

# **A – FINANCIAL REGULATIONS**

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## INTRODUCTION

### FINANCIAL REGULATIONS

- 1.1 Somerset County Council has adopted the Leader and Cabinet form of political structure. Details of the Leader and Cabinet arrangements are summarised in Section 5 of Part 1 of the Constitution.
- 1.2 These Regulations reflect the CIPFA / SOLACE Statement on Good Governance.
- 1.3 Part 1 of the Constitution details:
  - (a) The decision-making responsibilities of the Council, Council Committees and Senior Officers of the Council in relation to Council decisions.
  - (b) The decision-making responsibilities of the Leader, the Cabinet collectively, Cabinet Members, joint executive arrangements and Officers of the Council under the authority of the Leader. Underpinning these arrangements there is the Officers' Scheme of Delegation detailing delegations from Senior Officers to other officers of the Council.
- 1.4 The establishment and the strict adherence to sound financial management policies is an integral part of the Scheme; part of this process is the establishment of both Financial Regulations, which set out the financial policies of the County Council and a series of key controls to ensure that they are adhered to. In exceptional circumstances only, approval may be sought to the temporary waiver of the requirements from the Council or Leader of the Council.
- 1.5 CIPFA has produced a model set of Financial Regulations that reflect best practice and provide a practical source of advice to assist the 'modern' County Council. These Financial Regulations are based on that model.
- 1.6 The Financial Regulations provide clarity about the accountabilities of bodies and individuals –particularly:
  - The Leader of the Council
  - The Cabinet
  - Members of the Cabinet;
  - Members of a Scrutiny Committee;
  - Members of the Audit Committee;
  - The Chief Executive (as the Head of Paid Service);
  - The Chief Finance Officer (Section 151 officer under the Local Government Act 1972;
  - The Strategic Manager – Governance & Risk (as the Monitoring Officer); and
  - The Senior Leadership Team
- 1.7 Each of the Financial Regulations sets out the overarching financial responsibilities, and the County Council itself is required to approve them.

## **FINANCIAL PROCEDURES**

1.8 In addition to the Regulations, the County Council has approved Financial Procedures; which are available on the Intranet site, from the Chief Finance Officer or the Finance Service Managers. Each section of the Financial Procedures follows the format set out below:

- why is this important? - this sets the context for the financial procedures;
- key controls - this explains the key internal controls which set the framework for ensuring financial regulations are operating effectively;
- responsibilities of the Chief Finance Officer;
- responsibilities of the Senior Leadership Team and
- Responsibilities of All Officers and anyone acting on behalf of the County Council

## **FINANCIAL GUIDANCE**

1.9 The Chief Finance Officer will issue advice and guidance to support the Financial Regulations and procedures which Members, Officers and others acting on behalf of the County Council are similarly required to follow. This is available on the intranet site or from Finance Service Managers

1.10 The Chief Finance Officer will determine the scope of any financial guidance he or she deems necessary to issue. This will include the circumstances in which the guidance applies (such as the 10 Point Plan), and which officers are obliged to act (such as the roles set out in the Income Code of Practice).

## **OTHER REGULATORY DOCUMENTS**

1.11 Beyond the scope of this document, the County Council links the Financial Regulations with other internal regulatory documents forming part of the County Council's Constitution. These identify accountabilities for specific functions, and procedural notes on the conduct of Council and other meetings; on access to information; on contracts; on the acquisition / disposal of land and buildings; and the employment of Officers; as well as the Codes of Conduct for Members; together with various other protocols.

1.12 Services may also attach their own more detailed financial procedures, guidance and instructions, provided that these do not contradict Financial Regulations, Financial Procedures or any other guidance issued by the Chief Finance Officer.

## BACKGROUND

2.1 Somerset County Council is one of the larger local authorities in England. It has a population of approximately 535,000 and an area of some 350,000 hectares. It provides a diverse range of services to its residents. It works in partnership with four District Councils (from 1<sup>st</sup> April 2019), some 260 parish / town councils and other organisations.

2.2 The County Council has an overall responsibility for the well-being of the County and provides the following main services:

- children & young people's services
- education
- social care services
- strategic planning
- roads and highways
- traffic and transportation
- subsidised public transport
- libraries
- waste disposal
- waste recycling
- trading standards
- registration of births, deaths and marriages
- street lighting
- public rights of way
- museums
- countryside management
- environmental management
- public health

