

## FINANCIAL REGULATIONS AND PROCEDURE RULES

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### INTRODUCTION

#### 1 Financial Regulations

- 1.1 The following financial regulations take account of CIPFA guidance – with amendments to reflect the Council’s local arrangements and requirements.
- 1.2 Financial Regulations and Procedure Rules provide the framework for managing the Council’s financial affairs. They apply to every Councillor and officer of the Council and anyone acting on its behalf.
- 1.3 They set out the principles to be followed in securing the proper administration of the financial affairs of both Babergh and Mid Suffolk District Councils. They apply to every Councillor and Officer of the Authorities and anyone acting on its behalf.
- 1.4 All Councillors 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, provides value for money and achieves best value.
- 1.5 The Council’s financial procedures rules guidance contains the operational detail which underpins the financial regulations and is issued to officers by the S151 Officer. Councillors, officers and others acting on behalf of the Council are required to follow this guidance. The following matters are covered in the financial procedure rules guidance:
  - Banking arrangements and Imprest Accounts (petty cash)
  - Income collection and raising debts
  - Ordering goods and services and paying invoices
  - Procurement Cards
  - Assets and Security
  - Salaries, Wages and Pensions
  - Insurances
  - Budget virements (transfers) and carry forwards.
- 1.6 Directors are responsible for ensuring that all officers in their departments and those acting on behalf of the Councils are aware of the existence and content of the Council’s Financial Procedure Rules, Contract Standing Orders and other internal regulatory documents and that they comply with them.
- 1.7 Each Senior Officer shall consult the S151 Officer with respect to any matter which is liable to materially affect the finances of the Council before any provisional or other commitment is incurred and before the S151 Officer reports the matter to Cabinet through the budget monitoring reporting if material, see A.15 below.
- 1.8 The S151 Officer shall report to the Councils any significant failure to comply with these rules which comes to their attention.

- 1.9 There are five financial regulations which cover:
- A: Financial Management
  - B: Financial Planning
  - C: Risk Management and Control of Resources
  - D: Systems and Procedures
  - E: External Arrangements
- 1.10 These Regulations (and associated procedures/guidance) are to be read in conjunction with the Constitution and Scheme of Delegation and the S151 Officer shall determine any matter on which conflict may arise.
- 1.11 Failure to observe these Regulations may be classified as misconduct justifying disciplinary action.

## **A: FINANCIAL MANAGEMENT**

### **INTRODUCTION**

- A.1 Financial management covers all financial responsibilities and accountabilities of the Council, Cabinet, Committees and key officers in relation to the running of the authority, including the policy framework and budget (which is covered in Article 13 of the Constitution).

### **THE COUNCIL**

- A.2 The Council is responsible for approving the Policy Framework and budget. 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 its Constitution. The Council has a statutory responsibility for setting the Council Tax, determining borrowing limits and considering reports by the S151 Officer (under section 114 of the Local Government Act 1988).
- A.3 Arrangements for delegated powers are set out in the Scheme of Delegation in the Constitution.

### **CABINET**

- A.4 Cabinet is responsible for proposing the policy framework and budget to the full Council, and for discharging functions in accordance with this.

### **OVERVIEW AND SCRUTINY COMMITTEE**

- A.5 This is responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. Overview and Scrutiny Committee is also responsible for reviewing the general policy and service delivery of the authority.

## DUTIES OF SENIOR OFFICERS

### S151 Officer/Chief Financial Officer (CFO)

- A.6 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements.
- A.7 The Chartered Institute of Public Finance and Accounting (CIPFA) Statement on the role of the Chief Financial Officer (CFO) in public service organisations defines the role of a CFO as:
- a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
  - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
  - must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- A.8 To deliver these responsibilities the CFO:
- must lead and direct a finance function that is resourced to be fit for purpose; and
  - must be professionally qualified and suitably experienced.
- A.9 To view CIPFA's statement on the Role of Chief Finance Officer in Local Government please use the following link:
- <http://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-chief-financial-officer-in-local-government>
- A.10 The S151 Officer is responsible for advising the Cabinet and the Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be "contrary to the budget" include:
- initiating a new policy or spending not provided for in the approved budget
  - committing expenditure in future years to above the budget level
  - budget transfers above virement limits
  - causing the net expenditure financed from council tax, grants and corporately held reserves to increase, or to increase more than the reported amount.

