

FINANCIAL REGULATIONS

I. RESPONSIBILITIES

I.1 THE FULL COUNCIL

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 Cabinet operates. This includes approval of the Council's Financial Regulations. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control set out in these Regulations and elsewhere in the Council's Constitution.

In adopting the Constitution and approving changes to it the full Council is also responsible for agreeing the scheme of delegation for decision-making, other than the delegation of executive functions to officers by the Cabinet, set out in the Responsibility for Functions section of the Constitution.

I.2 CABINET

At Member level, the Cabinet is responsible for the finances of the Council. It is responsible for proposing the policy framework and budget to the Council, and for discharging functions in accordance with the policy framework and budget. Cabinet decisions may be delegated as set out in the approved scheme of delegation referred to above.

I.3 THE STATUTORY OFFICERS

I.3.1 Head of Paid Service (Chief Executive)

The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He or she must report to and provide information for the full Council, the Cabinet, scrutiny bodies 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. The Head of Paid Service, with the Monitoring Officer, is responsible for the system of record keeping in relation to the decisions of the Council.

I.3.2 Section 151 Officer (Strategic Director of Corporate Services)

The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the Council, which 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 as amended.

The Section 151 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
- Preparing the revenue budget and capital programme
- Treasury management and banking
- Determining the Council Tax Base.

Section 114 of the Local Government Finance Act 1988 requires the Section 151 Officer, as the responsible financial officer, to report to the full Council, Cabinet and the Council's external auditor if the Council or one of its members of staff:

- 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.

Section 114 of the 1988 Act also requires:

- the Section 151 Officer 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 Council to provide the Section 151 Officer with sufficient staff, accommodation and other resources, including legal advice where this is necessary to carry out the duties under Section 114.

The Section 151 Officer (together with the Monitoring Officer) is responsible for advising the Cabinet or full Council if a decision is likely to be considered contrary to or not wholly in accordance with the budget. Such actions include:

- committing expenditure which is not affordable within the overall approved budget or cannot be financed in accordance with the approved reserves
- transfers between budgets which contravene the virement limits
- causing the total expenditure financed from Council Tax, grants and corporately held reserves to increase.

1.3.3 Monitoring Officer (Head of Strategic Support)

The Monitoring Officer is responsible for promoting and maintaining high standards of conduct in all matters affecting the Council, including financial issues, and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible under section 5 of the Local Government and Housing Act 1989 for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that Members are aware of key decisions made by the Cabinet

The Monitoring Officer is responsible for advising all Members and members of staff regarding levels of authority in decision-making.

The Monitoring Officer is responsible for advising the Cabinet and/or full Council if a decision is likely to be considered contrary to or not wholly in accordance with the policy framework.

The Monitoring Officer (together with the Section 151 Officer) is responsible for advising the Cabinet or full Council whether a decision is likely to be considered contrary to or not wholly in accordance with the budget as detailed above.

The Monitoring Officer is responsible for ensuring the Constitution is updated as appropriate.

1.3.4 Strategic Directors and Heads of Service

Strategic Directors and Heads of Service are responsible for ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed in advance by the Section 151 Officer or his/her deputy.

It is the responsibility of Strategic Directors and Heads of Service to consult the Section 151 Officer or his/her staff on all financial matters and to seek and obtain approval on any matter liable to materially affect the Council's finances, before any commitment is incurred.

Strategic Directors and Heads of Service must report any suspected irregularity relating to the Council's assets and interests immediately to the Section 151 Officer who will ensure that an investigation is carried out.

1.4 AUDIT

The Head of Strategic Support is responsible for maintaining an adequate and effective internal audit function. The internal audit function will

operate in accordance with the CIPFA Code of Practice for Internal Audit. The internal audit function is responsible for providing assurance on the Council's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal audit staff will undertake effective reviews of systems and procedures on a regular basis.

The Head of Strategic Support will nominate a head of internal audit who has the right to direct access to the Head of Paid Service, the Cabinet and the Audit Committee where necessary.

Internal audit staff have access at any reasonable time and have the authority to apply any test or check they deem necessary to the accounts, cash, securities or other properties or records which relate in any way to the operations of the Council and can require and receive such explanations from any Officer or Member as deemed necessary.