## **STATUS OF FINANCIAL REGULATIONS**

- 3.1 Financial Regulations provide the framework for managing the County Council's financial affairs, and are required to be approved by the County Council itself. They apply to every Member and Officer of the County Council, and anyone acting on behalf of the County Council. Contravention is a serious matter and could lead to disciplinary action being taken. These Regulations reflect the Council's 'executive' arrangements which are the responsibility of the Leader to decide.
- 3.2 These Regulations identify the financial responsibilities of the County Council; the Leader, the Cabinet collectively, individual Cabinet Members, the Scrutiny Committees, the Audit Committee, the Chief Executive, the Monitoring Officer, the Chief Finance Officer and the Senior Leadership Team. Delegations from the Senior Leadership Team of Officers are detailed in the Officers' Scheme of Delegation which is maintained by the Monitoring Officer. These regulations apply equally to responsible bodies such as school governors.
- 3.3 The Chief Finance Officer maintains a continuous review of the Financial Regulations and advises the County Council and / or the Leader of any additions or changes that are required. He or she also reports, where appropriate, breaches of the Financial Regulations to the County Council, or the Leader as appropriate.
- 3.4 The County Council's detailed Financial Procedures setting out how the Regulations will be implemented are available on the council's intranet site.
- 3.5 The Chief Finance Officer issues guidance to underpin the Financial Regulations which Members, Officers and others acting on behalf of the authority are required to follow. Contravention could lead to disciplinary proceedings. Guidance on financial matters is available on the intranet and on procurement issues on the Procurement intranet site.
- 3.6 The Senior Leadership Team are responsible for ensuring that all Officers in their service areas are aware of their responsibilities under Financial Regulations and other internal regulatory documents, and that they comply with them.
- 3.7 However, all Members and Officers 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 and provides value for money.
- 3.8 In exceptional circumstances, the County Council and the Leader (for relevant elements) may approve the temporary waiver of any of the Financial Regulations or Procedures.

## **4 FINANCIAL REGULATION A:**

### **FINANCIAL MANAGEMENT**

#### **Introduction**

A.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the Policy Framework, the Medium Term Financial Plan (MTFP) and the Budget.

#### **Overview of financial accountabilities in relation to:**

##### ***The County Council***

A.2 The County Council determines its internal constitutional arrangements, the Policy Framework and Budget within which the Leader and Cabinet decision-making process operates. It sets the level of Council Tax Precept and determines issues relating to the control of its borrowing requirements. It appoints the Leader of the Council. Together with the Leader, the County Council is responsible for monitoring compliance with policies and the framework of accountability and controls. The framework is set out in its Constitution. However, the scrutiny of Key Decisions is undertaken by the Scrutiny Committees.

A.3 Part 1 of the Council's Constitution sets out responsibilities and procedures for the recording and reporting of decisions taken, including Key Decisions as defined under the Local Government Act 2000.

A.4 In addition, the County Council determines the administrative arrangements for the Local Government Pension Scheme; the Scheme is maintained for all its relevant employees and those of other appropriate bodies within its area. The day-to-day administrative arrangements have been delegated to the Chief Finance Officer.

##### ***The Leader***

A.5 The Leader decides the Cabinet arrangements of the Council. This includes:-

- Deciding the application of 'Key Decision' legislative requirements
- Appointing a Cabinet and a Deputy Leader
- Deciding the functions of the Cabinet and individual members of the Cabinet
- Deciding the Cabinet decision-making arrangements including delegations to officers.

A.6 The Leader has also retained specific functions in relation to the detail of budget processes as outlined later in these Regulations.

##### ***The Cabinet***

A.7 The Leader has decided that the Cabinet shall be responsible for proposing to the County Council the Policy Framework, the Medium Term Financial Plan, the Budget and Annual Precept and for delivering services and discharging functions in accordance with the Policy Framework and Budget.

- A.8 The Leader has also delegated Cabinet decision-making responsibilities to the Somerset Waste Board, the Traffic Regulation Order Sub-Committee, jointly to two or more Cabinet Members, individual Cabinet members and Officers.
- A.9 Together with the County Council, the Cabinet is responsible for monitoring compliance with policies, and the framework of accountability and control.

### **Cabinet Members**

- A.10 Cabinet Members, acting under delegated authority from the Leader and in accordance with Financial Regulations and Procedures, can, within the conditions set by the Cabinet Scheme of Delegation, approve Decisions in conjunction with the relevant Senior Leadership Team officer and the Chief Finance Officer to:-
- Spend budgets within the overall cash-limited approvals of the relevant service area.
  - Agree virements between service blocks that do not exceed agreed delegated limits (see Appendix A for current thresholds)
  - Approve bids for funds from external bodies with no financial limit, provided that suitable on-going revenue provision for the consequences is available where necessary and with the agreement of the Chief Finance Officer.

This includes the ability for two or more Cabinet Members to take joint Key decisions

### **Committees:**

*- Scrutiny for Policies and Place Committee, Scrutiny for Policies, Adults and Health Committee, and Scrutiny for Policies, Children and Families Committee.*

- A.11 These Committees are responsible for scrutinising Key Decisions before or after they have been implemented, and for undertaking on a regular and systematic basis the review of service performance, including the use of financial resources. In addition, the Committees are responsible for responding to requests from Members for the review of specific issues. Arising from their reviews or on request from the Leader, the Cabinet, or a Cabinet Member, the Committees are also responsible for making recommendations on future policy options.

