

By: The Cabinet Member for Finance, John Simmonds
The Director of Finance, Lynda McMullan

To: County Council – 22 July 2010

Subject: Proposed changes to Financial Regulations

Classification: Unrestricted

Summary: This report asks Members to approve the updated Financial Regulations, as an amendment to the Constitution

FOR DECISION

1. INTRODUCTION

- 1.1 The Financial Regulations have been reviewed and updated. Whilst there has been no major re-write or change to the format of the regulations, amendments have been made to reflect changes in structures/working practices, to ensure our regulations reflect current best practice and to strengthen areas where there was potential for ambiguity.
- 1.2 This review has been undertaken as part of a programme of work looking not only at the Financial Regulations, but also the related Schemes of Delegation and Financial Procedures. The aim is to publish the whole suite of updated financial documentation on KNet with appropriate links between the documents as well as to other relevant procedures/publications, making it easily accessible to all staff.
- 1.3 The revised Financial Regulations were agreed by the Governance & Audit Committee at their meeting on 30 April 2010 and now need to be approved by the County Council as an amendment to the Constitution.

2. MAIN AMENDMENTS

- 2.1 The process for conducting this review included:
 - Looking at Financial Regulations of other local authorities.
 - Addressing concerns raised by finance staff in relation to certain aspects of the regulations from experience of trying to implement and ensure compliance with them.
 - Ensuring adoption of best practice guidance published since the last review of the regulations.
- 2.2 The main areas of change have been around clarifying the approval of capital projects, strengthening the regulations around reserves and provisions, updating the Treasury Management regulations, transferring responsibility for approving debt write offs over £10,000 and making an explicit statement that it is the personal responsibility of all staff concerned with the use and care of the County Council's resources or assets to be conversant with the requirements of the Financial Regulations.

- 2.3 Since being approved by Governance & Audit Committee, a few minor amendments have been made by the Director of Law & Governance to reflect further changes in job titles and clarify the role of the Policy Overview and Scrutiny Committee Suite. The revised regulations are shown at Appendix 1.
- 2.4 The terms of reference of the Governance & Audit Committee have been revised and are due to be endorsed by County Council at this meeting. Once agreed, these revised terms of reference will need to be incorporated into the updated Financial Regulations.

3. RECOMMENDATION

Members are asked to:

- 3.1 Consider and approve the updated Financial Regulations as an amendment to the Constitution.
- 3.2 Give approval to update the Financial Regulations to reflect the revised Governance & Audit Committee Terms of Reference once they have been approved by County Council.

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KENT COUNTY COUNCIL

FINANCIAL REGULATIONS

Updated April 2010

The Council's Financial Regulations set the control framework for five key areas of activity:

A. Financial Planning

Covers Performance Planning, Capital Strategy, Treasury Strategy, Pension Fund Strategy, Revenue Strategy, Revenue Budgeting, Capital Programme and Budgeting, Reserves and Key Decisions.

Full Council is responsible for receiving the medium term financial plans and formally agreeing the annual budget, in line with statutory guidance.

The Group Managing Director, Managing Directors and Executive Directors are responsible for contributing to the development of these plans, while the Director of Finance is responsible for preparing and presenting them to the Cabinet for consideration.

B. Financial Management

Covers Revenue budget monitoring and control, Virement, Treatment of year-end balances, Capital Budget Monitoring, Accounting Policies, Accounting records and returns, Annual Statement of Accounts, Contingent Liabilities, Financial implications of Reports.

The Director of Finance is responsible for developing, maintaining and monitoring compliance with an effective corporate financial framework. This will encompass detailed financial regulations, professional standards, key controls and good financial information.

The Group Managing Director, Managing Directors and Executive Directors will operate within this framework, alerting the Director of Finance to any risk of non-compliance.

C. Risk Management and Control of Resources

Covers Risk Management and insurance, Internal Control, Audit requirements, Preventing fraud and corruption, Assets, Treasury Management, Investments and Borrowing, Trust funds and funds held for third parties, Banking, Imprest Accounts, Staffing Costs.

Cabinet and the Governance and Audit Committee are jointly responsible for agreeing the Council's risk management strategy, policy and supporting guidance and for reviewing the effectiveness of risk management within the Council.

The Director of Finance is responsible for developing, maintaining and advising upon robust systems for risk management and systems of internal control. This will be monitored through an effective internal audit function.

The Group Managing Director, Managing Directors and Executive Directors are responsible for establishing sound arrangements within these systems and notifying the Director of Finance of any suspected non-compliance.

D. Systems and Procedures

Covers general processes and procedures, Income, Ordering and Paying for Works, Goods and Services, Payments to employees and Members, Taxation,

trading accounts/business units, Internal Recharges.

The Director of Finance is responsible for the Council's accounting control systems, the financial accounts, supporting information and all financial processes or procedures.

The Group Managing Director, Managing Directors and Executive Directors are responsible for the proper operation of all systems, processes and procedures. All exceptions to the corporately agreed standards will be agreed with Director of Finance.

E. External Arrangements

Covers Partnerships, External Funding, Work for third parties, Local Authority Companies.

The Director of Finance is responsible for promoting the same high standards of conduct in the management of partnerships as within the Council.

The Group Managing Director, Managing Directors and Executive Directors are responsible for ensuring that the Council's interests are protected in such arrangements and that appropriate advice is taken at all stages.

OVERALL FINANCIAL RESPONSIBILITIES

Introduction

- 2.1 Financial management covers all financial accountabilities in relation to the running of the Council including the policy framework and budget. It is not possible to draft regulations or rules that cover every eventuality or circumstance. Consequently, the principles of sound financial management, proper exercise of responsibility, and accountability, as set out in Financial Regulations, should be applied in all circumstances, even where any particular circumstance is not specifically referred to.
- 2.2 **The full Council** is responsible for:
- i. setting the policy framework;
 - ii. approving and monitoring compliance with the Council's overall framework of accountability and control as set out in the Constitution;
 - iii. directly and through the Cabinet Scrutiny Committee, for monitoring compliance with agreed policy, including revenue and capital budgets;
 - iv. approving procedures for recording and reporting decisions taken. This includes key decisions and other decisions delegated by the Leader and those decisions taken by the Council and its Committees or delegated by them to officers. These delegations and details of who has responsibility for which decisions are set out in the Constitution;
 - v. agreeing the annual budget and Council Tax;
 - vi. determining and keeping under review how much money the Council can afford to borrow for capital expenditure;
 - vii. setting and revising the prudential indicators for capital finance;
 - viii. approving the policy on Minimum Revenue Provision (MRP) as set out in the annual MRP statement;
 - ix. setting the limits for virement or other budget changes through the Financial Regulations and decision making procedure rules;
 - x. setting the limits defining key financial decisions;
 - xi. determining any expenditure proposed by the Leader or the Cabinet that is outside the limits referred to in v above.
- 2.3 **The Leader** is responsible for:
- i. proposing the medium term financial plan, budget, council tax and prudential indicators to the Council;
 - ii. approving revenue, capital and treasury management strategies;
 - iii. determining which executive functions are exercised by him/herself, the Cabinet collectively, other individual members of the Cabinet or officers;
 - iv. ensuring that all executive decisions are taken in accordance with the Council's agreed principles of decision making including due consultation and the taking of professional advice from officers.
- 2.4 **Individual Cabinet Members** are responsible, within their allocated responsibility area and approved budget for:
- i. taking decisions in accordance with the framework of responsibilities delegated to them from the Leader;
 - ii. consulting with the Leader in relation to any proposed decisions as the Leader may direct;
 - iii. complying with Financial Regulations in force as agreed by or on behalf of the County Council;

- iv. taking decisions which are otherwise delegated to officers but which are:
 - (a) not in accord with the Policy Framework or budget agreed by the Council or management and business plans within their portfolio
 - (b) withdrawn from the delegation to Managing Directors and Executive Directors
- v. taking account of legal and financial liabilities when taking decisions including due consultation with and the taking of advice from officers;
- vi. processing decisions in accordance with the decision making and reporting framework set out in the Constitution.