The external auditor has the statutory rights of access to all relevant documents under Section 6 of the Audit Commission Act 1998.

The basic duties of the external auditor are governed by Section 5 of the Audit Commission Act 1998, under which auditors need to satisfy themselves that:

- (a) the accounts are prepared in accordance with regulations made under Section 27 of the 1998 Act and comply with the requirements of all statutory provisions applicable to the accounts;
- (b) proper practice has been observed in compilation of accounts; and
- (c) the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

2. SPECIFIC FINANCIAL RESPONSIBILITIES

2.1 Contracts

All members of staff must comply with the requirements of the Council's Contracts Procedure Rules. Their purpose is to set clear rules for the procurement of goods, works and services for the Council. This will ensure a system of openness, integrity and accountability where the probity and transparency of the process will be beyond reproach. In turn this will lead to better value for money and give confidence to all concerned that the Borough Council is fulfilling its fiduciary responsibilities.

Any officer, Member, agent of the Council or firm, whilst acting on the Council's behalf in relation to any contractual matter directly or indirectly concerning the Council, shall conduct themselves in such a manner that the independence and integrity of the Council and the Council's procedures are at all times maintained and are seen to be maintained. Failure to observe such standards of conduct will be regarded by the Council with the utmost gravity.

The Contracts Procedure Rules set out the requirements for tendering and procurement of goods and services. The principal requirements are:

- Before commencing any proposed procurement process with an estimated value of £25,000 or more, the appropriate Head of Service must consult the Contract Compliance Officer, relevant Cabinet Lead Member and the Head of Finance and Property Services;
- Public Notice must be given in Source Leicestershire and on the Council's Web Site if the estimated value of the contract exceeds £25,000;
- For goods and services over £5,000 and up to £75,000 the relevant Head of Service must obtain written quotations;
- For goods and services over £25,000 and up to £75,000 written quotations must be returned to and opened by the Contract Compliance Officer;
- Full tendering requirements, including compliance with relevant EU procurement directives, apply to goods and services over £75,000;
- For goods and services below £500,000 which do not exceed the approved budget for the scheme or supplies in question, decisions on the awarding of contracts are made by the Chief Executive or his/her nominee;
- For goods and services of £500,000 or more or where the approved budget would be exceeded, decisions on the selection of contractors are reserved to Cabinet;
- Contracts below £50,000 can be signed by the Chief Executive, Strategic Directors and Heads of Service;
- Contracts of £50,000 or more must be signed by the Chief Executive or his/her nominee.

For the purposes of The Local Authorities (Executive Arrangements) (Modification of Enactments and Further Provisions) (England) Order 2001, any contract with a value exceeding £50,000 entered into on behalf of the local authority in the course of the discharge of an executive function shall be made in writing. Such contracts must either be signed by at least two officers of the Council or made under the Common Seal of the Council.

The functions of the Contract Compliance Officer are assigned to the Chief Executive who will then delegate these to another officer and a deputy for the normal performance of this role. The current Contract Compliance Officer is the Head of Strategic Support.

Any dispute or difference as to the interpretation of the Contracts Procedure Rules and/or any related Code of Practice shall be resolved by the Contract Compliance Officer or the Deputy Contract Compliance Officer. The Contract Compliance Officer or the Deputy Contract Compliance Officer can agree waivers to the Contracts Procedure Rules for contracts up to £500,000 providing they comply with UK Legislation and EU Procurement Directives and will maintain a record of any decisions taken on waivers. The Contract Compliance Officer is responsible for

maintaining the Council's Contract Compliance Rules and is authorised to make amendments to those rules as necessary. An up to date copy of the rules is available on the Council's intranet.

At the beginning of each financial year the Contract Compliance Officer will submit an Annual Procurement Plan to Cabinet for approval, containing details of the contracts above £25,000 to be let in that financial year. In approving the report, the Cabinet will agree for each contract the form of tender evaluation arrangements, whether the tender specification needs to be approved by Cabinet and whether authority is delegated to the Contract Compliance Officer to agree exceptions and open negotiation procedures. Any contracts above £25,000 not in the annual plan must have their specification and arrangements agreed by Cabinet before procurement begins.

2.2 Capital Expenditure

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant and equipment or vehicles as well as the contribution or payments of grants to others to be used to fund capital expenditure. Capital assets shape the way services are delivered for the long term and may create financial commitments for the future in the form of financing costs and revenue running costs. The Council applies a de minimus level of £10,000 to identify capital items.