*- Audit Committee*

- A.12 This Committee has overall responsibility for internal audit; however, in turn, it has delegated the day-to-day responsibility for this to the Chief Finance Officer. The Director consults the Committee as necessary on the content of the annual audit plans of both the internal and external auditors. The Committee is responsible for monitoring the delivery of both plans and any additional audit work undertaken during the year; it also reviews the internal auditor's annual report and the external auditor's statutory management letters, and makes recommendations for appropriate further action. In addition, the Committee considers the outcomes of any fraud investigations and the action taken.
- A.13 The Committee is also responsible for reviewing on-going risk management, and may also initiate reviews of the adequacy of financial procedures and internal

controls, including the adequacy of the audit function, and recommend to the Cabinet future policy options; as part of these reviews, The Senior Leadership Team may be required to account to the Committee for their actions or those of their staff.

- A.14 The Committee approves the formal annual Statement of Accounts, the Value For Money audit and Annual Governance Statement and considers matters arising from the Accounts Audit.

*- Constitution and Standards Committee*

- A.15 The Constitution and Standards Committee promotes and maintains high standards of conduct amongst Members. In particular, it advises the Council on the adoption of the Members' Code of Conduct, for its operation and its updating. The Committee also investigates complaints made against Members where referred by the Monitoring Officer and has a role in the consideration of the Council's governance framework. The Committee comprises 5 elected members and 5 co-opted non-voting members.

- A.16 It also updates individual parts of the Constitution as required and recommends an updated Constitution annually to Council for approval.

*Pensions Committee*

- A.17 This Committee discharges the Council's functions as administering authority of the Somerset Pension Fund (the Fund).

*- Other Committees*

- A.18 Regulatory functions, such as planning and licensing, are the responsibility of the Full Council (the Local Government Act 2000 does not allow them to be executive functions) but the Council has delegated these functions to the Regulation Committee and to Officers.
- A.19 The HR Policy Committee determines, monitors, reviews and amends staffing policies and practices to secure the best use and development of the council's staff, including the power to deal with all matters relating to staff terms and conditions and to act as the Council's Remuneration Committee for Chief Officers (ie Senior Leadership Team Officers.)
- A.20 The Somerset Health and Wellbeing Board is a committee of the Council with responsibility for agreeing the Joint Strategic Health Needs Assessment and the Somerset Health and Wellbeing Strategy. The Board also has responsibility for overseeing the commissioning of public health services in Somerset.
- A.21 The Somerset Waste Board has delegated powers in relation to the Council's statutory functions as Waste Disposal Authority. The Board is a Joint Committee of Somerset County Council, Mendip District Council, Sedgemoor District Council, South Somerset District Council and Somerset West & Taunton Council.

***The statutory officers:***

*- Chief Executive*

A.22 The Chief Executive is the Head of Paid Service and is responsible for the corporate and overall strategic management of the County Council as a whole. He or she must report to, and provide information for the County Council, the Leader, the Cabinet, Cabinet Members, Scrutiny and other Committees. Also, he or she is responsible for establishing a framework for management direction, style and standards, and for monitoring the performance of the organisation. In addition, he or she is also responsible, together with the Monitoring Officer, for the system of recording Council and executive decisions.

*- Chief Finance Officer*

A.23 The Chief Finance Officer exercises the statutory duties in relation to the financial administration and stewardship of the County Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Accounting and Audit Regulations 1996 and onwards
- Any relevant case law pertaining to the above

A.24 He or she is responsible for:

- The proper administration of the County Council's financial affairs;
- Setting and monitoring compliance with financial management standards;
- Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
- Preparing the draft Medium Term Financial Plan which incorporates the annual Revenue Budget and the Capital Investment Programme;

Advising Council on the requirements to be observed in the setting of the Revenue Budget and the fixing of the Precept;

- The preparation of the annual Statement of Accounts
- Treasury management; and
- Acceptance of Grant Conditions pursuant to Section 151 of the Local Government Act 1972 and has the power to enter into binding financial agreements including, but not limited to, applying for grants or making grant claims and accepting conditional or non-conditional grants and committing the County Council to repay grants in the event that the terms and conditions are not met.

A.25 The Council has appointed the Strategic Finance Manager – Adults, Health and Children's as a formal Deputy Section 151 Officer to act in his or her stead where necessary in all areas of Section 151 responsibility. The Chief Finance Officer will also, from time to time, give more formal delegated authority to suitably qualified and experienced Finance Service Managers for specific projects and tasks, where they will be the financial lead Officer for the authority in his or her stead.

A.26 Under Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer is required specifically to report to the County Council and the Leader and the external auditor if the County Council or one of its Officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure;
- has taken, or is about to take, an unlawful action which has, or would result in a loss or deficiency to the County Council; or
- is about to make an unlawful entry in the County Council's accounts; or
- if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure

*- Monitoring Officer*

A.27 The Monitoring Officer is responsible for promoting and maintaining high standards of overall conduct, and therefore provides support to the Constitution and Standards Committee, the Council and the Senior Leadership Team. The Monitoring Officer is also responsible for the Council's democratic arrangements, the Constitution and for reporting any actual or potential breaches of the law, or instances of maladministration either to the County Council directly or via the Cabinet.