2.5 **The Policy Overview and Scrutiny Committee Suite** is responsible for scrutinising decisions and actions taken by the Leader, Cabinet, Cabinet Members, Cabinet Committees and by officers in relation to compliance with Council agreed policy and budget.

2.6 **The Governance and Audit Committee** is responsible for:

- i. monitoring the Council's compliance with its own published standards and controls and with other standards and considering any proposals for changes to Financial Regulations and the Contracts and Tenders Standing Orders;
- ii. approving Spending the Council's Money and amendments to it;
- iii. liaising with the Audit Commission over the appointment of the Council's external auditor;
- iv. discussing with the external auditor and Cabinet the basis of the annual audit, including the overall level and composition of the fee and the content of performance work;
- v. receiving, considering and responding to reports from the external auditor including all performance reports and the Annual Governance Report;
- vi. overseeing the Internal Audit activity of the Authority;
- vii. monitoring the response of the Cabinet and Council Committees to audit reviews and investigations and the implementation of agreed recommendations
- viii. approving the annual accounts on behalf of the Council;
- ix. monitoring the operation of borrowing and investment policies and Treasury Management activity;
- x. agreeing the risk management policy with the Cabinet and reviewing the effectiveness of risk management and monitoring insurance arrangements;
- xi. keeping under review the Council's arrangements for corporate governance and agreeing from time to time necessary actions to ensure compliance with best practice.

2.7 **The Director of Law and Governance, as the Monitoring Officer**, is responsible for:

- i. after consulting with the Group Managing Director and the Director of Finance, reporting to the full Council (or to the Leader or Cabinet in relation to an executive function) if s/he considers that any proposal, decision or omission would give, is likely to give, or has given, rise to a contravention of any enactment or rule of law, or any maladministration or injustice. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered;
- ii. ensuring that records of executive decisions, including the reasons for those decisions and relevant officer reports and background papers, are made publicly available;

- iii. advising whether decisions of the executive are in accordance with the Budget and Policy Framework. Actions that may be 'contrary to the Budget' include:
 - initiating a new policy for which no budget exists;
 - committing expenditure in future years above the approved budgeted level;
 - causing the total expenditure financed from council tax, grants and corporately held reserves to increase beyond that provided for in the approved budget;
- iv. providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all Members.

2.8 The Group Managing Director is responsible for

- i. overall corporate management and operational responsibility (including, as Group Managing Director, overall management responsibility for all staff);
- ii. the provision of professional advice to all parties in the decision making process (the executive, overview and scrutiny, full council and other committees);
- iii. together with the Monitoring Officer, a system of record keeping for all the local authority's decisions (executive or otherwise);
- iv. reporting to the Council on the manner in which the discharge by the authority of its functions is co-ordinated;
- v. arrangements for internal control and the inclusion of the Annual Governance Statement in the annual accounts.

2.9 The Director of Finance, as the Chief Financial Officer, has statutory duties in relation to the financial administration and stewardship of the authority. These statutory responsibilities cannot be overridden. The statutory duties arise from:

- i. Section 151 of the Local Government Act 1972
- ii. Local Government Finance Act 1988
- iii. The Local Government and Housing Act 1989
- iv. The Local Government Acts 2000 and 2003
- v. The Accounts and Audit Regulations 2003
- vi. The Accounts and Audit (Amendment) (England) Regulations 2006
- vii. The Accounts and Audit (Amendment) (England) Regulations 2009
- viii. The Local Government Pension Scheme Regulations 1974 and 1997
- ix. The Local Government Pension Scheme Regulations (Management and Investment of Funds) 1998
- x. The Local Authorities Goods and Services Acts 1970 and 1988.

2.10 The Director of Finance is responsible for:

- i. after consulting with the Group Managing Director and the Monitoring Officer, reporting to the full Council (or to the Leader or Cabinet in relation to an Executive function) and the Council's external auditor if he/she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully;
- ii. the proper administration of the financial affairs of the Authority;
- iii. maintaining an adequate and effective system of internal audit;
- iv. contributing to the corporate management of the Authority, in particular through the provision of professional financial advice;
- v. providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy

Framework issues to all Members and supporting and advising Members and officers in their respective roles;

- vi. providing financial information about the Authority to Members of the Council, the media, members of the public and the community.

2.11 And in particular is responsible for:

- i. setting financial management standards, including financial procedures, and monitoring their compliance;
- ii. advising on the corporate financial position and on the key financial controls necessary to secure sound financial and risk management;
- iii. providing financial information to support the proper financial planning of the authority, to inform policy development, and to assist Members and officers in undertaking their financial responsibilities;
- iv. preparing the revenue budget, and reporting to the Council, when considering the budget and Council Tax, on the robustness of the estimates and the adequacy of reserves;
- v. monitoring income and expenditure against the budget and taking action if overspends of expenditure or shortfalls in income emerge;
- xi. preparing the capital programme and ensuring effective forward planning and sound financial management in its compilation;
- xii. producing prudential indicators, reporting them to the Leader and the Council for consideration and establishing procedures to monitor and report on performance in relation to these indicators;
- xiii. treasury management, the management of the Council's banking arrangements and monitoring the Council's cashflow;
- xiv. issuing advice and guidance to underpin the Financial Regulations that members, officers and others acting on behalf of the authority are required to follow;
- xv. ensuring that effective arrangements are in place for payments of creditors, income collection, payment of pensions, risk management and insurances and the production of financial management information;
- xvi. ensuring that any partnership arrangements (or other innovative structures for service delivery) are underpinned by clear and well documented internal financial controls;
- xvii. advising on anti-fraud and anti-corruption strategies and measures;
- xviii. contributing to cross-authority issues and to the development of the Council;
- xix. ensuring that statutory and other accounts and associated claims and returns in respect of grants are prepared;
- xx. ensuring that due consideration is given to the Council's wellbeing, correct financial management and security of the Council's assets when establishing a company or partnership arrangement; **LINK**
- xxi. ensuring that the MRP calculation is prudent;
- xxii. taking ownership of the Council's corporate financial system;
- xxiii. supporting the Superannuation Fund Committee in the management of the Kent Pension Fund.

LINK (CIPFA role of DOF document)

2.12 The Director of Finance, in accordance with Section 114 of the 1988 Act will nominate a properly qualified member of staff to deputise for him / her as Chief Financial Officer should he/she be unable to personally perform the duties under Section 114.