The Council approves an annual Property Strategy, which considers all matters relating to the acquisition, alteration and disposal of property based assets.

The Council approves the three year Capital Plan. Cabinet approves the more detailed annual Capital Programme which is based on the Capital Plan and also approves the release of funding for each project in the Programme which is over £50,000. The release of funding for projects below this level is approved in accordance with the Council's Financial Procedure Rules.

2.3 Virement

Virement is the switching of resources between approved budget headings and cost centres.

The Council's scheme of virement covers both revenue and capital expenditure and is administered by the Section 151 Officer in accordance with the Budget and Policy Framework Procedure Rules. The detailed virement rules are contained within the Financial Procedure Rules.

Budget Holders are responsible for agreeing in-year virements within delegated limits, in consultation with the Section 151 Officer where required.

Cabinet approval is required for:

- virement between the budgets of two or more service groupings where the amount is in excess of £25,000
- virement between individual projects within the capital programme where the amount is in excess of £25,000
- virements within the budget of a service grouping in excess of £100,000.

Virements should only be made where such a virement leaves the originating budget with sufficient funds to meet its commitments.

2.4 Use of Reserves

Except in the case of staffing decisions delegated to the Head of Paid Service which result in redundancy or salary protection costs, Cabinet approval is required for the use of the Reinvestment Reserve.

2.5 Write Off of Bad Debts

All write-offs of individual debts over £10,000 must be authorised by Cabinet. Authorisation levels for bad debts below £10,000 are at officer level and are detailed in the Financial Procedure Rules.

2.6 Disposal of Assets

Obsolete, non-repairable or unnecessary assets should be disposed of in the most cost-effective way, at the most appropriate time and at the best price obtainable.

Where individual assets valued over £10,000 need to be disposed of and written off Cabinet approval must be sought in advance. Items which are valued at below £10,000 can be approved at officer level. Details of officer approval levels are contained in the Financial Procedure Rules.

Where land and property assets with a freehold value of over £50,000 or a leasehold value of over £20,000 need to be disposed of or written off Cabinet approval to the terms of the disposal must be sought in advance. Items which are valued at below these amounts can be approved at officer level. Details of officer approval levels are contained in the Financial Procedure Rules.

2.7 Year-End Balances and Carry Forward

The estimated level of year-end balances is determined by Council as part of the budgetary process. A year-end report giving details of variations from the planned budget is submitted to Cabinet by the Section 151 Officer.

Providing an amount was fully budgeted for and there are sufficient funds in reserves Cabinet can approve the carry forward of budget for specific items of expenditure.

2.8 Accounting Policies

The Section 151 Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

2.9 Accounting Records and Returns

The Section 151 Officer is responsible for determining the accounting records and returns for the Council.

2.10 The Annual Statement of Accounts

The Section 151 Officer is responsible for ensuring that the Annual Statement of Accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP)* and statutory requirements.

The Council is responsible for approving the Annual Statement of Accounts, which should include:

- an explanatory foreword
- a statement of Accounting Policies
- a statement of Responsibilities for the Statement of Accounts
- a Governance statement
- the Accounting Statements

Notes to the accounts (including Pension Disclosures)

2.11 Financial Procedure Rules

The Section 151 Officer is responsible for maintaining the Council's Financial Procedure Rules and is authorised to make amendments to those rules as necessary. An up to date copy of the rules are displayed on the Council's intranet. All members of staff must comply with the requirements of the Financial Procedure Rules.

2.13 Members Allowances

A Members Allowances Scheme must be approved annually by the Council and all payments to Members must be made in accordance with that approved scheme. The scheme can be found in Part 6 of the Constitution.

2.14 Treasury Management

A. The Council creates and maintains, as the cornerstones for effective treasury management:

- (i) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - (ii) suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities;
 - (iii) the content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the Council materially deviating from the Code's key principles.
- B. The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum an annual strategy and plan in advance of the Council year; a mid-year review and an annual report after its closed, in the form prescribed in its TMPs.
- C. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Financial Officer (Section 151 Officer), who will act in accordance with the Council's policy statement and TMP's and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- D. The Council nominates the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.