*- Chief Executive's Management Team  
(known as the Senior Leadership Team – SLT)*

A28 The Senior Leadership Team is the Senior Officers' body which brings together directors responsible for:

- a) Commissioning (assessing customer needs, designing and then achieving appropriate outcomes in terms of service delivery whether delivered by the public, private or civil society sectors)
- b) Support and customer services (to support and developing the business)
- c) Operations: (responsible for in-house service delivery)

The list of posts that comprise SLT is set out in 'Definitions' in Part 1, Section 1 of the Constitution.

A29 SLT:

- a) Instigates and develops policy proposals;
- b) Prepares the Medium Term Financial Plan and the Asset Management Plan;
- c) Ensures the delivery of the County Plan and Business Plan within approved budgets and for the effective delivery of the Council's services
- d) Ensures compliance with the Council's approved governance and policy frameworks including Financial Regulations and the Contracts Procedure Rules
- e) Delegates the management of service area budgets through the Commissioning Directors to the relevant Operations Directors

- f) Co-ordinates and manages the use of the Council's staff and property resources to ensure optimum deployment and their use to meet the Council's changing business needs
- g) Directs and monitors the performance of the organisation in applying the approved policies;
- h) Is responsible for the effective delivery of the services through the Operations Directors within the agreed budget and policy framework
- i) Refers issues of concern to the Leader / Cabinet / Cabinet Members for determination.
- j) Ensures that the Council meets its statutory requirements in the areas which they have delegated responsibility.

The Council may, from time to time, appoint interim postholders to any of the SLT or statutory roles, with the same responsibilities and powers for decision-making purposes.

- A.30 SLT has regular meetings with the Cabinet to progress key strategic policy issues prior to consideration by the Cabinet. Any specific decision making will be through the Chief Executive in accordance with SCC's governance procedures.

**Other financial accountabilities in relation to:**

*Key spending decisions*

- A.31 Key Decisions must be publicised in advance. Key Decisions and some Non-Key Decisions and the reasons for them are published on the Council's website.
- A.32 The Leader is responsible for the protocols that provide the framework within which 'executive' decisions are taken by members and officers. These protocols are detailed in the relevant parts of Sections 5 and 8 of Part 1 of the Constitution. In exercising delegated authority the individual Member/Officer must take account of both legal and financial liabilities as well as risk management issues which may arise from the decision.
- A.33 The Chief Finance Officer in consultation with SLT Officers, advises the Leader or County Council if the financial implication of a proposal or of a decision already taken under delegated authority is, or is likely to be considered, contrary to, or not wholly in accordance with, the approved Policy Framework, Medium Term Financial Plan or Budget. In this context this may result from a Member or Director:
- initiating a new policy (without prior approval);
  - committing expenditure or other resources in future years in excess of the approved plan level;
  - agreeing transfers of budget approvals (virements) in excess of the limits within delegated authority; or
  - causing the total expenditure financed from County Council tax, grants and corporately held reserves to increase, or to decrease by more than a specified amount.
- A.34 The Leader will refer to Council for decision any matter where a Cabinet Member wishes to make a decision which is contrary to or not wholly in accordance with the

approved Annual Budget or to any of the Plans or Strategies agreed by the Council, or within any virement limits set by the Council.

- A.35 Cabinet Members/SLT Officers are responsible for consulting with the Chief Finance Officer on any matter which is liable to affect the County Council's finances materially either favourably or adversely, before any commitments are incurred, and for advising the Leader accordingly.
- A.36 The Monitoring Officer advises the County Council, the Leader, the Cabinet, individual Cabinet Members, and Officers regarding who has the authority within the County Council to take a particular decision regarding financial issues.

*Revenue Budget monitoring*

- A.37 The Chief Finance Officer provides financial information to enable SLT Officers acting as 'summary budget holders', to monitor effectively their cash-limited budgets.
- A.38 SLT Officers within their own service areas control income and expenditure against their cash-limited budget and monitor their service delivery and financial performance targets. They must take any action necessary to avoid exceeding their financial allocation; this may, in exceptional circumstances, include the seeking of additional budget allocations.
- A.39 The Chief Finance Officer monitors the performance of SLT Officers in controlling income and expenditure against their cash-limited budget allocation and he or she must report details of variances on a regular basis to SLT Officers and, as appropriate, to Members.

*Virement and Supplementary Estimates.*

- A.40 The County Council agrees procedures for the transfer of approvals (virement) between budget headings and approves supplementary estimates. Appendix A sets out the financial thresholds for virements and who can take the Decision to vire.
- A.41 The Leader and Cabinet Members take in-year decisions on reallocating resources in order to deliver the Budget Policy Framework within the financial limits set by the County Council, acting on advice from the Chief Finance Officer.
- A.42 In addition, in accordance with the financial thresholds set out in Appendix A, Cabinet Members agree in-year virements that are above the delegated limits of SLT, and in line with the currently approved Policy Framework. Cabinet Members must notify the Chief Finance Officer of all proposed virements which exceed those limits, and he or she will report these initially to SLT for consideration, and onwards to the Cabinet for determination / confirmation.
- A.43 There is a presumption that virements in excess of the permitted limits will be confirmed where the effect of the proposal is to maintain the level of service outputs which are in line with the approved Policy Framework.

