

## FINANCIAL REGULATIONS

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# FINANCIAL REGULATIONS

## INTRODUCTION

### 1.1 What This Section Covers

1.1.1 These Regulations form part of the Council's Constitution, which makes up the Council's regulatory framework alongside Standing Orders. They are mandatory and as such must be followed by all officers of the Council whether directly employed, contracted or employed through an agency in their conduct of financial and related matters. They cover the following areas of financial management and control:

- revenue budgets
- the capital programme
- financial systems and accounting
- procurement, contracts & leasing
- orders & payments
- expenditure items
- income and debt
- external arrangements
- risk management and control of resources
- retention of documents

### 1.2 To Whom the Regulations Apply

1.2.1 For the purposes of this document, the Chief Finance Officer is the Officer appointed by the Council in accordance with Section 151 of the Local Government Act 1972. (Further details of roles and responsibilities are set out in Part 4 of the Constitution).

1.2.2 These Regulations apply to all officers across the council responsible for or engaged in undertaking financial activity. Failure to comply may constitute misconduct and lead to formal disciplinary action.

1.2.3 The following describes the overall framework and the main roles and responsibilities in respect of these Regulations. This is not exhaustive and there will be overlaps. The Chief Finance Officer is responsible for reviewing these Regulations and the reporting any significant breaches to the Executive or Full Council:

- The Chief Finance Officer (CFO) puts in place financial standards and practices across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.
- Service Area Directors and officers are fully accountable for budgets under their control. They must ensure that the service promotes, enacts and monitors adherence to the financial control framework, that effective budgetary control systems are in place and that spending is within their aggregate cash limit, indicating where necessary, conflicts between current service policy and plans and resource allocation. Each Service Area Director must maintain a record of officers authorised to act upon their behalf in respect of managing budgets, income collection, requisitioning, placing and approving orders, approving variations and write offs. Where appropriate the record should show limits of their authority.

- Finance and Corporate Services maintains the councils financial and procurement system, collates and reports financial information, monitors the implementation of the financial control framework, advises & supports service area officers in fulfilling their financial responsibilities, and gives assurance to management and members that adequate controls exist to produce sound financial administration.
- Audit and Investigations provide the Council's internal audit function and anti-fraud services. They are authorised representatives of the Chief Finance Officer to assist him to discharge his statutory duties and provide Managers with advice and guidance on the system of internal control. They are responsible for investigations into financial irregularities across all Council services.

1.2.4 These Regulations are supplemented by, and should be read in conjunction with:

- Scheme of Transfers & Virements. This must be complied with as part of the Council's Constitution. Any variation from this scheme requires the approval of Full Council
- Required Financial Practice Notes. This represents mandatory financial practice within the Council and must be followed by all officers. They set out in detail the key financial controls and supporting processes.
- Specific guidance, procedure and process notes on good financial practice that are issued periodically by the CFO

## **2. REVENUE BUDGETS**

### **2.1 General Provisions**

2.1.1 The Budget is proposed by the Executive and agreed by Full Council. The Budget and Policy procedure rules are set out in Standing Orders. It is the Councils financial representation of its policies.

2.1.2 The Chief Finance Officer is responsible for:

- Developing and maintaining a resource allocation process that ensures due consideration of the full councils policy framework
- Preparing a consolidated budget for all Revenue Account activities and for reporting on the robustness of budget estimates and the adequacy of financial reserves.
- Preparing a budget monitoring statement to the Executive on a quarterly basis. Budgetary control action should be specified and where the action is endorsed by the Executive which would makes changes to the Policy Framework and the Budget then it will require agreement by Full Council (Part 5 of the constitution). Officers cannot implement these changes until such endorsement is obtained.
- Preparing and maintaining a Scheme of Transfers and Virements to be approved by Full Council and approving Transfers and Virements where required under the Scheme
- Prepare and maintain the Required Financial Practice Notes
- Ensuring that systems are in place to measure activity and collect accurate information for use in performance indicators and performance plans
- Determining what constitutes revenue expenditure and income and which relevant account in which a transaction should be properly recorded