A.11 The S151 Officer has statutory duties in relation to the financial administration and stewardship 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 Local Government Act 2003
- The Accounts and Audit Regulations 2015

A.12 The S151 Officer 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 and advice
- Preparing medium term financial planning, revenue budget and capital programme
- Treasury management.

A.13 Under Section 114 of the Local Government Finance Act 1988 the S151 Officer will report to Council, Cabinet and the External Auditor if the Authority 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.

A.14 Section 114 of the 1988 Act also requires:

- The S151 Officer to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under section 114 personally;
- The Council to provide the S151 Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

## **SENIOR LEADERSHIP TEAM**

A.15 The Senior Leadership Team is responsible for:

- Ensuring that Councillors are advised of the financial implications of all proposals and that the financial implications have been agreed by the S151 Officer.
- Signing contracts in relation to their specific areas on behalf of the authority in accordance with the Procurement Scheme of Delegation.
- Consulting with the S151 Officer to seek approval on any matter likely to materially affect the Council's finances, before any commitments are incurred.

## **CORPORATE MANAGERS AND PROFESSIONAL LEADS**

A.16 Corporate Managers and Professional Leads have responsibility for managing and monitoring budgets, under the guidance and direction of the Senior Leadership Team.

## **BUDGET MANAGEMENT, MONITORING AND CONTROL**

A.17 The S151 Officer is responsible for putting into place effective procedures for ensuring that guidance and financial information is available to enable budgets to be managed, monitored and controlled effectively. The S151 Officer will report to the Cabinet on the overall position and variances compared to the Budget on a regular basis.

A.18 It is responsibility of the Senior Officers (Directors, Corporate Managers and Professional Leads) to control income and expenditure within their area and to monitor performance, taking account of financial information and advice provided. They should take any action necessary to avoid exceeding their budgets and alert the S151 Officer to any problems as soon as possible.

## **BUDGET VIREMENT (TRANSFERS)**

A.19 Details of the arrangements and procedures for virement (transfer) of expenditure or income between budgets and the limits that apply are set out in financial procedures.

A.20 Senior Officers are responsible for agreeing in-year virements within these limits, in consultation with the S151 Officer where required.

## **YEAR-END BUDGET CARRY FORWARDS**

A.21 Details of the arrangements and procedures for carrying forward budget underspends at the end of each financial year are also set out in financial procedures.

## **ACCOUNTING POLICIES**

- A.22 The S151 Officer is responsible for selecting which accounting policies should be adopted and regularly reviewing them, ensuring that they are applied consistently.

## **ACCOUNTING RECORDS AND RETURNS**

- A.23 The S151 Officer is responsible for determining the accounting procedures and records that are required for the Council.

## **THE ANNUAL STATEMENT OF ACCOUNTS**

- A.24 The S151 Officer is responsible for ensuring that these are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA). The Joint Audit and Standards Committee is responsible for approving the annual Statement of Accounts.

## **B: FINANCIAL PLANNING**

### **COUNCIL**

- B.1 The Council is responsible for approving the policy framework and budget within which the Council operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in its Constitution. In terms of financial planning, the key elements are:
- Strategic Plan and Delivery Plans
  - Medium Term Financial Strategy
  - Asset Management Plan/Strategies
  - Revenue Budget and Capital Programme (including associated Investment Strategies)
  - Advice on the robustness of estimates and adequacy of reserves
  - Treasury Management Strategy

### **CABINET**

- B.2 The Cabinet is responsible for:
- Approving the general format of the budget on the advice of the S151 Officer. This will include allocation of resources, proposed changes to charges for services and proposed taxation/council house rent levels.
  - Approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.
  - Taking in-year decisions on resources and priorities in order to deliver the policy framework and budget within the financial limits set by the Council.

## **SENIOR OFFICERS**

B.3 Senior Officers are responsible for:

- Drawing up the key elements of the Council's policy framework and budget
- Reviewing and proposing resource allocation processes (in conjunction with the S151 Officer) to Councillors.
- Contributing towards the financial planning arrangements and ensure that Operational Delivery Teams operate within guidelines that are issued.