*Treatment of year-end balances*

- A.44 The Chief Finance Officer will recommend procedures for agreeing carry forwards of under and over-spending on budget headings at year-end. The Cabinet will agree individual carry forward requests carrying forward under and over-spending on budget headings at the year-end, acting on the Chief Finance Officer's advice.
- A.45 SLT, and, if appropriate, the relevant Scrutiny Committee monitor the impact of the year-end variations on the level of service outputs which had been planned for both the relevant and subsequent year(s).

*Accounting policies*

- A.46 The Chief Finance Officer selects appropriate accounting policies and ensures that they are applied consistently.

*Accounting records and returns*

- A.47 The Chief Finance Officer determines the accounting procedures to be followed and accounting records to be maintained within the authority.

*The annual Statement of Accounts*

- A.48 The Chief Finance Officer ensures that the annual Statement of Accounts is prepared in accordance with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom other legal requirements and best accounting practice, for approval by the Audit Committee.

## **4 FINANCIAL REGULATION B:**

### **FINANCIAL PLANNING**

#### **Introduction**

- B.1 The County Council is responsible for approving the following as proposed by the Cabinet:
- the Policy Framework;
  - the Medium Term Financial Plan, including the Annual Revenue Budget and Capital Investment Programme;

#### **Policy Framework**

- B.2 The County Council's agreed policy objectives will inform the overall Policy Framework and service plans. The Policy Framework is defined in Part 1, Section 1 of the Constitution.
- B.3 The County Council approves procedures for agreeing variations to approved budgets, plans and strategies which form the Policy Framework.
- B.4 The County Council sets the level at which the Leader and Cabinet Members may re-allocate budget funds within the current year's Medium Term Financial Plan, including the Revenue Budget and the Capital Investment Programme. The Leader and Cabinet Members take in-year decisions on resources and priorities in order to deliver the Budget and Policy Framework within the financial limits set by the County Council.

#### *- Preparation of the Policy Framework:*

- B.5 The Chief Executive, in consultation with SLT Officers, ensures that the Policy Framework is prepared for approval by the County Council and that it is consistently applied.

#### **Budgeting**

#### *- Budget format:*

- B.6 The County Council determines the policies, format and content of the Medium Term Financial Plan (MTFP) including the annual Revenue Budget and Capital Investment Programme.

#### *- Budget preparation:*

- B.7 The Chief Finance Officer ensures that a Medium Term Financial Plan including the annual Revenue Budget and Capital Investment Programme covering a 3-year period, or as may otherwise be determined, is prepared and updated on an annual basis for consideration initially by SLT then the respective Scrutiny Committees, the Leader and Cabinet Members, before submission for approval to the County Council by the Cabinet. The County Council may agree the budget, amend the budget or ask the Leader to reconsider it or to re-examine areas of detail within the overall budget set.

- B.8 SLT Officers are responsible for ensuring that their elements of the Medium Term Financial Plan reflect agreed service performance plans and their proposals for change, and are available for submission to SLT and the Leader / Cabinet members within the timetable set. SLT Officers must also provide information to the Leader/Cabinet where, in their opinion, the service plan does not meet statutory or central government requirements.
- B.9 Proposals on the annual Revenue Budget submitted by the Cabinet to the Council should include details of the allocation of resources to different services and projects, the options for alternative taxation levels, the nature and level of contingency funds and reserves and the requirement to set the Prudential Code limits in particular the statutory borrowing limit under the Local Government Act 2003.
- B.10 The Leader, in consultation with the Chief Finance Officer, issues guidance to SLT on service cash limits and the general content of the annual Revenue Budget as soon as possible following its approval by the County Council.

*- Guidelines:*

- B.11 The Leader and Cabinet Members, following consultation with the Chief Finance Officer, are responsible for issuing to SLT guidelines on the preparation of the Medium Term Financial Plan including the annual Revenue Budget and the Capital Investment Programme. The guidelines will take account of:
- legal requirements;
  - the approved Policy Framework and service delivery targets;
  - medium term financial planning prospects;
  - available resources;
  - Members' agreed political objectives and targets
  - spending pressures;
  - service performance measures;
  - best value and other relevant Government guidelines;
  - cross-cutting issues (where relevant);
  - the findings of external inspections such as the External Audit Value for Money Assessment; and
  - impact and risk assessments.

*- Preparation of the Capital Strategy and Capital Investment Programme:*

- B.12 The Chief Finance Officer ensures that a Capital Strategy (CS) and a Capital Investment Programme (CIP) covering a 3-5-year period, or as may otherwise be determined, are prepared / updated on an annual basis for consideration initially by SLT and subsequently by the Scrutiny Committees, the Leader and Cabinet Members before their submission for approval to the County Council by the Cabinet.
- B.13 The Capital Strategy sets out the principles to be followed which demonstrate how new capital investment, together with active management of existing assets, contribute to achieving the Council's approved policies, objectives and targets. The Capital Strategy is supported by detailed asset management plans for each major area of capital investment; these plans include details of individual schemes, and

the impact of each on the planned level of service outputs / outcomes, together with the means of financing those proposals. Investment proposals are, as appropriate, summarised in the draft Capital Investment Programme.

