

## **(f) Financial Rules of Procedure**

### **1 Introduction**

#### 1.1

To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the Financial Rules that set out the financial policies of the Council, the practical detail for managers of how these policies are to be delivered and instructions on how the procedures are to be implemented and followed.

#### 1.2

The purpose of the Financial Rules is to provide a framework of financial control. It is not intended to act as a constraint upon service delivery. The Council is committed to innovation, within the regulatory framework, and with the necessary risk assessment and safeguards in place.

#### 1.3

Full Council is responsible for approving the Financial Rules, which are part of the Council's Constitution.

#### 1.4

Any reference to writing includes all electronic communication including e-mail.

#### 1.5

Minor changes to these rules or any updating required because of changes to legislation shall be made by the Head of Finance.

### **2 Definitions**

For the purposes of the Financial Rules the terms used shall be as defined in the Council's constitution. The statutory posts are defined in the introduction to the constitution. The term "Head of Finance" shall be deemed to be "Chief Finance Officer" and "Section 151 Officer". The nominated deputy to act in the absence of the Head of Finance is the Corporate Systems Accountant. The Section 151 Officer is the person currently appointed by Council to act in that role.

### **3 Status and Application**

#### 3.1

The Council's governance structure is in the Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed.

#### 3.2

The Financial Rules are part of the Constitution and provide the framework for managing the Council's financial affairs. They apply to all Members and staff of the Council and anyone acting on its behalf, including contractors.

#### 3.3

The Head of Finance will maintain a continuous review of the Financial Rules and submit any significant additions or changes necessary to the full Council for approval. The Head of Finance is responsible for reporting, where appropriate, breaches of the Financial Rules to the Council and/or to the Executive Members.

#### 3.4

The Head of Finance will issue advice and guidance on the Financial Rules to Members, staff and others acting on behalf of the Council.

### 3.5

The Head of Finance may issue such supporting Financial Instructions or working practice notes as he or she deems appropriate.

### 3.6

Heads of Service are responsible for ensuring that all staff in their departments are aware of the existence and content of the Council's Financial Rules and all financial procedures and guidance issued by the Head of Finance.

## **4 Delegation of Financial Responsibilities**

### 4.1

The Scheme of Delegation is contained in Part 1 of the Constitution. This sets out general and specific delegated powers relating to finance and the power to act in the absence of certain officers

### 4.2

If the Head of Finance is unavailable the Corporate Systems Accountant is nominated to act as their deputy.

### 4.3

Where expenditure is incurred directly because of an emergency, be it internal or external to the Council, Financial Procedure rules may be waived.

### 4.4

Where the Financial Rules are waived, appropriate records must be maintained to verify expenditure.

### 4.5

All such emergency events will be reported to the first available meeting of the Executive following the event.

## **5 Financial Management**

### Introduction

### 5.1

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

### Full Council

### 5.2

The full Council is responsible for adopting the Council's Constitution and Members' code of conduct and for approving the policy framework and budget within which the Executive operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Constitution. The full Council is also responsible for monitoring compliance with the agreed policy and related Executive decisions.

### 5.3

The full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by the Council and all decisions taken by the Council and its committees. These delegations, and details of who has responsibility for which decisions, are set out in the Scheme of Delegation in the Constitution.

5.4 In relation to finance, Council is responsible for:

- a. approving the budget

- b. setting the council tax
- c. establishing the council tax base
- d. approving the capital programme
- e. financial strategies
- f. financial planning
- g. financial management and control
- h. external financial arrangements
- i. the Financial Rules of Procedure

The Executive

5.5

The Executive is responsible for proposing the policy framework and budget to the full Council, and for implementing the Council's policies, objectives and strategies in accordance with the policy framework and budget. The Executive has overall responsibility for the implementation of the Council's financial strategies and revenue and capital budgets and may make decisions in respect of these matters subject to them being consistent with approved policy and budget framework and the constitution.

## **6 The Statutory Officers**

Chief Executive

6.1

The Chief Executive is responsible for the overall corporate management and operation of the Council. He or she must report to and provide information for the Executive, the full Council, the scrutiny committees and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

Monitoring Officer

6.2

The Monitoring Officer is responsible for maintaining an up-to-date version of the Constitution and ensuring that it is widely available.

6.3

The Monitoring Officer is responsible for reporting any actual or potential breaches of the law or maladministration to the full Council (or to the Executive, in relation to an Executive function) and for ensuring that procedures for recording and reporting key decisions are operating effectively.

6.4

The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee.

6.5

The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public; that Council Members are made aware of decisions made by the Executive and by officers who have delegated executive responsibility.

6.6

The Monitoring Officer is responsible for advising the Executive or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

6.7

The Monitoring Officer is responsible for advising all Members and officers on the scope of powers and authority to

take decisions, maladministration, financial impropriety and probity.