2.13 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. ensuring that the Leader or relevant Cabinet Member is advised of the financial implications and other significant risks of all proposals for the changes in services or the development of new services and that the financial implications have been agreed by the Director of Finance;
- ii. the signing of contracts on behalf of the authority provided that the expenditure to be incurred has the necessary budgetary approval. Further guidance regarding persons authorised to sign contracts on behalf of the Council can be found in the relevant directorate's Scheme of Financial Delegation. **LINK**
- iii. promoting the financial management standards set by the Director of Finance in their Directorates and to monitor adherence to standards and practices, liaising as necessary with the Director of Finance;
- iv. promoting sound financial practices in relation to standards, performance and development of staff in their Directorates;
- v. consulting with the Director of Finance and seeking his/her approval regarding any matters which are liable to affect the authority's finances materially, before any commitments are incurred;
- vi. ensuring that all staff in their Directorates are aware of the existence and content of the Council's financial regulations and any related procedures and other internal regulatory documents appertaining to or amplifying them and that they comply with them. They must also ensure that all of these documents are readily available for reference within their Directorates;
- vii. managing service delivery within the agreed revenue and capital budgets and other relevant strategies and plans;
- viii. developing performance, corporate and service targets and contributing to the Medium Term Financial Plan;
- ix. ensuring that budget estimates reflecting agreed service plans are prepared, and that these are prepared in line with issued guidance;
- x. ensuring that financial management arrangements and practice are agreed with the Director of Finance, are legal and consistent with best practice and Council policy;
- xi. consulting with the Director of Finance on the financial implications of matters relating to policy development;
- xii. putting in place a scheme of financial delegation setting out arrangements for the discharge of the Group Managing Director, Managing Director and Executive Director responsibilities contained within Financial Regulations.

Personal Responsibilities

2.14 Any person concerned with the use or care of the County Council's resources or assets should ensure they are fully conversant with the requirements of these Financial Regulations. All staff should notify their line manager immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the authority's property or resources. Concerns may also be raised via the Whistleblowing Procedure. **LINK**

FINANCIAL REGULATION A – FINANCIAL PLANNING

Introduction

- A.1 The full Council is responsible for agreeing the Budget, which will be proposed by the Leader. In terms of financial planning, the key elements are:
- i. the Medium Term Financial Plan
 - ii. Vision for Kent
 - iii. Public Service Agreement
 - iv. Annual Performance Plans
 - v. the Revenue Strategy and Budget
 - vi. the Capital Strategy and Programme
 - vii. the Treasury Strategy
 - viii. the Risk Management Strategy

Medium term budget and financial strategy

- A.2 The Group Managing Director, Director of Finance, Managing Directors and Executive Directors are responsible for ensuring that Revenue, Capital and Treasury strategies on a three year basis are prepared for consideration by the Cabinet and for ensuring that such strategies are consistent with other plans and strategies.
- A.3 The Leader will publish to all Council Members each year a review of the issues relating to the Medium Term Financial Plan.

Performance Planning

- A.4 The Director of Finance is responsible for:
- i. advising and assisting Directorates in producing the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables;
 - ii. the production of corporate guidance on the development of unit cost indicators (such as required for the National Indicator Set) and cost effectiveness measures;
 - iii. contributing, in collaboration with the Group Managing Director, Managing Directors and Executive Directors, to the development of corporate and service targets and objectives and performance information;
 - iv. assisting in building priorities identified within performance plans into corporate and directorate budgets to enable delivery.
- A.5 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. contributing to the development of performance plans in line with the Council's requirements;
 - ii. contributing to the development of corporate and service targets and objectives and performance information;
 - iii. ensuring that Directorate service plans are clearly aligned with budgets, to enable the delivery of service priorities;
 - iv. ensuring that targets identified within performance plans are built into local work programmes and targets for management and service delivery staff.

Pension Fund

A.6 The Director of Finance is responsible, having taken appropriate professional advice, for preparing and submitting to the Superannuation Fund Committee the Statement of Investment Principles, the Funding Strategy Statement, regular reviews of investment strategy, monitoring of investment managers and reporting on the pensions administration service delivered.

Revenue budgeting

Budget format

A.7 The general format of the Budget will be proposed to the Leader by Director of Finance. The draft Budget should include allocations to different services and projects, proposed sources of funding, proposed taxation levels and contingency funds.

A.8 Guidelines on budget preparation are issued to Cabinet Members, Managing Directors and Executive Directors by the Leader on the recommendation of the Director of Finance. The guidelines will take account of:

- i. legal requirements
- ii. the Medium Term Financial Plan
- iii. Vision for Kent
- iv. Public Service Agreement
- v. available resources
- vi. spending pressures
- vii. relevant Government guidelines
- viii. other internal policy documents
- ix. cross cutting issues (where relevant).

Budget preparation

A.9 The Leader is responsible for developing and proposing to the County Council the general content of the revenue budget in consultation with the Director of Finance.

A.10 Budgets will be produced in a format compatible with the portfolios allocated by the Leader to individual Cabinet Members.

A.11 The Group Managing Director and the Director of Finance are responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Leader and Cabinet before submission to the full Council, in accordance with the Budget Procedure Rules, as set out in the Constitution.

A.12 The Director of Finance is responsible for:

- i. ensuring that a process is in place to identify potential pressures on the budget;
- ii. reporting to the full Council, when the budget and Council Tax is considered, on the robustness of the estimates and the adequacy of reserves provided for.

A.13 The Group Managing Director, Managing Directors and Executive Directors are responsible for ensuring that budget estimates reflect agreed service plans, are submitted to the relevant Cabinet Member and the Leader and that these estimates are realistic and prepared in line with guidance issued by the Leader.

Resource allocation

A.14 The Leader in consultation with the Director of Finance is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.

Budget Amendment

A.15 Approved revenue budgets may be amended during a financial year in accordance with the virement regulations in B6-B9.

A.16 The Group Managing Director, Managing Directors and Executive Directors may make changes to revenue budgets resulting from additional grant or other external income receivable during a financial year. Such changes must be notified to the Director of Finance.

A.17 The Group Managing Director, Managing Directors and Executive Directors may make technical adjustments to revenue budgets during a financial year resulting from changes to grant rules or realignment of resources to approved business plans. Such changes must be notified to the Director of Finance.

Capital Programme and capital budgeting

A.18 The Leader is responsible for developing and proposing the capital programme to the County Council in consultation with the Director of Finance.

A.19 The Group Managing Director and Director of Finance are responsible for ensuring that a medium term capital programme and financing plan is prepared on an annual basis for consideration by the Leader before submission to the full Council in accordance with the budget procedure rules as set out in the Constitution.

A.20 The Director of Finance is responsible for advising on prudential indicators required to be set in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and for ensuring that all matters required to be taken into account in setting prudential indicators are reported to the Leader and the Council.

A.21 The Director of Finance is responsible for:

- i. setting up procedures under which capital expenditure proposals are evaluated and appraised to ensure that value for money is being achieved, are consistent with service and asset management objectives and are achievable;
- ii. setting up procedures for corporate monitoring of external sources of capital funding;
- iii. ensuring that expenditure treated as capital expenditure by the County Council is in accordance with best accounting practice.