### **2.2 Setting the Revenue Budget**

- 2.2.1 The Chief Finance officer is responsible for preparing annual budget preparation guidelines and publishing a detailed budget book covering council spending.
- 2.2.2 Service Area Directors are responsible for preparing and submitting draft budget estimates and accompanying schedules as required. Service plans must be supported by adequate budgets.
- 2.2.3 The inclusion of an item within the Revenue Budget as approved by the Full Council provides the necessary authorisation to responsible officers to spend up to that sum for the specified purposes for that budget.
- 2.2.4 Finance & Corporate Services will ensure the robustness of service area budgets by working with Service Area Directors and budget holders to prepare budgets and to report any weakness or concern covering budget construction or its adequacy to cover service provision

### **2.3 Revenue Budget Monitoring, Forecasting and Overspends**

- 2.3.1 Service Area Directors and their officers are not authorised to exceed the cash limited budget under their control and must identify and set performance measures linked to service plans. They must make suitable arrangements to ensure that identified overspends are controlled and implement corrective action within the overall constitution.
- 2.3.2 Service Area Directors are responsible for preparing accurate financial forecasts and must report forecast overspends or forecast reductions in income to the CFO along with a detailed plan of action aimed at controlling the situation.
- 2.3.3 Service Area Directors shall identify budget holders who will prepare budgets, keep spending within cash limits, maintain forecasts, monitor and report performance data.
- 2.3.4 Finance & Corporate Services will identify Finance Business Partners to work with and support service departments in ensuring the robustness of the monitoring and forecasting arrangements. They must report any failures to adhere to those arrangements or any overspends identified and will ensure the completeness and accuracy of the budget data input and held in the general ledger.
- 2.3.5 The Strategic Finance Group will review the monitoring information and provide summary information and exception reports to the Corporate Management Team (CMT). CMT will examine proposed recovery plans and take any other necessary action to deliver spending within those overall resources.

## **3. THE CAPITAL PROGRAMME**

### **3.1 Authorisation and Financing**

- 3.1.1 The Full Council will approve the Capital Programme and make budget allocations to Service Areas as part of the Policy Framework and the Budget.
- 3.1.2 The Chief Finance Officer will prepare for approval by Full Council a capital programme report and will ensure that all reporting requirements under the Prudential Code are met and that prudential indicators are maintained. The CFO will also determine the method of financing of capital schemes.

- 3.1.3 Service Area Directors will prepare capital programmes and seek appropriate approval for programmes and schemes within.
- 3.1.4 The Chief Financial Officer must set aside an amount of minimum revenue provision (MRP) which is prudent and also prepare an annual statement of their policy on making MRP to Full Council

### **3.2 Capital Programme Monitoring**

- 3.2.1 Service Area Directors will make adequate arrangements for the management and monitoring of their capital programme. They must report scheme progress, slippage and forecast overspends, detailing the action they propose to control the overspend and to set out the arrangement by which it will be funded from within the service area's programme. In cases where this proposed action will stop or significantly change any previously agreed projects or programmes then this may require the approval of the Executive and Full Council.
- 3.2.2 Service Area Directors shall identify Budget Holders responsible for ensuring expenditure is contained within the capital resources allocated in each financial year and that the overall cost of the scheme does not exceed the budget allocated. They must ensure that all external funding streams are validated and collected.
- 3.2.3 The Service Area Director must identify those officers responsible for issuing and approving variations to orders for works and building contracts. This process must adhere to best practice and guidance.
- 3.2.4 Finance & Corporate Services through the Finance Business Partner will ensure the robustness of the monitoring and forecasting arrangements. They must report any failures to adhere to those arrangements or any overspends identified. They must ensure the completeness and accuracy of the budget data input and held in the general ledger.