- B.14 The County Council may agree the proposed Capital Strategy and Capital Investment Programme, amend them, or ask the Leader to reconsider areas of detail within them.
- B.15 Schemes are approved within the Capital Investment Programme on an individual basis or at a generic level for a specific activity (e.g. Local Transport Plan) and the approval relates to the total spending on the scheme, irrespective of when the payments are to be made; variations of approvals are permitted within limits set by the Council.

*- Resource allocation:*

- B.16 The Chief Finance Officer determines the process to identify on an annual basis for consideration and approval by the County Council, the resource constraints which limit the financing and are available to meet the Medium Term Financial Plan including the Annual Revenue Budget and Capital Investment Programme. The process must also identify all opportunities for optimising funding arrangements without impacting adversely on the delivery of the plans.

*- Budget monitoring and control:*

- B.17 The Chief Finance Officer provides financial information to SLT Officers to enable them to monitor and control expenditure against their revenue and capital budget allocations, as well as monitor against service performance targets.
- B.18 SLT Officers must provide the Chief Finance Officer with details of the progress on their budgets to enable him or her to report through SLT to the Cabinet Member for Resources, Cabinet and respective Scrutiny Committees on a regular basis and provide information to all Members on a quarterly basis. The report will include SLT's proposals for containing spending within their allocations, details of spending pressures in excess of those allocations, and, in respect of the Capital Investment Programme, details of the continued availability of resources to fund the programme; also, the report will seek, where appropriate, approval from the Council to any variations to the Annual Revenue Budget or the Capital Investment Programme where these changes exceed the delegation limits set by the Council, identifying the impact of those variations on the level of planned service outputs.
- B.19 Full details of responsibilities for revenue budget monitoring and control are shown in Financial Procedures A.2 – Financial Management – managing and controlling spending, and for capital B.2 – Preparation of Capital Strategies and Capital Investment Programme.

**Maintenance of reserves**

- B.20 The Chief Finance Officer advises the Leader and the County Council on the prudent level of reserves to be maintained for the authority, based on his or her professional judgement as to the overall future financial risks to the Council.

- B.21 The Chief Finance Officer advises the Leader and the County Council on compliance with the CIPFA Prudential Code (Local Government Act 2003 and associated regulations).
- B.22 The establishment of any earmarked reserves require the approval of the Cabinet Member for Resources in consultation with the Chief Finance Officer.
- B.23 Annually as part of the outturn reporting process, the Cabinet will consider the in-year movements of each earmarked reserve and approve future use of residual balances.

## **4 FINANCIAL REGULATION C:**

### **RISK MANAGEMENT AND CONTROL OF RESOURCES**

#### **Introduction**

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all the County Council's significant operational risks. This should include the proactive participation of all those involved directly or associated with the planning or delivering of services.

#### **Risk management**

- C.2 The Cabinet, on the recommendation of SLT, approves the County Council's risk management strategy and policy statement and, in addition, for ensuring that proper insurance arrangements are effected where appropriate. The Audit Committee will monitor the on-going risk management activities of the County.
- C.3 The Chief Finance Officer prepares the County Council's risk management policy statement, and advises SLT Officers of their responsibilities and monitors their compliance.
- C.4 SLT Officers are responsible for complying with the risk management strategy and policy statement in respect of their service areas
- C.5 The Chief Finance Officer and/or the Monitoring Officer advises initially SLT and subsequently the Cabinet on any non-compliance by an officer with the approved risk management policy statement. He or she is also responsible for providing advice on and effecting the appropriate insurance arrangements.

#### **Internal control**

- C.6 Internal control is the system of control devised by management to help ensure the County Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the County Council's assets and interests are safeguarded.
- C.7 The Chief Finance Officer advises SLT on effective systems of internal financial control. These arrangements need to ensure that all statutory and corporate requirements and other relevant statements of best practice are met. They should ensure that public funds are properly safeguarded and used economically and efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.8 SLT establishes, in line with that guidance, sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness in the use of resources in the delivery of their service and the achievement of their financial performance targets.

## **Audit requirements**

- C.9 The Accounts and Audit Regulations 1996 require every local authority to maintain an adequate and effective internal audit.
- C.10 The County Council has approved that the Public Sector Audit Appointments (PSAA) has the authority for appointing external auditors to the Council. 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, subsequent regulatory guidance and the annual direction of the National Audit Office.
- C.11 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

## **Preventing Fraud and Corruption**

- C.12 The Chief Finance Officer develops and maintains an anti-fraud and anti-corruption policy, an anti-bribery policy and an anti-money laundering policy. These are subject to an annual review by the Audit Committee.

