

## **FINANCIAL PROCEDURE RULES**

### **CONTENTS**

1. Introduction
2. Financial Procedure Rules
3. Status of Financial Procedure Rules
4. Financial Procedure Rules
  - A: Financial Management
  - B: Financial Planning
  - C: Risk Management and Control of Resources
  - D: Systems and Procedures
  - E: External Arrangements

## INTRODUCTION

### Financial Procedure

- 1.1 Under The Local Government Act 2000 the Council has adopted the Mayor and Cabinet form of governance.
- 1.2 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 establishment of Financial Procedure Rules that set out the financial policies of the Council. As a council we are committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.
- 1.3 These Financial Procedure Rules provide clarity about the financial accountabilities of individuals – Executive members, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and Chief Officers.
- 1.4 The Council's governance structure is laid down in its constitution, which sets out how the council operates, how decisions are made and the procedures that are followed.

### Financial Procedure Rules

- 1.5 The following pages set out how we intend to interpret these Financial Procedure Rules. Both Members and Chief Officers may have delegated powers and functions mentioned in this document.
- 1.6 Each section of the financial procedures follows the format set out below:
  - **why is this important?**  
this sets the context for the financial procedures and accountability
  - **key controls**  
this explains the key internal controls that set the framework for ensuring Financial Procedure Rules are operating effectively

- **responsibilities of the Chief Finance Officer**
- **responsibilities of Chief Officers.**

## **Status of Financial Procedure Rules**

- 2.1** Financial Procedure Rules provide the framework for managing the Council’s financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf.
- 2.2** The regulations identify the financial responsibilities of the Council, Executive, Neighbourhood Forums, Council Committees and Overview and Scrutiny members, Chief Officers, the Head of Paid Service (Managing Director), the Monitoring Officer (Group Head of Democracy and Governance) and the Chief Finance Officer (Director of Finance). Executive members and Chief Officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, references to the Chief Officer in the Rules should be read as referring to them.
- 2.3** All members and staff 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.
- 2.4** The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Executive members as appropriate.
- 2.5** The Council’s detailed financial procedures, setting out how the regulations will be implemented, are contained in separate guidance and do not form part of the Constitution.

- 2.6** Chief Officers are responsible for ensuring that all staff in their services are aware of the existence and content of the Council's Financial Procedure Rules and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their areas of responsibility.
- 2.7** The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that members, officers and others acting on behalf of the Council are required to follow.

## **FINANCIAL REGULATION A: FINANCIAL MANAGEMENT**

### **Introduction**

- A.1** Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

### **The Council**

- A.2** The 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 its constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Executive decisions.
- A.3** The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council, the Mayor, the Executive and standing committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

### **The Mayor and Executive**

- A.4** The Executive is responsible for proposing the policy framework and budget to the Council, and for discharging Executive functions in accordance with the policy framework and budget.
- A.5** Executive decisions can be delegated to a committee of the Executive, an individual Executive member, an officer or a joint committee.
- A.6** The Executive is responsible for establishing protocols to ensure that individual Executive members consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

## **Committees**

### **Overview and Scrutiny Committee**

- A.7** Overview and Scrutiny Committees are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the Executive to account. Overview and Scrutiny Committees are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council. They have right of access to all the information they consider necessary and can consult directly with internal and external auditors.

### **Standards Committee**

- A.8** The Standards Committee is established by the Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members' Code of Conduct, and for monitoring the operation of the Code.

## **Standing Committees**

**A.9** All functions that are not Executive functions are exercised through relevant Standing Committees under powers delegated by the Council. The Council has appointed the following Committees: Audit, Functions, Development Management and Licensing.

## **Neighbourhood Forums**

**A.10** Twelve Neighbourhood Forums have been established across the Borough. Their purpose is to consider issues of local concern and to report on them to the Executive.

## **The Statutory Officers**

### **Head of Paid Service (Managing Director)**

**A.11** The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the Executive, the Council, the Overview and Scrutiny Committee and other committees. He/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 is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions (see below).

### **Monitoring Officer (Group Head of Democracy and Governance)**

**A.12** The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

- A.13** The Monitoring Officer must ensure that Executive decisions and the reasons for them are made public. He/she must also ensure that council members are aware of decisions made by the Executive and of those made by officers who have delegated Executive responsibility.
- A.14** The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.
- A.15** The Monitoring Officer is responsible for advising the Executive or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A.16** The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Executive or 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
  - committing expenditure in future years to above the budget level
  - transfers above virement limits
  - causing the total expenditure financed from council tax, grants and corporately held reserves to increase.
- A.17** The Monitoring Officer is responsible for maintaining an up-to-date constitution.

### **Chief Finance Officer (Director of Finance)**

- A.18** The Director of Finance, as the Council's Chief Finance 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 Accounts and Audit Regulations 1996 (as amended)

**A.19** The Chief Finance 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.

**A.20** Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the 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.

Section 114 of the 1988 Act also requires:

- the Chief Finance 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 Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

## **Chief Officers**

**A.21** Chief Officers are individually responsible for the proper financial management of resources allocated to their services



through the budget process and for the identification of and accounting for income which falls due within their area. This includes control of staff and the security, custody and control of all other resources including plant, buildings, material, cash, stores and equipment.

- A.22** Chief Officers shall ensure that their staff receive sufficient training to enable them to be aware of and comply with the requirements of Financial Procedure Rules and The Constitution.
- A.23** Chief Officers are responsible for ensuring that Executive members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- A.24** It is the responsibility of Chief Officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

### **Other Financial Accountabilities**

#### **Virement**

- A.25** The Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- A.26** The Mayor and Executive are responsible for agreeing in-year virement within delegated limits.
- A.27** Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required.