### **3.3 Capital Expenditure**

- 3.3.1 Finance & Corporate Services will ensure all capital expenditure meets the required definition for charging.
- 3.3.2 Budget holders are responsible for ensuring that payments made are in accordance with the terms and conditions of the contract provisions in relation to stage, interim and retention payments. They must keep a contract payment register to provide a record of all interim payments and any outstanding retention amounts and also make proper arrangements for the identification of expenditure liable for construction industry tax.

## **4. FINANCIAL SYSTEMS AND ACCOUNTING**

### **4.1 Accounting Systems and Procedures**

- 4.1.1 The Chief Finance Officer will determine the accounting system that shall be used by the Council and the financial processes that shall be operated. The CFO will ensure adequate controls and segregation of duties exist within the system, that adequate security arrangements have been made and that adequate procedures are in place to enable financial records to be reconstructed in the event of system and procedure failures.

4.1.2 Finance & Corporate Services will determine and maintain the allocation of user responsibilities within the system.

## **4.2 Accounts and Accounting Policies**

4.2.1 The Chief Finance Officer will determine the:

- Council's accounting policies and ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK and for ensuring proper arrangements are made for the audit of the accounts in accordance with the Accounts and Audit Regulations.
- Treatment of balances where a provision and/or liability recorded in the balance sheet is deemed no longer appropriate.
- Arrangements and procedures for preparing the annual accounts

## **5. PROCUREMENT, CONTRACTS & LEASING**

5.1 The Chief Finance Officer will determine and maintain the councils procurement system and the processes therein.

5.2 The Chief Finance Officer will put in place arrangements which ensure the requirements of the Prudential Framework and that relevant Accounting Standards are complied with and make arrangements for a register to be maintained of all contracts awarded or entered into.

5.3 All Officers are required to procure using the procurement system and the contracts, arrangements and processes set up therein.

5.4 All Officers must comply with:

- the Council's Standing Orders on Contracts (Part 3 of the Constitution) for entering into contracts Contracts of £150,000 in value or more must be executed in accordance with the Council's Standing Orders.
- the requirement that contracts or procurement of less than £150,000 in value shall be signed only by officers authorised to do so,
- Required Financial Practice Notes
- Contract Procurement and Management Guidelines (the "*Blue Book*")
- the requirement to maintain the Contracts Register held by the Procurement team ,
- the requirement to ensure variations and amendments are properly authorised

5.5 Service Area Directors must ensure that adequate monitoring and review arrangements are in place to cover contracts for externally provided services and sign off any variations or amendments to contracts.

## **6. ORDERS AND PAYMENTS**

6.1 Service Area Directors must ensure that all officers procure using the procurement system. They must allocate and then maintain a record of officers roles and approval levels within the procurement system. This record is called the system scheme of delegation and covers officers authorised to make requisitions and approve requisitions

6.2 Budget Holders must ensure that value for money has been obtained in the purchasing of all goods and services, the requisition is lawful expenditure, and the correct code has been used to charge that expenditure.

## **7. EXPENDITURE ITEMS**

### **7.1 GPC / Business credit cards/Pre pay cards**

7.1.1 The Chief Finance Officer is responsible for putting in place arrangements for the use of these cards

7.1.2 Service Area Directors must ensure that only authorised officers have access and use of these cards.

### **7.2 Payroll**

7.2.1 The Chief Finance Officer shall approve arrangements for the payment of all salaries, wages, pensions, compensation, other emoluments and the deductions from salaries for tax, superannuation and other deductions to and/or from all employees and former employees of the Council. All redundancy and early retirements have to be approved by the CFO.

7.2.2 Service Area Directors must authorise the recruitment of permanent or temporary staff and the undertaking of overtime or additional payments. They must ensure that and that adequate budget provision is available. Within service areas the budget holders must ensure that all appointments, resignations, absences, overtime or other circumstances affecting the salary, wage or emoluments of an employee included in their budget is acted upon immediately and notified to Finance & Corporate Services.