A.22 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. ensuring that capital proposals reflect agreed service plans, are prepared in line with guidance issued, are realistic, that necessary business case development and option appraisals have been carried out and any risks identified. Any impact of capital expenditure proposals on service running costs must be identified and included in revenue budget estimates or forecasts; **LINK**

- ii. consulting with the Director of Finance the relevant Cabinet Member and the Cabinet Member for Finance where it is proposed to bid for funding from external sources to support capital expenditure;
- iii. ensuring that the Capital Process & Procedures are followed. This includes ensuring that projects only proceed when they have received the necessary Project Advisory Group (PAG) approval and confirmation that any external funding is secured. **LINK**. For schemes and headings where the total cost is estimated to be £1m or more this consent must be obtained from the Leader following procedures issued by the Director of Finance. The Leader may take the decision himself/herself or specifically delegate the decision to Cabinet or the relevant Cabinet Member. For schemes where the total cost is estimated to be less than £1m consent must be obtained from the relevant Cabinet Member;
- iv. ensuring that any new capital expenditure proposals which would require an increment to the total three year capital programme in order to proceed, regardless of funding, are agreed with the Director of Finance and are submitted to the Leader for consideration via the PAG process;
- v. ensuring that, in addition to the PAG process, appropriate approval is sought where relevant from the Leader, the Cabinet or an authorised Cabinet Member in accordance with the Constitution.

(By way of clarification, PAG is just a process for keeping track of current spending and cash flows. PAG does not replace the process for obtaining formal authority for a project and this is still needed.

*So before a project can proceed, formal authority needs to have been obtained either through an explicitly approved budget in the Budget Book or business plan or through an explicit approval obtained by following the decision making procedures set out in the Council's Constitution and the Code of Practice for Contracts and Tenders (as detailed in Spending the Council's Money). **LINK** This applies even if PAG has already approved the proposed spending on the project.*

- vi. carrying out post completion evaluation of projects as required, in order to review performance in implementation of the project against budget and project plans and to evaluate performance of the project in the delivery of expected outcomes. **LINK**

Maintenance of reserves & provisions

A.23 The Director of Finance is responsible for:

- i. advising the Leader and the Council on prudent levels of reserves for the Authority when the annual budget is being considered having regard to assessment of the financial risks facing the Authority;
- ii. ensuring that reserves are not only adequate but also necessary;
- iii. ensuring that there are clear protocols for the establishment and use of each earmarked reserve. Reserves should not be held without a clear purpose or without a planned profile of spend and contributions;
- iv. ensuring that all renewals reserves are supported by a plan of budgeted contributions, based on an asset renewal plan that links to the fixed asset register;

- v. ensuring that no money is transferred into reserves after 31st December each financial year without prior agreement.

A.24 The Director of Finance is responsible for ensuring that provisions are set up for any liabilities of uncertain timing or amount that have been incurred and are required to be recognised when:

- i. the Council has a present obligation (legal or constructive) as a result of a past event
- ii. it is probable that a transfer of economic benefits will be required to settle the obligation, and
- iii. a reliable estimate can be made of the amount of the obligation.
- iv. If the Council does not yet have an obligation / or expects to have a future obligation as a result of something that has not yet happened, then a reserve should be set up and the regulations in A.23 above apply.

Key decisions

A.25 Cabinet Members are responsible, within their allocated responsibility area and approved budget, for taking decisions as agreed by the Leader of the County Council.

A.26 All decisions must be processed in accordance with the decision making and reporting framework set out in the Constitution and in taking decisions Cabinet Members must comply with the County Council's Financial Regulations.

FINANCIAL REGULATION B - FINANCIAL MANAGEMENT

Introduction

- B.1 The Director of Finance is responsible for:
- i. ensuring that a prudential financial framework is in place and effective systems of financial administration are operating within the Council;
 - ii. maintaining and updating financial regulations and the management of a process for monitoring compliance with them;
 - iii. ensuring proper professional practices are adhered to and acting as head of profession in relation to the standards, performance and development of finance staff throughout the Council;
 - iv. advising on the key strategic controls necessary to secure sound financial management;
 - v. ensuring that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators;
 - vi. ensuring that Internal Audit carry out the necessary probity and system checks required to verify that proper Financial Management Standards are maintained.

Revenue Budget Monitoring and Control

- B.2 The Director of Finance is responsible for:
- i. providing appropriate financial information to enable budgets to be monitored effectively;
 - ii. monitoring and controlling overall expenditure against budget allocations and publishing a report to the Cabinet on the overall position on a regular basis, drawing attention to overspends, shortfalls in income and underspends including reference to proposed action to deal with any problems.
- B.3 It is the responsibility of the Group Managing Director, Managing Directors and Executive Directors to:
- i. control income and expenditure within their area and to monitor performance, taking account of financial information and activity data relating to the services they provide;
 - ii. have a robust system in place for monitoring activity levels which drive major budget headings (over £10m);
 - iii. report to the Director of Finance and to the relevant Cabinet Member on variances within their own areas;
 - iv. ensure that spending remains within the service's overall cash limit, by monitoring the budget headings and taking appropriate corrective action where variations from the approved budget are forecast, alerting the Director of Finance and Cabinet Member to any problems;
 - v. ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Managing Director or Executive Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure;
 - vi. ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively;
 - vii. ensure prior approval by the Leader and the relevant Cabinet Member and notification to the Cabinet Scrutiny Committee of new proposals, which fulfil one or more of the following criteria:

- a. create financial commitments in future years in excess of existing budgets
 - b. change existing policies, initiate new policies or cease existing policies
 - c. materially extend or reduce the Council's services
 - d. exceed the limit defined by the Council as a key financial decision
 - e. exceed any limit set by the Leader as requiring reference to him or a Cabinet Member
 - f. any such proposals under this regulation shall not have approval to proceed until necessary financial provision is available within approved budgets
- viii. ensure compliance with the scheme of virement as set out in paragraph B6 below.

Financial Implications of Reports

B.4 The Director of Finance is responsible for:

- i. monitoring the quality of the financial implications information included in reports by the Group Managing Director, Managing Directors and Executive Directors;
- ii. providing financial implications where there are corporate implications and especially when corporate resources (revenue or capital) are required.

B.5 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. ensuring that financial implications in either the current or future years are identified within directorates for all relevant reports and that such financial implications are agreed by or on behalf of the nominated responsible professional finance officer and approved by the Group Managing Director, Managing Director or Executive Director;
- ii. ensuring that where reports impact on other directorates or have implications for corporate resources, financial implications are requested from other directorates and a copy of the report is submitted to the Director of Finance or nominated representative for clearance;
- iii. ensuring in all relevant circumstances, that financial implications referred to in reports are reflected in current budgetary provisions or the medium term financial plan.

Virement

B.6 Transfers between revenue budget headings can take place as follows provided that they do not involve new policy or policy change and do not involve an increasing commitment in future years that cannot be contained within existing approved budget allocations. If these transfers do not change the purpose for which the funding was approved then these will be considered technical adjustments and not virements. If a change to the purpose of the funding is required so that funding will be used for a purpose different to that for which it was approved, then a virement is required. Once again this must not involve an increasing commitment in future years that cannot be contained within existing approved budgets. Virements must be approved as follows:

- a. Virement within a portfolio:

Less than £200,000	the Group Managing Director or relevant Managing Director or
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	Executive Director in agreement with the appropriate Cabinet Member and the Director of Finance.
From £200,000 up to (but not including) £1m	the relevant Cabinet Member in agreement with the Cabinet Member for Finance, Managing or Executive Director and Director of Finance.
£1m and above	The Leader or Cabinet

b. Virement between portfolios:

Less than £200,000	the Group Managing Director or relevant Managing Directors or Executive Directors in agreement with the appropriate Cabinet Members and the Director of Finance.
From £200,000 up to (but not including) £1m	the relevant Cabinet Members in agreement with the Cabinet Member for Finance, Managing or Executive Director and Director of Finance.
£1m and above	The Leader or Cabinet

B.7 Transfers involving a new policy or a change in an existing policy require prior approval by the Leader and Cabinet Member and notification to the Cabinet Scrutiny Committee in accordance with regulation B3(vi) above.