#### **Treatment of Year-End Balances**

- A.28** The Council is responsible for agreeing procedures for carrying forward any underspendings on budget headings. These procedures will be administered by the Chief Finance Officer.

### **Accounting Policies**

**A.29** The Chief Finance Officer is responsible for selecting accounting policies as per CIPFA and ASB guidelines and ensuring that they are applied consistently.

### **Accounting Records and Returns**

**A.30** The Chief Finance Officer is responsible for determining the accounting procedures and records for the Council.

### **The Annual Statement of Accounts**

**A.31** The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC). The Council or an appropriate committee is responsible for approving the annual statement of accounts, prior to 30 September of the following financial year to which the year end accounts are related.

## **FINANCIAL REGULATION B: FINANCIAL PLANNING**

### **Introduction**

**B.1** The Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the Mayor and Executive. In terms of financial planning, the key elements are:

- the corporate plan
- the budget
- the capital programme.

### **Policy Framework**

**B.2** The Council is responsible for approving the policy framework and budget. The policy framework comprises those statutory plans and strategies set out in the Council's Constitution.

- B.3** The Council is also responsible for 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. Such decisions should be referred to the Council by the Monitoring Officer or Chief Finance Officer.
- B.4** The Council is responsible for setting the level at which the Executive may reallocate budget funds from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

### **Preparation of the Corporate Plan**

- B.5** The Head of Paid Service is responsible for proposing the corporate plan to the Executive for consideration before its submission to the Council for approval.

### **Budgeting**

#### **Budget Format**

- B.6** The general format of the budget will be approved by the Council and proposed by the Executive on the advice of the Chief Finance Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

#### **Budget Preparation**

- B.7** The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis as part of the financial strategy for consideration by the Executive, before submission to the Council. The Council may amend the budget or ask the Executive to reconsider it before approving it.

- B.8** The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Chief Finance Officer as soon as possible following approval by the Council .
- B.9** It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and to the relevant standing committee and that these estimates are prepared in line with guidance issued by the Executive.

### **Budget Monitoring and Control**

- B.10** The Chief Finance Officer 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 and to the relevant standing committee on the overall position on a regular basis.
- B.11** It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. 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 Chief Finance Officer to any problems.

### **Resource Allocation**

- B.12** The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

### **Preparation of the Capital Programme**

- B.13** The Head of Paid Service, following consultation with the Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council .

## **Guidelines**

**B.14** Guidelines on budget preparation are issued to members and Chief Officers by the Executive following agreement with the Chief Finance Officer. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- the Corporate Plan
- available resources
- spending pressures
- best value and other relevant government guidelines
- other internal policy documents

## **Maintenance of Reserves**

**B.15** It is the responsibility of the Chief Finance Officer to advise the Executive and/or the Council on prudent levels of reserves for the Council.

## **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 significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

### **Risk Management**

**C.2** The Executive is responsible for proposing to the Council for approval the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.

- C.3** The Chief Financial Officer is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council and for advising the Executive on proper insurance cover where appropriate.

### **Internal Control**

- C.4** Internal control refers to the systems of control devised by the Council's Strategic Leadership Team to help ensure the Council's objectives 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.5** The Chief Finance Officer is responsible for advising on effective systems of internal control. 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 Councils that govern their use.
- C.6** It is the responsibility of Chief 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**

- C.7** The Accounts and Audit Regulations 1996 require every local authority to maintain an adequate and effective internal audit. The Council will comply with this requirement.
- C.8** The Council is required to appoint an external auditor. The basic duties of the external auditor are governed by legislation
- C.9** The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

## **Preventing Fraud and Corruption**

- C.10** The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

## **Assets**

- C.11** Chief Officers should ensure that records and assets are 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**

- C.12** The Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Councils*
- C.13** The Council is responsible for approving the treasury management policy statement which shall be proposed to it by the Executive. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- C.14** All money in the hands of the Council is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer.
- C.15** The Chief Finance Officer 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.
- C.16** All Executive decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Councils*.

**C.17** The Chief Finance Officer is responsible for reporting to the Executive and Council on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. This report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

### **Staffing**

**C.18** The Council is responsible for determining how officer support for Executive and non-Executive roles within the Council will be organised.

**C.19** The Head of Paid Service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there are agreed systems for determining the remuneration of a job.

**C.20** Chief Officers are responsible for controlling total staff numbers by:

- advising the Executive on the budget necessary in any given year to cover estimated staffing levels.
- adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs.
- the proper use of appointment procedures.

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

### **Introduction**

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



## **General**

- D.2** The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Chief Officers are responsible for the proper operation of financial processes in their own services.
- D.3** Any changes to agreed procedures by Chief Officers to meet their own specific service needs must be agreed with the Chief Finance Officer prior to implementation.
- D.4** Chief Officers must ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- D.5** Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under freedom of information legislation. When records are computerised they must be compatible with the financial information system.

## **Income and Expenditure**

- D.6** It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their Council. 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**

- D.7** The Head of HR and OD is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

## **Taxation**

- D.8** The Chief Finance Officer is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- D.9** The Chief Finance 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/Business Units**

- D.10** It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and service groups.

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

### **Introduction**

- E.1** The Council 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 and improvement of the economic, social or environmental well-being of its area.

### **Partnerships**

- E.2** The Executive is responsible for approving delegations, including frameworks, for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3** The Executive can delegate functions – including those relating to partnerships – to officers. Where functions are delegated, the Executive remains accountable for them to the Council .

- E.4** The Monitoring Officer and Chief Finance Officer are responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
  
- E.5** Chief Officers, following consultation with the Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies and comply with the requirements of the Contract Procedure Rules.
  
- E.6** Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

#### **External funding**

- E.7** Chief Officers are responsible for informing the Chief Finance Officer of any anticipated external funding.
  
- E.8** The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.