### **7.3 Officer Expenses Claims**

7.3.1 Budget holders are responsible for authorising officer expenses and for ensuring the correct method of reimbursement is used.

### **7.4 Petty Cash**

7.4.1 Petty cash is not allowable unless approved by the Chief Finance Officer.

### **7.5 Internal Trading & Recharges**

7.5.1 The Chief Finance Officer is responsible for approving all internal trading and recharging initiatives. Where necessary approval of the Executive or Full Council will be obtained

7.5.2 Budget holders must ensure that the agreed budgeting, accounting and charging procedures are adhered to.

### **7.6 Income and Expenditure Taxation Returns**

7.6.1 The Chief Finance Officer will make arrangements and issue guidance for the completion of all returns to the HM Revenue and Customs.

7.6.2 Budget holders, must provide information on employee benefits in the format and timetable required by central finance.



- 7.6.3 Budget holders must ensure that the required employment status and CIS checks are undertaken prior to approving new suppliers or requisitions
- 7.6.4 Finance & Corporate Services are responsible for ensuring all input and output invoices are VAT compliant in every respect.

## **8. INCOME AND DEBT**

### **8.1 Income – General**

- 8.1.1 The Chief Finance Officer is responsible for approving all debt recovery arrangements including performance monitoring and any on-line income collection or payment facilities.
- 8.1.2 Service Area Directors shall review all charges within their area at least annually. Such reviews shall take account of any criteria agreed by Full Council except where such charges are fixed by statutory provision.
- 8.1.3 Budget holders are responsible for the raising of invoices for any income due and the subsequent safe custody and banking of any income received to their service
- 8.1.4 Financial and Corporate Services is responsible for the collection of all debt over 31 days old and maintaining records relating to income collection and debt write-offs.

### **8.2 Income – Grants**

- 8.2.1 The Chief Finance Officer is responsible for signing grant claims unless otherwise required by the grant giving body. The CFO will maintain a grants register.
- 8.2.2 Service Area Directors are responsible for signing off grant applications and ensuring that where the grant application requires matching resources to be input, that the matching amount is available from within existing budgets or verified other sources
- 8.2.3 Budget Holders are responsible for claiming and recovering grant due. Copies of grant claims must be sent to the CFO
- 8.2.4 Finance & Corporate services will scrutinise claims and review working papers.

### **8.3 Income – Bad Debts and Write Offs**

- 8.3.1 The Chief Finance Officer will put in place arrangements for the collection and write off of bad debts
- 8.3.2 Service Area Directors must ensure adequate bad debt provision exists to cover debt within their service. They have delegated powers to authorise the write-off of debts only in relation to their own operational budgets up to the value of £1,000 a schedule of which must be submitted to the CFO in an approved format. Any debt above £1,000 is to be agreed individually in advance by the CFO. Those debts over £3,000 will be reported to the Executive bi-annually.
- 8.3.4 Finance & Corporate Services will ensure that following approval to write-off debt the appropriate accounting and budgeting adjustments are made and the debt recovery team are informed.

## **9. EXTERNAL ARRANGEMENTS**

## **9.1 Accountable Body and Partnership Arrangements**

- 9.1.1 The Chief Finance Officer must be informed and written approval obtained before entering into any proposed accountable body or partnership arrangements
- 9.1.2 Service Area Directors must ensure that the objectives of the arrangement are consistent with the Council objectives and priorities. Within Service Areas the budget holders are responsible for managing & controlling such arrangements and the expenditure incurred and income received
- 9.1.3 Finance & Corporate Services are responsible for monitoring and validating such arrangements

## **9.2 Provisions of Goods, Services and works to Other Bodies**

- 9.2.1 Service Area Directors can enter into such arrangements providing they have written legal advice that the Council has power to make such arrangements. Specific Executive approval (or if appropriate the General Purposes Committee) will be required if:
- the contract value would exceed £150,000 per annum;
  - the gross cost to the Council of providing the relevant goods or services under the contract is estimated to exceed £150,000 per annum having consideration to the full costs over the term of the contract. It is not acceptable to split contracts into smaller parcels to avoid exceeding the £150,000 per annum threshold above;
  - a company is to be set up for the purposes of the arrangements; or
  - if the contract exceeds £500,000 per annum in value it shall be in a formal document under the seal of the Council.
- 9.2.2 Budget holders are responsible for the maintenance and control of such contracts.