B.8 For the purpose of the amounts referred to in regulation B6, where transfers are a single transaction they must be effected as such and must not be effected as two or more smaller transactions.

B.9 Virement limits are cumulative, therefore when transferring budget from a heading, all previous virements from this heading must be taken into account when deciding the level of approval required, ensuring the highest level of approval has been/ will be sought.

B.10 Where an approved budget is a lump sum budget or a contingency intended for allocation during the year, its allocation will not be treated as virement, provided that the amount has been used in accordance with the purposes for which it was established and the Director of Finance has agreed the basis and the terms, including financial limits, on which it will be allocated.

B.11 The Director of Finance is responsible for monitoring and recording virements agreed and reporting to the Cabinet on the impact on revenue budgets.

Treatment of year-end balances

B.12 Cabinet is responsible for agreeing the detail of any annual roll forward of under and overspending on budgets.

Capital Budget Monitoring

B.13 The Director of Finance is responsible for preparing and submitting reports on the Council's projected capital expenditure and resources compared with the budget on a regular basis.

B.14 The Director of Finance is responsible for establishing procedures to monitor and report on performance compared to the prudential indicators set by the Council.

B.15 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. preparing regular reports reviewing the capital programme provisions for their services;
- ii. preparing regular returns of estimated final costs of schemes in the approved capital programme for submission to the Director of Finance for inclusion in the report to Cabinet on the overall Capital programme position;
- iii. reporting to the Director of Finance circumstances when it is considered that additional County Council capital resources will be required to implement a project that has previously been given approval to spend, where such additional resources cannot be identified from within the Portfolio programme concerned;
- iv. reporting to the Director of Finance on any proposed variations to the Capital Programme during a financial year;
- v. reporting to the Director of Finance on any proposed additions to the Capital Programme resulting from the receipt of additional grant or other external funding. If this relates to an entirely new scheme then it must be considered by PAG and approved by the relevant Cabinet Member.
- vi. Reporting the completion dates on major projects, over £1m.

B.16 Resources may be vired from one capital project or heading as follows provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy changes:-

Less than £50,000	- the Group Managing Director or relevant Managing Director or Executive Director
From £50,000 up to (but not including) £200,000	- the relevant Managing Director or Executive Director in agreement with the relevant Cabinet Member and the Director of Finance
£200,000 up to (but not including) £1m	- the relevant Cabinet Member in agreement with the Cabinet Member for Finance, Managing or Executive Director and Director of Finance
£1m and above	- the Leader or Cabinet

For the purpose of the amounts above, where transfers are a single transaction they must be effected as such and not effected as two or more smaller transactions.

Accounting policies

B.17 The Director of Finance is responsible for selecting and notifying to the Group Managing Director, Managing Directors and Executive Directors accounting policies which comply with the current Accounting Code(s) of Practice, ensuring that such policies are applied consistently, and for ensuring that effective systems of internal control are in place that ensure that financial transactions are lawful.

B.18 The Group Managing Director, Managing Directors and Executive Directors are responsible for adhering to the accounting policies notified by the Director of Finance.

Accounting records and returns

B.19 The Director of Finance is responsible for:

- i. determining the accounting records for the Authority, its form of accounts and supporting accounting records;
- ii. ensuring that accounting records are maintained in accordance with proper practices and legislative requirements;
- iii. establishing arrangements for the compilation of all accounts and accounting records whether within the Finance Group or within other Directorates.

B.20 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. consulting with the Director of Finance on the accounting procedures and records to be utilised within their Directorate;
- ii. ensuring the proper retention of accounting records in accordance with the requirements established by the Director of Finance, including the retention of prime financial documents i.e. invoices, delivery notes and purchase orders for the year they relate to plus a further 6 years. Invoices paid for by EU Grants must be identified and kept for 12 years; **LINK**
- iii. ensuring that all claims for funds including grants are made by the due date, are recorded in the central register, and in line with the 'corporate grant procedure'; **LINK**
- iv. maintaining adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements;
- v. providing information required for, or to ensure completion of, all statutory and other financial returns by the due dates;
- vi. complying with any compliance testing which the Director of Finance requires in relation to the Directorate accounts;
- vii. operating control accounts as agreed by the Director of Finance, ensuring that these are regularly reconciled, and cleared as part of the regular monitoring procedures.

The annual statement of accounts

B.21 The Governance and Audit Committee is responsible for approving the annual statement of accounts on behalf of the Council.

B.22 The Director of Finance is responsible for:

- i. ensuring that the annual statement of accounts is prepared by the required statutory date in accordance with the Code of Practice on Local Council Accounting in the United Kingdom: Based on International Financial Reporting Standards for the relevant year and that the accounts present a true and fair view of the financial position of the Council and its expenditure and income;
- ii. liaising with External Audit on the completion of the Statement of Accounts and the arrangements for the audit of these;
- iii. ensuring that adequate documentation is available to support the Statement of Accounts. This will include copies of grant claims, reconciliations with financial ledgers and other records, and other working papers to demonstrate the derivation of data used.

B.23 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. complying with accounting guidance agreed with the Director of Finance;
- ii. supplying the Director of Finance with information required to complete the Statement of Accounts;

- iii. producing the documentation required to support the Statement of Accounts;
- iv. ensuring that the final accounts information pack for the Directorate is completed in accordance with the annual timetable agreed with the Director of Finance.

Contingent Liabilities

B.24 The Director of Finance is responsible for:

- i. reviewing at least annually in consultation with Managing Directors and Executive Directors the existing contingent liabilities for inclusion as a note in the statement of accounts, to ensure they are still contingent and to ensure that adequate reserves exist to cover the potential liability if necessary;
- ii. taking steps wherever possible, in consultation with the Group Managing Director, Managing Directors and Executive Directors, to minimise the risk of contingent liabilities.

B.25 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. setting up procedures and processes to minimise the risk of creating contingent liabilities;
- ii. reviewing at least annually their service areas for contingent liabilities;
- iii. informing the Director of Finance of any new contingent liabilities and of any changes in the circumstances of existing contingent liabilities.

FINANCIAL REGULATION C – RISK MANAGEMENT AND CONTROL OF RESOURCES

Introduction

C.1 It is essential that robust systems are developed and maintained for identifying and evaluating all significant strategic, operational and financial risks to the Authority on an integrated basis. This should include the proactive participation of all those associated with planning and delivering services.

Risk management and insurance

C.2 The Cabinet and the Governance and Audit Committee are jointly responsible for approving the Council's Risk Management Strategy, Policy and guidance and for reviewing the effectiveness of risk management.

C.3 The Director of Finance is responsible for:

- i. preparing the Authority's Risk Management Strategy and Policy, for promoting it throughout the Council and for advising the Leader, Cabinet Member for Finance and Cabinet on proper insurance cover where appropriate;
- ii. effecting, in consultation with the Cabinet Member for Finance, corporate insurance cover, through external insurance and internal funding;
- iii. establishing arrangements for the handling of all insurance claims, in consultation with other officers where necessary;
- iv. undertaking a review of requirements to support the annual renewal of insurance contracts;
- v. ensuring that internal insurance provisions are adequate to meet anticipated claims.

