief Financial Officer will assess the Council's overall insurance requirements and will be responsible for arranging all insurance cover. The Chief Financial Officer will review insurance cover on an annual basis and will consult with Directors prior to arranging cover where appropriate. Directors are responsible for providing timely and accurate information to the Chief Financial Officer in relation to any insurance claims.
- C.4** Each Director shall be responsible for identifying, assessing and controlling risks within their directorate taking into account any advice that the Chief Financial Officer may have issued.

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Audit and Internal Control Requirements:

- C.5** The Chief Financial Officer is responsible for advising on effective systems of internal control.
- C.6** The Council has determined that the Chief Financial Officer is responsible for conducting a continuous internal audit in accordance with the Accounts and Audit (England) Regulations 2011.
- C.7** Directors are expected to co-operate and supply information lawfully required to external auditors and to other external agencies undertaking audit, investigation or inspection such as HMRC. Directors are also expected to co-operate and supply information reasonably required to internal auditors.
- C.8** The Chief Financial Officer and the Monitoring Officer must be notified immediately of all instances of financial irregularity.

Preventing Fraud and Corruption:

- C.9** The Chief Financial Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

Security of Assets

C.10 Directors should ensure that records and assets (including stocks and stores) are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

C.11 Directors must maintain an inventory of furniture, equipment ~~and stock/stores~~ and check at least annually that all items are accounted for. Directors may write off inventory items with a value up to net loss of £5,000 (this includes where a number of items are written off together). The method of calculating the Net Value will be included in the council's Finance Manual. Write off of items with a value above this limit require the approval of the Cabinet, Leader of the Council or a Cabinet Member.

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Banking and Treasury Management:

C.12 The Chief Financial Officer is responsible for arranging the Council's banking arrangements including opening and closing of all accounts.

C.13 All electronic transfers of funds will only be made by the Chief Financial Officer or their nominated signatory.

C.14 All other payments made by the Council, with the exception of those made from imprest accounts, will be made by electronic transfer or other payment instrument, bearing the manuscript or facsimile signature of the Chief Financial Officer or their nominee.

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C.15 The Authority has adopted CIPFA's Code of Practice for Treasury Management in Public Services. Under the Code the following four clauses are adopted:

1. The Council will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such

amendments will not result in the organisation materially deviating from the Code's key principles.

2. The Council's Audit and Governance Committee will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Governance Committee and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the organisation's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

- C.16** The Council is responsible for approving the Treasury Management Policy Statement as required by CIPFA's Code of Practice for Treasury Management in Public Services. The policy statement is proposed to the full Council by the Cabinet, Leader of the Council or a Cabinet Member. The Chief Financial Officer has delegated responsibility for implementing and monitoring the statement.
- C.17** The Chief Financial Officer is responsible for reporting to the Cabinet, Leader of the Council or a Cabinet Member a proposed treasury management strategy for the coming financial year at or before the start of each financial year.
- C.18** All executive decisions on borrowing, investment or financing shall be delegated to the Chief Financial Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Public Services.

FINANCE PROCEDURE RULE D: SYSTEMS AND PROCEDURES

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General:

- D.1** The Chief Financial Officer is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Chief Financial Officer. However, Directors are responsible for the proper operation of financial processes in their own departments.
- D.2** Changes to agreed procedures proposed by Directors to meet their own specific service needs must be agreed with the Chief Financial Officer.

- D.3** Directors must ensure that staff are aware of their responsibilities under data protection and access to information legislation, for example Freedom of Information and Environmental Information legislation.

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Income and Expenditure:

- D.4** It is the responsibility of Directors to ensure that where a scheme of delegation has been established within their area, it is operating effectively. The scheme of delegation should identify staff authorised to act on the Director's behalf in respect of payments, income collection and placing orders together with the limits of their authority.

Income:

- D.5** Directors are responsible for reviewing and implementing changes to all fees and charges within their services on an annual basis. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administrating and collecting debts.

- D.6** Any proposed new or variation to an existing fee or charge, which involves a policy change, requires the approval of the Council.

- D.7** In order to comply with Money Laundering Regulations 2017, the Council will not accept cash income for the purchase of goods if it exceeds £5,000. Further details of the council's Money laundering Policy can be found in the Finance Manual.

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- D.8** The Chief Financial Officer shall issue guidance on the write off of debtor accounts. Periodically, a report of the cumulative amount must be made to the appropriate Scrutiny Committee. An annual report should be made to the relevant Scrutiny Committee on the management of debtor accounts. Significant individual debts will be referred to Cabinet, Leader of the Council or a Cabinet Member for approval.

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Expenditure:

- D.9** All payments made on behalf of the Council, with the exception of payments from imprest accounts, will be made by the Chief Financial Officer relying, where necessary, on the certification of authorised employees. **Deleted: 8**
- D.10** All orders for works, supplies and services shall comply with the Council's Contract Standing Orders. Procedures covering orders/contracts under £50,000 are detailed in the Finance Manual. **Deleted: 9**
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- D.11** The Chief Financial Officer will authorise such imprest accounts that they consider appropriate to allow authorised employees to defray petty cash and similar expenses. **Deleted: 0**

Payments to Employees and Members:

- D.12** The Chief Financial Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime and for payment of allowances to Members. **Deleted: 1**

Taxation:

- D.13** The Chief Financial Officer is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority. **Deleted: 2**
- D.14** The Chief Financial Officer is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. **Deleted: 3**

Trading Accounts/Business Units:

- D.15** It is the responsibility of the Chief Financial Officer to advise on the establishment and operation of trading accounts and business units. **Deleted: 4**

FINANCE PROCEDURE RULE E: EXTERNAL ARRANGEMENTS

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Partnerships:

- E.1** The Chief Financial Officer must ensure that accounting arrangements adopted relating to partnerships and joint ventures are satisfactory and that the overall corporate governance arrangements are satisfactory when contracts are arranged with external bodies. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. The Chief Financial Officer must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.2** The Monitoring Officer must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies.
- E.3** Directors are responsible for ensuring that appropriate risk assessments are undertaken and approvals are obtained before any negotiations are concluded relating to work with external bodies and that all agreements and arrangements are properly documented, including details of the County Council's financial and physical commitment to the arrangements which are to be in accordance with the Council's procedures.

External Funding:

- E.4** The Chief Financial Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

Grants to outside Bodies:

E.5 ~~Directors are authorised to approve grants and annual assistance to external bodies, subject to the scheme of delegation, rules concerning key decisions and other requirements of the Finance Procedure Rules and related guidance and this approval being formally recorded. Grants to Academies and Voluntary Aided Schools follow different rules.~~

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E.6 ~~Where the Council is using grant monies itself or passing it on to a third party, the application of that money shall be subject to the requirements of the relevant grant funding body.~~

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E.7 ~~In considering the award of a grant, Directors shall have regard to the law on state aid/subsidy control and best value.~~

E.8 Before entering into any arrangement where the Council takes on accountable body status, appropriate advice must be sought from the Assistant Director of Finance, Assistant Director of Strategic Procurement and the Assistant Director of Legal Services.