## **9.3 Grants to Outside Bodies**

- 9.3.1 Service Area Directors are responsible for ensuring that grants to outside bodies are only given where the Council has the statutory powers to do so. Legal opinion must be given before grant is awarded.
- 9.3.2 The Budget Holder is responsible for administering, monitoring and enforcing the terms and conditions of that grant.

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

### **10.1 Risk Management and Insurance**

- 10.1.1 The Chief Finance Officer shall be responsible for the preparation and promotion of the Council's risk management policy statement. Subject to any liability imposed on the Council by statute or other legal obligation, all insurance shall be effected by the Chief Finance Officer or under arrangements approved by him/her.
- 10.1.2 Service Area Directors must:
- ensure that adequate risk management controls are implemented, monitored and reviewed and that assets under their control have appropriate insurance cover within the overall guidance issued.

- notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council and of all new risks, properties or vehicles that require insurance and of any alternations affecting existing insurances;
- consult with the Chief Finance Officer and the Solicitor to the Council on any terms or any indemnity that the Council is requested to enter into.

## **10.2 Internal Controls**

10.2.1 The Chief Finance Officer shall make arrangements for the production and publications of an annual independent statement on internal control and risk management.

10.2.2 Service Area Directors must ensure that adequate systems of internal control are established, adhered to, tested and reviewed in order to be confident in the areas set out in the annual assurance matrix and that all staff have a clear understanding of the consequences of lack of control and knowledge of Financial Regulations.

## **10.3 Audit Requirements**

10.3.1 The Chief Finance Officer, or authorised representative, shall have authority to:

- Enter any building, land or area where records relating to any activity of the Council, its partners, contractors or any body partly or wholly funded by the Council, are, or may be, held. This includes all schools who receive funding from the Council. If necessary, to conduct searches of those areas, including cabinets, workspaces, desks for the purposes of locating documents or other material relevant to any matter under investigation. Where necessary to remove and examine IT equipment.
- Have access to all records, data, computer systems, correspondence and any other source of information relating to any matter under examination and remove any documents and records as deemed necessary. This will include documentation held by Council Officers in respect of organisations who are partners of the Council receiving funding from the Council or are providing services on behalf of the Council.
- Require and receive such explanations as are considered necessary concerning any matter under examination.
- Require any person holding or controlling cash, stores or any other Council property to produce such items for examination. These may be removed as deemed necessary.

10.3.2 The Chief Finance Officer will ensure that a strategic and annual audit plan is prepared by the Head of Audit and Investigations which takes account of the characteristic and relative risks of the activities involved. The Chief Finance Officer is responsible to the audit committee for ensuring that adequate arrangements are made for the effective delivery of this plan.

10.3.3 The Chief Finance Officer will ensure that members, and in particular the audit committee, and chief officers receive suitable reports setting out the findings of internal and external audit reports.

10.3.4 Service Area Directors must:

- consider and ensure Managers respond promptly to recommendations in both internal and external audit reports;
- ensure that agreed actions arising from the audit recommendations are carried out in a timely and efficient fashion;
- report to members the reasons for any failure by Managers to implement those audit recommendations.

#### **10.4 Financial Irregularities**

10.4.1 All officers have a responsibility to report any irregularities concerning cash, stores or other property of the Council or any suspected financial irregularity in the exercise of the functions of the Council

10.4.2 Service Area Directors must keep and review a service based register of gifts and gratuities received by officers.