C.4 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. the identification and management of risk within their Directorate and for having in place monitoring processes for reviewing regularly the effectiveness of risk management arrangements. Further guidance can be found in the Risk Management Strategy and supporting Toolkit; **LINK**
- ii. complying with procedures agreed regarding the instigation, renewal, maintenance and amendment of the Council's insurance arrangements.

Internal control

C.5 The Director of Finance is responsible for:

- i. advising on effective systems of internal control. Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use;
- ii. reviewing systems of internal control at least annually and providing an opinion on internal control within the Council in order to advise the Group Managing

Director on an Annual Governance Statement to be included in the Statement of Accounts.

- C.6 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. establishing sound arrangements for planning, appraising, authorising, monitoring and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets;
 - ii. promoting compliance with Council Policy, Standing Orders, Financial Regulations, Codes of Conduct and any statutory requirements;
 - iii. promoting an overall effective internal control system. Managerial Control Systems, including appropriate organisation structures, personnel arrangements and supervision, as well as Financial and Operational Control Systems and procedures, including physical safeguards of assets, segregation of duties, authorisation and approval procedures and information systems, should be documented and regularly reviewed;
 - iv. providing assurances for the annual governance statement, that financial and operational control processes are in place to enable directorates to achieve their objectives and manage significant risks.

Audit requirements

- C.7 The Accounts and Audit Regulations 2003 (as amended) require every local authority to maintain an adequate and effective internal audit of its accounting records and its system of internal control.
- C.8 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.9 The Council may, from time to time, be subject to inspection or investigation by external bodies such as H.M. Revenue and Customs who have statutory rights of access.
- C.10 The Director of Finance is responsible for:
- i. ensuring an effective internal audit function, through adequate resourcing and coverage properly planned and determined through assessment of risk and consultation with management;
 - ii. ensuring that effective procedures are in place to investigate promptly any fraud or irregularity;
 - iii. ensuring that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work;
 - iv. ensuring there is effective liaison between external and internal audit.
- C.11 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. notifying the Head of Audit and Risk immediately of any suspected fraud, theft, irregularity or improper use of or misappropriation of the Council's property or resources. Pending investigation and reporting, all necessary steps should be

- taken to prevent further loss and to secure records and documentation against removal or alteration;
- ii. ensuring that internal and external audit are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work;
 - iii. ensuring that all records and systems are up to date and available for inspection.

Preventing fraud and corruption

C.12 The Director of Finance is responsible for developing, reviewing and maintaining an anti-fraud and anti-corruption policy and for advising on effective systems of internal control to prevent fraud and corruption. **LINK**

C.13 The Group Managing Director, Managing Directors and Executive Directors are responsible for ensuring compliance with the Anti-fraud and Anti-corruption Policy and with systems of internal control to prevent fraud and corruption.

Assets

Security of Assets

C.14 The Director of Finance is responsible for ensuring that processes are in place for maintaining asset registers in accordance with good practice for fixed assets. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained, as well as for accounting purposes.

C.15 The Group Managing Director, Managing Directors and Executive Directors should ensure that assets, and records relating to these, are properly maintained. 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.

Inventories

C.16 The Group Managing Director, Managing Directors and Executive Directors are responsible for maintaining and reviewing annually inventories of equipment, plant and machinery which has a value of over £200 or is portable and attractive.

Asset Disposal

C.17 The Director of Finance in conjunction with the Group Managing Director is responsible for issuing guidelines representing best practice for the disposal of equipment, plant and machinery.

C.18 Managing Directors and Executive Directors are responsible for complying with issued guidelines in respect of all asset disposals. **LINK**

Stocks of goods and materials

C.19 Managing Directors and Executive Directors are responsible for:

- i. ensuring that stocks of goods and materials are held at a level appropriate to the business needs of the Council;
- ii. ensuring that adequate arrangements are in place for their care and custody;
- iii. writing off the value of obsolete stock in their Directorates of up to £10,000 in consultation with the Director of Finance. All sums above £10,000 should be reported by the relevant Managing Director or Executive Director to the Director of Finance and Cabinet Member for Finance and then to the relevant Policy Overview and Scrutiny Committee for write off action.

Intellectual Property

C.20 The Group Managing Director is responsible in conjunction with the Director of Law and Governance for developing and disseminating best practice regarding the treatment of intellectual property.

C.21 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. ensuring that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware that anything they create during the course of their employment, whether written or otherwise, belongs to the Council;
- ii. complying with copyright, designs and patent legislation and, in particular, to ensure that:
 - a. only software legally acquired and installed by the Council is used on its computers,
 - b. staff are aware of legislative provisions, and
 - c. in developing systems, due regard is given to the issue of intellectual property rights.

Treasury management

C.22 The Director of Finance is responsible for:

- i. reporting to the Cabinet Member for Finance, in accordance with the CIPFA Treasury Management in the Public Services Code of Practice and accordingly will create and maintain, as the cornerstones for effective treasury management:
 - a. a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
 - b. 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.

- ii. reporting to the Council 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;

- iii. establishing procedures to monitor and report on performance in relation to Prudential Indicators set by the Council;
- iv. ensuring that all borrowing and all investments of money are made in the name of the Council or in the name of an approved nominee.

C.23 This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's standard of professional practice on treasury management.

C.24 This organisation nominates the Treasury Advisory Group and Governance & Audit Committee to be responsible for ensuing effective scrutiny of the treasury management strategy and policies.

Loans to third parties and acquisition of third party interests

C.25 The Director of Finance is responsible for ensuring, jointly with the Group Managing Director, Managing Directors and Executive Directors, that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the full Council, the Leader, Cabinet or the Cabinet Member for Finance. **LINK**

Trust Funds and funds held for third parties

C.26 Managing Directors and Executive Directors are responsible for arranging for all Trust Funds to be held, wherever possible, in the name of the Council and ensuring that Trust Funds are operated within any relevant legislation and the specific requirements for each Trust.

Banking

C.27 The Director of Finance is responsible for:

- i. the control of all money in the hands of the Council;
- ii. operating central bank accounts as are considered necessary to the efficient operation of the Council's activities, within the terms agreed with the Council's bankers and reconciled weekly or monthly as required;
- iii. approving the opening or closing of any bank account operated by the County Council.

C.28 The Group Managing Director, Managing Directors and Executive Directors are responsible for operating bank accounts opened with the approval of the Director of Finance in accordance with issued guidelines.

Imprest Accounts

C.29 The Director of Finance is responsible for providing, in agreed circumstances and where such need is proven to be essential, cash or bank imprest accounts to meet minor or other agreed expenditure and for prescribing procedures for operating these accounts. **LINK**

C.30 The Group Managing Director, Managing Directors and Executive Directors are responsible for the operation of approved cash and bank imprest accounts in accordance with procedures issued by the Director of Finance. **LINK**

Credit Cards and Purchase Cards

C.31 The Director of Finance is responsible for

- i. providing credit cards and purchase cards to be used for agreed purposes and to be allocated to nominated members of staff;
- ii. prescribing procedures for the use of credit cards and purchase cards and the accounting arrangements required to record and monitor expenditure incurred with such cards.