## **Assets**

- C.13 SLT Officers ensure that all financial records, physical assets and supporting documentation used in the provision of their services are properly maintained, securely held and, in respect of physical assets, suitably recorded.
- C.14 They must also ensure that sound contingency plans for the security of those assets and for the continuity of service provision in the event of a disaster or other major system failure are in place, and that those arrangements are regularly tested.

## **Treasury Management**

- C.15 The County Council has adopted CIPFA's 'Code of Practice for Treasury Management in the Public Services'.
- C.16 The Council approves the treasury management policy statement setting out the matters as detailed in Section 5 of CIPFA's 'Code of Practice for Treasury Management in the Public Services.' The draft policy statement is prepared on an annual basis by the Chief Finance Officer and proposed to the County Council by the Cabinet.
- C.17 All money in the hands of the County Council is monitored and controlled by the Chief Finance Officer acting as the officer designated for the purposes of section 151 of the Local Government Act 1972.
- C.18 The Chief Finance Officer has delegated responsibility for implementing and monitoring the treasury management policy statement. All executive decisions on borrowing, investment or financing shall be delegated to him or her, and he or she is required to act in accordance with the policy statement which has regard to CIPFA's

Code of Practice for Treasury Management in the Public Services and the Prudential Code.

- C.19 The Chief Finance Officer reports to the Cabinet not less than annually on the treasury management activities and on the exercise of his or her delegated treasury management authority.

**Staffing**

- C.20 The Chief Executive, through SLT, is responsible for exercising the overall management of staff.
- C.21 The Human Resources and Organisational Development Director determines and monitors adherence to staffing policies and procedures, and ensures that there is proper use of the evaluation, or other agreed system, for determining the remuneration of a job; further details are shown in the Personnel Handbook.
- C.22 SLT Officers control their staff numbers by:
- employing staff in accordance with the approved Policy Framework, establishment level of officers and annual Revenue Budget;
  - seeking the approval within the Medium Term Financial Plan to cover the estimated staffing levels required to support the existing and proposed levels of service provision;
  - seeking the prior approval of the Cabinet Member responsible for HR, in consultation with the Human Resources and Organisational Development Director and the Chief Finance Officer any adjustment to the staffing numbers to meet changing operational needs where the ongoing impact cannot be wholly met from within the approved budget or from within ongoing additional external income, and / or where staffing implications are significant.
  - only employing staff on a permanent basis if ongoing and sustainable funding is available.
  - matching contracts and appointments of staff that are funded by external funding sources to the guaranteed time period that such funding is available
  - complying with any further guidance issued around establishment control such as the Recruitment Protocol

## **4 FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES**

### **Introduction**

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

### **General**

- D.2 The Chief Finance Officer is responsible for the overall operation and maintenance of the County Council's form of accounts, the accounting and related systems, and all supporting financial records. The Chief Finance Officer can enforce the use of corporate financial systems where there are financial or other benefits to be gained from doing so.
- D.3 SLT Officers ensure the proper operation of approved financial procedures within their own service area.
- D.4 SLT Officers must seek the prior approval of the Chief Finance Officer to any proposed changes to the existing financial or related systems or to the establishment of any new financial or related systems which are / will be directly under their control.
- D.5 SLT Officers must also seek the prior approval of the Chief Finance Officer, who, if he or she deem it appropriate, will consult SLT and the Cabinet, to any proposed changes to the County Council's instructions or procedural notes on financial matters which are required to meet their own specific service needs.
- D.6 SLT Officers must ensure that, where financial management arrangements are undertaken within their service areas that their staff receive appropriate financial training and operate to the professional standards set by, and detailed in guidelines issued by the Chief Finance Officer.
- D.7 SLT Officers must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection and GDPR legislation and that their staff are aware of their responsibilities under the Freedom of Information legislation.

### **Expenditure and Income**

- D.8 SLT Officers are responsible for the effective operation of a system for the control of expenditure and income within their area. Where an officer has delegated this responsibility, their records must identify who has been authorised to act on his / her behalf in respect of the placing of orders, the making of payments, or the collection of income, and the limit of their authority.
- D.9 The County Council approves procedures for the writing-off of uncollectable debts as part of its overall control framework of accountability and control. Guidance is contained within the Income Code of Practice.

### **Payments to employees, former employees and members**

- D.10 The Human Resources and Operational Development Director is responsible for making all payments for salaries and wages to all staff, for pension and other benefit payments to relevant former employees and for the payment of allowances to Members.

### **Taxation**

- D.11 The Chief Finance Officer advises SLT Officers on all taxation issues that affect the County Council, in the light of statutory requirements and relevant guidance issued by the appropriate bodies.
- D.12 The Chief Finance Officer is responsible for maintaining directly, or where he or she deems it appropriate, ensuring that SLT Officers maintain the County Council's taxation records, and for making all tax payments, receiving tax credits / refunds and for submitting tax returns by their due date as and when appropriate.

### **Trading Accounts and Business Units**

- D.13 The Chief Finance Officer advises on the establishment and the operation of suitable accounting records and supporting procedures for trading accounts and business units.
- D.14 The establishment of all new trading accounts and activities require the approval of the Cabinet Member for Resources in consultation with the Chief Finance Officer following consideration of an appropriate detailed business case.
- D.15 There is a requirement for all trading units to achieve full cost recovery and achieve a break-even position. If a trading unit has more than one year of deficit, there will be a full review of the business case.