#### **10.5. Money and Banking**

10.5.1 Service Area Directors must ensure the adequacy of security arrangements for the holding of cash including controlling access to safes and other receptacles. They must also approving the authorised signatories to all bank accounts within their control

10.5.2 The Chief Finance Officer is responsible for opening and amending details of any bank account.

#### **10.6. Money Laundering**

10.6.1 It is the responsibility of the Chief Finance Officer to put in place anti-money laundering policies.

10.6.2 All officers have a responsibility to identify possible money laundering activities, and report possible money laundering in line with the council's anti-money laundering policies.

#### **10.7. Property, Stock and Equipment**

10.7.1 Officers responsible for property, stock and equipment must ensure adequate security arrangements are made. They must maintain an inventory of, and ensure the care and custody of valuable goods and equipment.

10.7.2 The Chief Finance Officer shall maintain an appropriately valued asset register of all the Council's land and buildings.

10.7.3 The Director of Regeneration & Major Projects shall ensure records are maintained of all properties owned or managed by the Council and that where commercial rents are payable to the Council a regular review of such rents is carried out to ensure they are set at an appropriate level. The terms of any leases should generally reflect market rents. An annual review of property should be undertaken for the purpose of identifying surplus or inefficient properties

#### **10.8. Sale of Council Assets – General Requirements**

10.8.1 Officers disposing of assets must at all times have regard to the Required Financial Practices and must obtain the required consent before any disposal takes place

10.8.2 The treatment for amounts received in excess of the costs of disposal shall be determined by the Chief Finance Officer.

### **10.9 Disposal of Equipment and Stock**

10.9.1 Service Area Directors can authorise disposals up to the value of £1000. The CFO must be consulted on any disposals expected to exceed this sum.

10.9.2 Disposal of IT hardware and software must be approved by the Head of ITU.

### **10.10. Disposal of Land and Buildings**

10.10.1 All disposals must be agreed by the Council's Executive except in circumstances specified in the Council's Constitution in relation to certain leases. These exceptions do not extend to the disposal of freehold interests.

10.10.2 The Director of Regeneration & Major Projects shall make arrangements for the disposal of all land and property.

### **10.11. Treasury Management**

10.11.1 The Chief Finance Officer is responsible for the execution and administration of treasury management decisions. The CFO will act in accordance with the Treasury Policy Statement, Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

10.11.2 The Chief Financial Officer shall effect all borrowings and investments ( or make arrangements to do so), report periodically to the Council, be responsible for the safe custody of securities held by or on behalf of the Council, and approve all Trust Funds.

10.11.3 The Chief Finance Officer shall be responsible for maintaining adequate cashflow forecast and for ensuring that the Council has adequate liquidity at all times.

### **10.12 Financial Implications within Reports**

10.12.1 All officers involved in the origination of reports must consult with the CFO before preparing reports to committee. They must ensure that reports they present to Full Council, the Executive, Highway Committee or any other committee of the council should contain a section covering the Financial Implications prepared in accordance with the Required Financial Practice requirements.

10.12.2 The Chief Finance Officer may, where considered necessary, issue a concurrent report on matters requiring the Members' attention or where the financial implications of a report are considered invalid he/she may:

- require the report to be withdrawn;
- supply alternative financial implications under his own name to be circulated to Members; or

- indicate to Members the reasons why he believes the financial implications are incomplete and/or incorrect and the consequences of proceeding on that basis (i.e. that the expenditure would be unauthorised).

## **11. RETENTION OF DOCUMENTS**

- 11.1 All officers are responsible for ensuring compliance with Required Financial Practice and the requirements of the Freedom of Information Act 2000 in determining their local retention policies. They should consult the Brent Retention and Disposals Policy and the council's Information Asset Register to determine retention records. If any records are missing they must notify the Information and Strategy Team.