C.32 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. Operating the use of credit cards and purchase cards in accordance with the procedures issued by the Director of Finance. **LINK**

Staffing Costs

C.33 The Group Managing Director is responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C.34 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. the management of total staff numbers by:
 - a. advising the Leader and the relevant Cabinet Member on the budget necessary in any given year to cover estimated staffing levels
 - b. adjusting the staffing numbers to that which can be funded within approved budget provision;
- ii. the proper use of appointment procedures;
- iii. monitoring staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff;
- iv. ensuring that the staffing budget is not exceeded unless the necessary additional ongoing funding is available and the agreement of the relevant Cabinet Member or the Leader or Cabinet is obtained as required.

Further guidance regarding authorisations to appoint members of staff is available in the relevant directorate's Scheme of Financial Delegation. **LINK**

FINANCIAL REGULATION D – SYSTEMS AND PROCEDURES

Introduction

D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

D.2 The Director of Finance is responsible for:

- i. determining the Council's accounting control systems, the form of accounts and the supporting financial records and for ensuring that systems determined by him/her are observed;
- ii. approving any changes proposed by the Group Managing Director, Managing Directors or Executive Directors to the existing financial systems or procedures or the establishment of new systems or procedures;
- iii. compiling, in consultation with the Group Managing Director, Managing Directors and Executive Directors, a Business Continuity Plan to provide for as normal a continuation of financial services as possible in the event of any incident affecting systems used to deliver those services.

D.3 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. the proper operation of financial procedures and financial processes in their own Directorates in accordance with the systems and procedures set out by the Director of Finance;
- ii. obtaining the approval of the Director of Finance for any developments of new systems and changes to existing systems, by Managing Directors or Executive Directors that involve a financial operation or produce output that may influence the allocation of resources;
- iii. ensuring that their staff receive relevant financial training;
- iv. ensuring that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. The Group Managing Director, Managing Directors and Executive Directors must ensure that staff are aware of their responsibilities under the Data Protection and Freedom of Information legislation;
- v. ensuring, jointly with the Director of Finance that there is a documented and tested Business Continuity Plan to allow information system processing to resume quickly in the event of an interruption;
- vi. ensuring that Oracle Financials is utilised except where otherwise agreed by the Director of Finance;
- vii. ensuring that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements agreed with the Director of Finance. **LINK**

Income

D4 The Governance and Audit Committee is responsible for approving procedures for writing off debts as part of the overall framework of accountability and control.

D.5 The Director of Finance is responsible for:

- i. setting the debt management policy for the County Council in order to maximise the income due to the Council and its collection;
- ii. approving the procedures, systems and documentation for the collection of income;
- iii. examining and actioning requests for write offs submitted by Managing Directors and Executive Directors;
- iv. maintaining a record of all sums written off and adhering to the requirements of the Accounts and Audit Regulations;
- v. ensuring that appropriate accounting adjustments are made following write off action;
- vi. ensuring, in consultation with the Group Managing Director, Managing Directors or Executive Directors, that adequate provision is made for potential bad debts arising from uncollected income. **LINK**

D.6 The Director of Finance is authorised to write-off the following types of debt where:

- i. the debtor has gone into liquidation or is deceased and there are no funds nor estate on which to claim for recovery of the debt
- ii. the evidence against a debtor is inconclusive, and the Director of Law and Governance recommends write-off
- iii. the debtor has absconded and all enquiries have failed
- iv. the debtor is in prison and has no means to pay

D.7 Other than covered in D6, all debt write offs over £10,000 should be put forward by the relevant Managing Director or Executive Director to the Director of Finance and Cabinet Member for Finance for agreement and then approved by the relevant Policy Overview and Scrutiny Committee.

D.8 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. compliance with the agreed debt management policy of the Council; **LINK**
- ii. the write-off of irrecoverable debts in their Directorates of up to £10,000 in consultation with the Director of Finance;
- iii. ensuring that there is an annual review of fees and charges and that proposals for the level of fees and charges are approved by the Leader or relevant Cabinet Members;
- iv. ensuring that the agreed charging policy is implemented and consistently applied in respect of each relevant activity and service;
- v. separating, as far as is practicable, the responsibility for identifying amounts due and the responsibility for collection;
- vi. ensuring official receipts are issued and to maintain any other documentation for income collection purposes;
- vii. holding securely receipts, tickets and other records of income;
- viii. ensuring the security of cash handling.

Ordering and Paying for Works, Goods and Services

D.9 The Director of Finance is responsible for:

- i. ensuring that all the Council's financial systems and procedures for ordering and paying for works, goods and services are sound and properly administered;
- ii. agreeing, in consultation with the Group Managing Director, Managing Directors or Executive Directors where appropriate, any changes to existing financial systems and to approve any new systems before they are introduced;

- iii. agreeing the form of official orders and associated terms and conditions;
- iv. making payments from the Authority's funds on the Group Managing Director, Managing Director's or Executive Director's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations;
- v. defining the requirements for the checking and certification of invoices prior to payment to confirm that the goods have been ordered and received, the invoice is in order and is certified for payment by the nominated budget manager. The Director of Finance will set and review a value for invoices, currently £100, below which payment will be made on certification that goods or services have been received and that the invoice is in order but will not require the additional certification of the budget manager;
- vi. making payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a Court Order;
- vii. making payments to contractors on the certificate of the Group Managing Director or appropriate Managing Director or Executive Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

D.10 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. ensuring that the Council's corporate financial systems are used for payment for work, goods and services except where specialist systems are used in agreement with the Director of Finance. Staff should not use personal credit cards to pay for work, goods or services on behalf of the Council;
- ii. ensuring that verbal orders for works, goods or services are only placed exceptionally and are confirmed with an official written order;
- iii. ensuring that orders are only used for goods and services provided to their Directorates. Individuals must not use official orders to obtain goods or services for their private use;
- iv. ensuring that only those staff authorised by the Group Managing Director or Managing Director or Executive Director sign orders and to maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority;
- v. ensuring that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different person from the person who authorised the order;
- vi. ensuring that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment;
- vii. ensuring that payments are not made in advance of goods being supplied, work done or services rendered to the Council except with the approval of the Director of Finance;
- viii. ensuring that invoices are approved for payment by staff authorised by the Group Managing Director, Managing or Executive Director and that details of such authorised staff, including specimen signatures and limits of authority, are provided to Exchequer Services;
- ix. ensuring that all undisputed invoices are settled within 20 days from receipt of the invoice;

- x. ensuring that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, which are in line with best value principles as contained in the Council's Procurement Strategy. The financial values at which competitive processes become mandatory are contained within 'Spending the Council's Money'; **LINK**
- xi. utilising the purchasing procedures outlined in the Council's Code of Practice for Tenders and Contracts, contained within 'Spending the Council's Money'. **LINK**
- xii. Compliance with spend mandates (e.g. all print works via Commercial Services, Kent Top Temps for agency staff etc.)

D.11 All transactions must fall within the powers delegated to officers or have been approved by a decision (in accordance with the Council's Constitution) of the Cabinet, the Leader, an authorised Cabinet Member, the Council or one of its committees or sub-committees.

D.12 No contract, agreement or other document shall be signed or sealed unless it gives effect to:

- i. a decision or resolution (in accordance with the Council's Constitution) of the Leader, the Cabinet, an authorised Cabinet Member or one of its committees or sub committees or
- ii. a decision by an officer exercising delegated powers

D.13 Budgetary provision must exist before any contract can be entered into. This provision should be explicit in a budget approved by resolution of the Council. Where budgetary approval exists for a specific item further Member approval is not generally required.