## **BUDGET AND CAPITAL PROGRAMME**

### **PREPARATION**

B.4 The S151 Officer is responsible for ensuring that a revenue budget and capital programme is prepared on an annual basis and a rolling Medium Term Financial Strategy (MTFS) for consideration by Cabinet before submission to Council. The MTFS will be reviewed annually.

B.5 It is the responsibility of Senior Officers to ensure that the budget and capital programme reflects agreed objectives and strategic/service priorities and that these are prepared in line with guidance issued by Cabinet and the S151 Officer.

B.6 Senior Officers are responsible for ensuring that budgets and capital programme are based upon reliable estimates and are prepared in accordance with guidance issued by the S151 Officer.

### **RESOURCE ALLOCATION**

B.7 The S151 Officer (in conjunction with the Senior Leadership Team) is responsible for developing, maintaining and reviewing a resource allocation process that ensures it reflects the policy framework.

### **GUIDELINES**

B.8 Guidelines on budget and capital programme preparation are issued by the S151 Officer. These take account of:

- legal requirements
- medium-term financial planning
- strategic/annual delivery plans
- forecast available resources
- spending/cost pressures
- relevant government guidance
- Council policies
- Treasury Management Strategy



## **MAINTENANCE OF RESERVES**

- B.9 It is the responsibility of the S151 Officer to advise Cabinet and/or the full Council on the robustness of estimates and adequacy of reserves.
- B.10 The principles for use of reserves detailed in the MTFs/Annual Budget will be followed.
- B.11 Directors, in consultation with the S151 Officer, are authorised to utilise credit balances up to a threshold of £150,000 on the reserve accounts within their area of responsibility to finance expenditure relating to the purpose of the reserve. Anything above this amount will need to go on the Forthcoming Decision List and approved by Cabinet.

## **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 significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.
- C.2 The Accounts and Audit Regulations require that the Council's financial management is adequate and effective and that there is a sound system of financial control that facilitates the effective exercise of the Council's functions and that includes risk management arrangements.
- C.3 Senior Officers are responsible for reviewing the effective management of risks, internal controls and governance, supported by the Corporate Manager – Internal Audit and the S151 Officer.
- C.4 The S151 Officer is responsible for ensuring that proper insurance exists where appropriate.

### **RISK MANAGEMENT**

- C.5 The Cabinet is responsible for recommending approval of the Council's Risk Management strategy. The Joint Audit and Standards Committee is responsible for ensuring that there is a robust and effective risk management process in place.
- C.6 The Corporate Manager – Internal Audit is responsible for preparing the Council's Risk Management strategy and for promoting it throughout the Council and maintaining and reporting on the Council's Significant Risk Register.



## **INTERNAL CONTROL**

- C.7 Internal control refers to the systems of control devised by management to help ensure the Council's objectives and strategic/service priorities are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.8 The systems of internal control should ensure compliance with all applicable statutes and regulations, and other relevant best practice. They should also ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other policies that govern their use.
- C.9 It is the responsibility of Senior Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

## **AUDIT REQUIREMENTS AND INSPECTION**

- C.10 The basic duties of the external auditor are governed by Section 5 of the Audit Commission Act 1998. The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective internal audit. The S151 Officer is responsible for ensuring that this is achieved.
- C.11 Internal Audit will advise and report to management and the Joint Audit and Standards Committee on whether the Council's governance – appropriate risk management processes, control systems and operational procedures – are in place and operating properly.
- C.12 This scope will extend to systems or services provided wholly by, or in conjunction with other organisations, including partnership arrangements.
- C.13 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs who have statutory rights of access. It is the responsibility of Senior Officers and all officers to co-operate and provide such information as required by those bodies.

## **PREVENTING FRAUD AND CORRUPTION**

- C.14 The Corporate Manager – Internal Audit is responsible for:
- the development and maintenance of a Prevention of Financial Crime Policy and ensuring that Councillors and staff are aware of its contents.
  - ensuring that there is a pro-active approach to fraud prevention, detection and investigation and promote a council-wide anti-fraud culture across both organisations.