## **4 FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS**

### **Introduction**

E.1 The County Council provides a distinctive leadership role for the community and is able to bring together the contributions of various participants / stakeholders by participating in various partnership / joint working arrangements; as a result, it is able to achieve the promotion or improvement of the economic, social or environmental wellbeing of its area.

### **Partnerships**

E.2 The Cabinet approves the operational framework for the County Council's participation in all strategic partnerships / joint working arrangements with other local public, private, voluntary and community sector organisations; this includes the arrangements for delegations to Officers and the detailed arrangements for the provision of both financial and physical resources by the County Council.

E.3 Similarly, Cabinet Members approve the operational framework of all other partnerships, joint working arrangements with other local public, private, voluntary and community sector organisations, which affect the service areas for which they have responsibility.

E.4 The Monitoring Officer, Chief Finance Officer and other Senior Leadership Team officers promote and maintain within all partnership / joint working arrangements the same high standards of conduct with regard to the legal, corporate governance and financial affairs which are detailed in these Financial Regulations and Financial Procedures and elsewhere, and which are applied throughout the County Council.

E.5 The Chief Finance Officer:

- advises SLT Officers on the need for, and, if appropriate, for appraising and approving the relevant risk assessment of a proposal before any commitment is made for the County Council to participate in a partnership or joint working arrangement or scheme; and
- specifies the accounting and auditing arrangements to be adopted and approves the overall corporate governance arrangements when, under the approved arrangements, the County Council is to be the lead authority.

E.6 SLT Officers are responsible for:

- ensuring that before committing the County Council's participation in a partnership or joint working arrangement or scheme, or before seeking the approval of the Cabinet or Cabinet Member to such participation, they consult with the Chief Finance Officer on the need to prepare a risk assessment of the proposal, and if appropriate, obtaining his or her approval to it;

- ensuring that the approval of the Cabinet or Cabinet Member as well as the Chief Finance Officer is obtained before any negotiations are concluded where the County Council's participation is of a material nature;
- ensuring that all agreements and arrangements, including exit 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 procedures specified by the Chief Finance Officer;
- observing the County Council's standards of conduct whilst having due regard to the partnership or joint working arrangement's governance framework;
- ensuring that the body or person maintaining the accounting and auditing arrangements do so to a standard acceptable by the Chief Finance Officer in those cases where, under the approved arrangements, the County Council is not to be the lead authority, but the County Council's participation is of a material nature; and
- providing appropriate information to the Chief Finance Officer to enable him or her to include relevant details in the County Council's Statement of Accounts, and other financial statements and returns.

### **External funding**

E.7 The Chief Finance Officer is responsible for providing specific guidance to SLT Officers to enable them to account properly for funding receivable from external sources, such as grants.

### **Work for third parties**

E.8 The Chief Finance Officer is responsible for providing specific guidance to SLT Officers in respect of required contractual arrangements for the provision of services to third parties or external bodies.

Appendix A - List of Financial Thresholds		
<b>Revenue Virements</b>	<b>Threshold</b>	<b>Responsible Decision Maker</b>
<p>Transfers between revenue budget headings (*1) can take place 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.</p> <p><i>Note – (*1) this relates to budget headings at a Senior Leadership Team level and above.</i></p>	<p>Up to £50,000</p> <p>Between £50,000 and £250,000</p> <p>Above £250000</p>	<p>the relevant Senior Leadership Team Officer</p> <p>the relevant Cabinet member (s) in consultation with relevant Officers and the Chief Finance Officer (unless they are purely technical or structural in nature when there would be no financial limit)</p> <p>the Cabinet Member for Resources in consultation with other relevant Cabinet Members and the Chief Finance Officer.</p> <p><i>The decision maker is required to meet any conditions on the exercise of the function set out in Article 14 – para 14.7 – of the Constitution – Cabinet Scheme of Delegation.</i></p>
<p><b>Capital Virements</b></p> <p>Resources may be vired from one capital project or heading to another (*2) provided that such transfers do not result in an overall increased commitment of capital resources and do not involve new policy or policy change:</p> <p><i>Note – (*2) this relates to individual capital projects or budget headings at Senior Leadership level and above</i></p>	<p>Up to £50,000</p> <p>Between £50,000 and £250,000</p> <p>Above £250,000</p>	<p>The relevant Senior Leadership Team Officer</p> <p>the relevant Cabinet Member in consultation with the relevant Senior Leadership Team Officer and the Chief Finance Officer (unless they are purely technical or structural in nature when there would be no financial limit)</p> <p>the Cabinet Member for Resources in consultation with other relevant Cabinet Members and the Chief Finance Officer.</p> <p><i>NB. The decision maker is required to meet any conditions on the exercise of the function set out in Article 14 – para 14.7 – of the Constitution – Cabinet Scheme of Delegation.</i></p>