D.14 Where there is no specific budget line, the officer with delegated authority may approve expenditure up to £100,000 provided the expenditure can be met within budget. Above £100,000 a formal decision by the Leader, the Cabinet or an authorised Cabinet Member is required in accordance with the Council's Constitution.

Contract Management

D.15 Staff should refer to Spending the Council's Money for advice and guidance regarding contract management **LINK** [<http://knet2/policies-and-procedures/finance-and-procurement/procurement/spending-the-councils-money>].

Ex Gratia Payments

D.16 The Group Managing Director, Managing Directors and Executive Directors are responsible for approving reasonable ex gratia payments of £6,000 or less and for ensuring that a record of such payments is maintained.

D.17 For ex gratia payments in excess of £6,000 the Group Managing Director, Managing Directors and Executive Directors are responsible for obtaining the approval of the relevant Cabinet Member, the Cabinet Member for Finance and the Director of Finance.

Payments to employees and Members

D.18 The Director of Finance is responsible for:

- i. arranging and controlling secure and reliable payment of pensions making arrangements for recording and for the accurate and timely payment of PAYE, Income Tax, National Insurance, pension and all other statutory and non-statutory payroll deductions;
- ii. ensuring that there are adequate arrangements for administering pension matters on a day-to-day basis;
- iii. ensuring the accurate and timely production of statutory returns to the Inland Revenue, particularly in respect of the financial year-end and the declaration of employee taxable benefits.

D.19 The Director of Personnel and Development is responsible for arranging and controlling secure and reliable payment, on the due date, of salaries, compensation payments or other emoluments, staff expenses and Members' expenses and allowances in accordance with procedures prescribed by him or her.

D.20 The Group Managing Director, Managing Directors and Executive Directors are responsible for:

- i. ensuring that all appointments are made in accordance with the Council's regulations and approved establishments, grades and scales of pay.
- ii. ensuring that adequate budget provision exists for:
 - (a) all employee appointments
 - (b) all permanent and temporary variations relating to employee appointments
 - (c) all engagements of self-employed persons.

Taxation

D.21 The Director of Finance is responsible for:

- i. maintaining the Council's tax records, making tax payments, receiving tax credits and submitting tax returns by their due date as appropriate;
- ii. advising Managing Directors and Executive Directors on all taxation issues that affect the Council in the light of relevant legislation as it applies and guidance issued by appropriate bodies.

D.22 Where the Group Managing Director, Managing Directors and Executive Directors are owners of financial systems they are responsible for maintaining the appropriate records, making tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

D.23 The Group Managing Director, Managing Directors and Executive Directors are responsible for consulting with, and seeking advice from, the Director of Finance on the potential tax implications of any new initiatives for the delivery of Council activity and Services, including those that could impact on our partial exemption.

Trading accounts

D.24 The Director of Finance is responsible for advising on the establishment and operation of trading accounts.

- D.25 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. observing all statutory requirements in relation to trading activity, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged in accordance with the CIPFA Best Value Accounting Code of Practice;
 - ii. ensuring that the same accounting principles are applied in relation to trading accounts as for other services or business units;
 - iii. ensuring that each business unit prepares an annual business plan. **LINK**

Internal Recharges

- D.26 The Director of Finance is responsible for:
- i. maintaining a system of delegating budgets to directorates for support services;
 - ii. establishing a framework for the carrying out of internal recharges in accordance with laid down timetables;
 - iii. arbitrating on disputed recharges where these cannot be satisfactorily resolved between directorates;
 - iv. recharges for support services in accordance with the CIPFA Best Value Accounting Code of Practice for both budget and final accounts purposes.
- D.27 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. ensuring that budgets for the purchase and provision of internal services are agreed between purchaser and provider and properly reflected in annual budgets and business plans and budget monitoring statements;
 - ii. raising and/or processing recharges in accordance with the timescales laid down;
 - iii. notifying and/or responding to disputed recharges in accordance with the timescales laid down;
 - iv. monitoring the processing of recharges in accordance with the timetable agreed with the Director of Finance.

FINANCIAL REGULATION E – EXTERNAL ARRANGEMENTS

Partnerships

- E.1 The Director of Finance is responsible for:
- i. promoting the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council
 - ii. advising on the financial implications resulting from entering into partnership agreements including tax treatment, limitation of liability, valuation of transferred assets or the grant of a right to use existing assets and any other long term issues;
 - iii. advising on the terms of any payment and performance mechanism relating to partnerships entered into by the Council.
- E.2 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. ensuring that, when entering into partnerships, the Council's financial and operational interests are protected;
 - ii. ensuring that appropriate financial and legal advice is taken before entering into partnership agreements;
 - iii. ensuring that, before entering into partnership agreements with external bodies, a risk management appraisal is carried out and an exit strategy is in place where appropriate;
 - iv. ensuring that necessary approvals are obtained before negotiations are concluded in relation to partnership agreements;
 - v. ensuring that the accounting and financial arrangements for partnerships satisfy the requirements of the Council and allow for any required audit of the partnerships affairs.

More detailed guidance can be found in 'Risk Management of Key Partnerships – A guide to good practice' and the Companies' Protocol. **LINK**

External funding

- E.3 The Director of Finance is responsible for:
- i. ensuring that procedures are in place so that all the financial implications, including long term issues, resulting from entering into external funding agreements are identified;
 - ii. ensuring that all external funding agreed with external bodies is received and is properly recorded in the Council's accounts;
 - iii. maintaining a record of expected grants in liaison with the Group Managing Director, Managing Directors and Executive Directors;
 - iv. investigating ways of maximising grant income;
 - v. building in any agreed financial implications (e.g. matched funding) into the budget strategy;
 - vi. accounting for non-specific Government Grants received and receivable and submitting any required returns in respect of these.
- E.4 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. ensuring that external funding which is sought supports the Councils service priorities;

- ii. ensuring that any matched funding requirements relating to external funding agreements are identified and provided for in the budget prior to any external funding agreement being concluded;
- iii. ensuring that necessary approvals are obtained before external funding agreements are concluded;
- iv. ensuring that the conditions of external funding agreements and any statutory requirements are complied with;
- v. ensuring that expenditure met from external funding is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and that audit requirements of the funding body can be met;
- vi. maintaining a record of external funding agreements in place;
- vii. ensuring that any other expenditure associated with the grant (e.g. matching funding) is contained within the agreed Directorate budget;
- viii. accounting for specific Government Grants received and receivable in respect of services for which they are responsible and submitting any required returns in respect of these;
- ix. ensuring that all grants received are recorded in the central register, and in line with the 'corporate grant procedure' **LINK**

Work for third parties

- E.5 The Director of Finance is responsible for issuing any required guidance on the financial aspects of contracts with third parties and external bodies.
- E.6 The Group Managing Director, Managing Directors and Executive Directors are responsible for:
- i. ensuring that work for third parties does not impact adversely on the services of the Council and that before entering into agreements a risk management appraisal has been carried out;
 - ii. ensuring that guidance issued by the Director of Finance is complied with and that all agreements and arrangements are properly documented.
- E.7 The Leader or relevant Cabinet Member is responsible for approving the contractual arrangements for any work for third parties or external bodies where the contract value exceeds £200,000.

Companies

- E.8 The Director of Finance is responsible for advising on the financial implications resulting from the creation of a company including tax treatment and accounting arrangements.
- E.9 The Group Managing Director, Managing Directors and Executive Directors are responsible for ensuring that no company is formed without first seeking financial and legal advice.

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