## Head of Finance

### 6.8

The Head of Finance (sometimes referred to as “Chief Finance Officer” or “Section 151 Officer”) has statutory duties in relation to the financial administration of the Council. This statutory responsibility cannot be overridden.

The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 2003.

### 6.9

The Head of Finance is responsible for:

- the proper administration of the 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
- providing financial information
- preparing the revenue budget and capital programme treasury management.

### 6.10

The Head of Finance is responsible for advising all Members and officers on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

### 6.11

Section 114 of the Local Government Finance Act 1988 requires the Head of Finance to report to the full Council, Executive and external auditor if the 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 resulted, or would result in, a loss or deficiency to the Council
- is about to make an unlawful entry in the Council’s accounts.

### 6.12 Section 114 of the 1988 Act also requires:

- the Head of Finance to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally. The Head of Finance has nominated the Corporate Systems Accountant for this purpose.
- the Council to provide the Head of Finance with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

## Strategic Directors and Heads of Service

### 6.13 Strategic Directors and Heads of Service are responsible for:

- ensuring that Executive Members are advised of the financial implications of proposals and that the financial implications have been previously agreed by the Head of Finance where necessary, in accordance with the scheme of Delegation.

## **7 Who is responsible for what?**

Treatment of year-end balances

### 7.1 Treatment of year-end balances

Accounting policies

### 7.2

The Head of Finance is responsible for determining and interpreting accounting policies procedures and records and ensuring that they are applied consistently.

The annual statement of accounts

### 7.3

The Head of Finance is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Accounts and Audit Regulations 2003, and the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC). The Accounts Audit and Risk Committee is responsible for approving the annual statement of accounts.

## **8 Financial Planning**

Introduction

### 8.1

The full Council is responsible for agreeing the Council's Budget and Policy Framework and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:

- the annual report and performance plan
- the medium term financial strategy
- the budget
- the capital programme.

The Budget and Policy Framework process is described in part 2, section 2.2 of the constitution on page 61.

### 8.2

The full Council is responsible for approving the Financial Regulations governing variations to approved budgets, plans and strategies (forming the Budget and policy framework) and for determining the circumstances in which a decision will be deemed to be contrary to the Budget and Policy framework.

## **9 The Budget**

### 9.1

Guidelines on budget preparation are issued to Members and staff by the Executive. The guidelines will take account of:

- legal requirements and government guidance
- medium-term planning prospects
- the corporate plan
- available resources
- spending pressures
- inflationary pressures
- relevant government guidelines
- other internal policy documents

- cross-cutting issues (where relevant).

## Budget format

### 9.2

Budgets allow the Council to plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit. Prudential borrowing is permitted

### 9.3

The budget will be approved by full Council and proposed by the Executive on the advice of the Head of Finance. The draft budget should include allocation to different services and projects, properly reflecting the service plans and priorities of the Council, proposed taxation levels and contingency funds.

## Budget preparation

### 9.4

The Head of Finance is responsible for ensuring the preparation of an annual revenue budget and a three-year general revenue forecast for consideration by the Executive, before submission to the full Council. The full Council may amend the budget or ask the Executive to reconsider it before approving it.

### 9.5

The Executive is responsible for issuing guidance on the general content of the revenue budget in consultation with the Head of Finance as soon as possible following approval by the full Council.

### 9.6

It is the responsibility of Heads of Service to ensure that all budget estimates submitted to the Executive are prepared in line with guidance issued by the Executive and are consistent with agreed medium term plans and strategies and the emerging annual service plans.

### 9.7

The approval of the revenue estimates by the full Council will constitute authority to incur expenditure as detailed in the budget.

## Preparation of the capital programme

### 9.8

The Head of Finance is responsible for ensuring that a three-year capital programme is prepared on an annual basis for consideration by the Executive before submission to the full Council.

### 9.9

The approval of the capital programme by the Council will constitute authority to incur expenditure as detailed in the capital programme.

## Budget monitoring and control

### 9.10

The Head of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Executive on the overall position on a regular basis.

### 9.11

It is the responsibility of Heads of Service and other budget holders to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Head of Finance. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Head of Finance to any potential financial problems.

## Virement

9.12

The full Council is responsible for agreeing guidelines for the virement of expenditure between budget headings.

9.13

Virements shall not be made across funds or across ring-fenced accounts. On no account should resources be vired between revenue and capital accounts.

9.14

Virement does not apply to capital charges, loan repayments, interest receipts, any transactions to or from other public authorities, items of taxation or other non-service items.

9.15

Any proposal to vire resources involving internal charges or recharges must not result in any overall increase in expenditure.

9.16

Any proposed virement in excess of £250,000 must have the prior approval of the Council. The rules governing the virement of sums below this amount are detailed in the Financial Procedures.