- C.15 All officers are responsible for giving immediate notification to the Corporate Manager – Internal Audit on fraud matters where there are grounds to suggest that fraud or corruption have occurred.

### **MONEY LAUNDERING**

- C.16 The Corporate Manager – Internal Audit is the Money Laundering Reporting Officer (MLRO) and is responsible for ensuring that proper procedures are in place to combat the possibility of the authority being used for money laundering purposes.

### **ASSETS**

- C.17 Senior Officers are responsible for ensuring that records and assets are properly maintained and securely held. They must 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.

### **STAFFING**

- C.18 The Chief Executive, as Head of Paid Service, is responsible for determining overall staffing requirements. Cabinet will consider changes to these within the overall policy and budget framework.
- C.19 The Senior Leadership Team is responsible for controlling total staff numbers.
- C.20 The Director (Corporate Resources) is responsible for ensuring that there is proper use of the job evaluation or other agreed systems for determining the remuneration of a job.
- C.21 Appointments of all employees shall be made in accordance with the regulations of the Council and the approved establishments, grades and rates of pay.

### **TREASURY MANAGEMENT**

- C.22 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities. The code includes a 'Treasury Management Policy Statement'. The S151 Officer is responsible for implementing and monitoring the statement and will advise the Cabinet immediately of any significant amendment to the Code and any consequent or necessary amendment to the Treasury Management Policy Statement and/or Treasury Management Strategy.
- C.23 The S151 Officer is responsible for submitting to the Cabinet/Council:
- a proposed Treasury Management Strategy before the start of each financial year
  - a mid year and annual review of activity compared to the approved strategy by 30 September of the succeeding financial year.

- C.24 The S151 Officer is responsible for reporting to the Cabinet any significant variations to the approved strategy during the year.
- C.25 All executive decisions on borrowing, investment or financing shall be delegated to the S151 Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.

**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 S151 Officer issues guidance and requirements in relation to the above (see also Financial Regulation C: Risk Management and Control of Resources which covers advice and reports by the Corporate Manager – Internal Audit on systems of internal control).
- D.3 Senior Officers have responsibility to ensure adherence to these.
- D.4 Any changes made by Senior Officers to the existing financial systems or the establishment of new systems must be approved by the S151 Officer. Senior Officers are responsible for the proper operation of financial processes in their own areas.
- D.5 Any changes to agreed procedures by Senior Officers to meet their own specific service needs are to be agreed with the S151 Officer.
- D.6 Senior Officers should ensure that staff receive relevant training and guidance.

**INCOME AND EXPENDITURE**

- D.7 Guidance and procedures on the collection of all money due to the Council will be under the supervision of the S151 Officer.
- D.8 It is the responsibility of Senior Officers to identify staff authorised to act on their behalf in respect of making payments, receiving income and placing orders, together with the limits of their delegated authority.
- D.9 The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control with the following exception:-

The process of debt write-off related to the functions of the Shared Revenues Partnership (SRP) which is delegated to authorised SRP officers in consultation with the SRP Joint Committee, within limits as agreed by that Committee.

## **PAYMENTS**

- D.10 The S151 Officer is responsible for arrangements relating to all payments (to suppliers, contractors, employees and Councillors).

## **TAXATION**

- D.11 The S151 Officer is responsible for advising Senior Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.12 The S151 Officer 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**

- D.13 It is the responsibility of the S151 Officer to advise on the establishment and operation of trading accounts.

## **E: EXTERNAL ARRANGEMENTS**

### **INTRODUCTION**

- E.1 The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

### **PARTNERSHIPS**

- E.2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Council will continually look for opportunities to form partnerships with other local public, private, voluntary and community sector organisations to address local needs and priorities.
- E.3 The Cabinet can delegate functions – including those relating to partnerships – to officers. Where functions are delegated, the Cabinet remains accountable for them to the full Council.
- E.4 The Chief Executive or other Senior Officers represent the authority on partnerships and external bodies.
- E.5 Senior Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

- E.6 The S151 Officer ensures that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory.

**EXTERNAL FUNDING**

- E.7 The S151 Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.