9.17

Heads of Service, in consultation with the Head of Finance, are responsible for agreeing in-year virements within delegated limits, in accordance with the Financial Procedures.

#### Supplementary Estimates

9.18

Supplementary estimates shall only be sought with the agreement of the Head of Finance and where increased expenditure cannot be financed

- i. from virement in accordance with the specified virement rules; and
- ii. from additional specified sources of income.

9.19

All supplementary estimates require prior approval from the Executive or full Council in accordance with the criteria laid down in the Financial Procedures.

#### Resource allocation

9.20

The Head of Finance is responsible for developing and maintaining a resource allocation process that ensures due consideration against the competing priorities within the Council's Budget and Policy framework.

#### Maintenance of Reserves

9.21

It is the responsibility of the Head of Finance to advise the Executive and/or the full Council on prudent levels of reserves for the Council. This will normally fall within any guidelines published by the Chartered Institute of Public Finance and Accountancy from time to time but will always take full account of associated risks and the assessed needs of the Council

## **10 Risk Management and Control of Resources**

### Introduction

10.1

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those staff involved with planning

and delivering services.

## Risk Management

### 10.2

The Executive is responsible for approving the Council's risk management strategy and for reviewing the effectiveness of risk management. The Executive is also responsible for ensuring that insurance is in place where appropriate.

### 10.3

The Head of Finance is responsible for preparing the Council's risk management strategy, for promoting it throughout the Council, and for advising the Executive on proper insurance cover where appropriate.

## Internal Assurance

### 10.4

Internal assurance refers to the system of monitoring devised by management to help ensure that the Council's objectives are achieved in a manner which promotes economic, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

### 10.5

The Head of Finance and the Head of Legal and Democratic Services, as Monitoring Officer, are responsible for advising on effective systems of internal assurance. 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.

### 10.6

It is the responsibility of Heads of Service to establish sound arrangements for planning, appraising, authorizing and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

## Audit Requirements

### 10.7

All the activities of the Council are subject to both internal and external audit.

### 10.8

The Accounts and Audit Regulations 2003, issued by the Secretary of State, require every local authority to maintain an adequate and effective internal audit of its accounting records and of its system of internal assurance.

### 10.9

The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by The Code of Audit Practice.

### 10.10

The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise, Benefits Fraud Inspectorate and the Inland Revenue, who have statutory rights of access.

## Preventing Fraud and Corruption

### 10.11

The Head of Finance and the Head of Legal and Democratic Services, as Monitoring Officer, are responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

## Assets

### 10.12

Heads of Service should ensure that assets are correctly recorded in the asset register, properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the

event of disaster or system failure are in place.

## Treasury Management

### 10.13

The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.

### 10.14

The Head of Finance is responsible for reporting to the Executive a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

### 10.15

The full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Executive. The Head of Finance has delegated responsibility for implementing and monitoring the statement.

### 10.16

All money in the hands of the Council is controlled by the Head of Finance as designated for the purposes of section 151 of the Local Government Act 1972.

### 10.17

All Executive decision-making relating to borrowing, investment or financing shall be delegated to the Head of Finance, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.

### 10.18

The Head of Finance is responsible for reporting to the Executive on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

## **11 Systems and Procedures**

### General

#### 11.1

The Head of Finance is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records, all of which must allow compliance with the Account and Audit Regulations 2003, as amended. Any changes made by Heads of Service to the existing financial systems or the establishment of new systems must have the prior approval of the Head of Finance. However, Heads of Service are responsible for the proper operation of financial processes in their own departments.

#### 11.2

Any changes to agreed procedures by Heads of Service to meet their own specific service needs must first be agreed with the Head of Finance.

#### 11.3

Heads of Service should ensure that their staff receive relevant financial training that has been approved by the Head of Finance.

#### 11.4

Heads of Service must ensure that, where appropriate, computer and other systems are registered and compliant with data protection legislation. Heads of Service must ensure that staff are aware of their responsibilities under freedom of information legislation.

### Income and Expenditure

#### 11.5

It is the responsibility of Heads of Service to ensure that a clear written scheme of delegation has been established within their area and that it is operating effectively. The scheme of delegation should identify staff authorised to act on the Heads of Service's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

#### Payments to Employees and Members

11.6

The Head of Finance is responsible for making all payments of salaries and wages to all staff, including payments for overtime.

#### Taxation

11.7

The Head of Finance is responsible for advising Heads of Service, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

11.8

The Head of Finance is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

#### Trading Accounts/Business Units

11.9

It is the responsibility of the Head of Finance to advise on the establishment and operation of trading accounts and business units.

## **12 External Arrangements**

#### Partnerships

12.1

The Head of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

12.2

Heads of Service are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

#### External Funding

12.3

The Head of Finance is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.