Formatted: Right

F I N A N C I A L R E G U L A T I O N S

Contents **Page**

(Click on content headings below to go to the relevant page)

1 INTRODUCTION 3
1.1 Purpose of Financial Regulations 3
1.2 Reviewing and Updating Financial Regulations 3
1.3 Format of the Financial Regulations 3
1.4 Status of Financial Regulations 4
1.5 Application of Financial Regulations 5
1.6 Standard Financial Procedures 6
2 FINANCIAL MANAGEMENT 7
2.2 The Full Council 7
2.3 The Executive 7
2.4 Overview and Scrutiny 7
2.5 Standards Committee 8
2.6 Audit Committee 8
2.7 The Statutory Officers 8
2.7.1 Chief Executive 8
2.7.2 Monitoring Officer 8
2.7.3 Chief Finance Officer 9
2.7.4 Chief Officers 10
2.8 Other Financial Accountabilities 11
2.8.1 Virement (Budget Transfer) 11
2.8.2 Treatment of Year-end Balances 11
2.8.3 Accounting Policies 11
2.8.4 Accounting Records and Returns 11
2.8.5 The Annual Statement of Accounts 11
3 FINANCIAL PLANNING & BUDGET SETTING 12
3.1 Planning Framework 12
3.2 Budget Format 12
3.3 Revenue Budget Preparation 12
3.4 Budget Monitoring and Control 13
3.5 Preparation of the Capital Programme 13
3.6 Resource Allocation 13
3.7 Budget Setting Guidelines 13
3.8 Maintenance of Reserves 14
4 RISK MANAGEMENT AND CONTROL OF RESOURCES 15
4.1 Introduction 15
4.2 Risk Management and Insurance 15
4.3 Internal Control 15
4.4 Audit Requirements 15
4.5 Preventing Fraud and Corruption 16
4.6 Assets 16
4.7 Treasury Management 16
4.8 Trust Funds, Funds Held for Third Parties and Other Voluntary Funds 16
4.9 Staffing 17

Deleted: 4
Deleted: 5
Deleted: 6
Deleted: 7
Deleted: 7
Deleted: 7
Deleted: 7
Deleted: 8
Deleted: 8
Deleted: 8
Deleted: 8
Deleted: 8
Deleted: 8
Deleted: 9
Deleted: 10
Deleted: 11
Deleted: 11
Deleted: 11
Deleted: 11
Deleted: 11
Deleted: 11
Deleted: 12
Deleted: 12
Deleted: 12
Deleted: 12
Deleted: 13
Deleted: 13
Deleted: 13
Deleted: 13
Deleted: 14
Deleted: 15
Deleted: 15
Deleted: 15
Deleted: 15
Deleted: 15
Deleted: 16
Deleted: 16
Deleted: 16
Deleted: 16
Deleted: 17

5 SYSTEMS AND PROCEDURES 18
5.1 Introduction 18
5.2 General 18
5.3 Income and Expenditure 18
5.4 Payments to Employees and Members 19
5.5 Imprest and Petty Cash Accounts 19
5.6 VAT & Taxation 19
5.7 Trading Accounts 19
5.8 Financial Information and Communications Systems 19
5.9 Control of Contracts 20
5.10 Banking Arrangements 20
5.11 Financial Limits 20
6 EXTERNAL ARRANGEMENTS 21
6.1 Introduction 21
6.2 Partnerships 21
6.3 External Funding 22
6.4 Work for Third Parties 22
SCHEDULE OF OFFICER RESPONSIBILITIES 23
BIBLIOGRAPHY 24

Deleted: Appendix 2
Formatted: Right
Deleted: 18
Deleted: 18
Deleted: 18
Deleted: 18
Deleted: 19
Deleted: 19
Deleted: 19
Deleted: 19
Deleted: 19
Deleted: 20
Deleted: 20
Deleted: 20
Deleted: 21
Deleted: 21
Deleted: 21
Deleted: 22
Deleted: 22
Deleted: 23
Deleted: 24

Deleted: Appendix 2

Formatted: Right

1 INTRODUCTION

1.1 Purpose of Financial Regulations

The purpose of Financial Regulations is to provide a framework of control, responsibility and accountability for the proper administration of the council's financial affairs, to enable Members and officers to carry out their statutory duties. To conduct its business efficiently, a local authority 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 Regulations that set out the financial policies of the authority. A modern council should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

Sound financial management and control is the responsibility of all Members and officers and must be embedded in the culture of the authority. This requires effective training and support to enable Members and officers to achieve necessary financial management standards.

1.2 Reviewing and Updating Financial Regulations

Financial Regulations need to be kept under review to ensure compliance with current legislation and keep pace with best practice developments. In particular, governance and performance frameworks are regularly updated and must be reflected in Financial Regulations. Changes to the constitution of the council may also need to be reflected in Financial Regulations.

The Director of Finance is responsible for maintaining a continuous review of Financial Regulations to ensure consistency with best practice and legislation and may make changes as appropriate but is required to submit any major changes to the Council for approval, after consultation with the Chief Executive.

Performance Assessment Framework

The Audit Commission reviews the council's internal controls for evidence that these are effective, including Annual Governance Statements, Financial Regulations, schemes of delegation, policies, procedures and manuals. The Commission will be focusing on the impact of financial arrangements and the importance of having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services.

Deleted: & Resources

Formatted: Underline

Deleted: <#>These financial regulations complement the current performance assessment framework for local authorities, Comprehensive Performance Assessment (CPA), aims to raise standards of performance and place greater emphasis on local authorities' financial management and arrangements for securing value for money. CPA includes a "use of resources" assessment, which focuses on the achievement of value for money alongside financial management, internal control and resource management. The use of resources assessment is due to be updated for 2009 and will place even greater emphasis on value for money as an over-riding theme. This assessment will form part of the new Comprehensive Area Assessment (CAA), which is due to supercede CPA in 2009.¶

Deleted: Councils are also required to make efficiency savings, currently a minimum of 3% per annum, which will also focus attention on the importance of value for money and sound procurement arrangements.

1.3 Format of the Financial Regulations

These regulations are in the format recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA), and the Standard Financial Procedures set out in the appendices state why each procedure is important

Deleted: March 2008

Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

and include the responsibilities of the Chief Finance Officer and other Chief Officers.

The Financial Regulations provide clarity about the financial accountabilities of individuals including:

- the Leader and Executive Members
- individual Members;
- the Chief Executive;
- the Monitoring Officer (in this council this role is held by the Head of Legal & Democratic Services);
- the Chief Finance Officer (the Director of Finance); and
- Chief Officers (Strategic Director).

Deleted: Director

Deleted: Strategy & Governance

Deleted: & Resources

Deleted: other

In these regulations the expression 'Chief Officers' or 'Strategic Directors' includes the Strategic Directors for People, Place, Communities and Resources and the Director of Finance.

The expression 'Service areas' or 'Service' includes any services or functions comprised in the delegations of the relevant Strategic Director.

1.4 Status of Financial Regulations

These Regulations form part of the council's Constitution. The constitution brings together a wide range of information regarding how the council is organised, how its business is conducted and how its decisions are made. Beyond the scope of Financial Regulations, there are links with other internal regulatory documents within the Constitution, such as Contract Standing Orders, schemes of delegation and codes of conduct for officers and Members.

Financial Regulations are deemed to be part of the council's Procedure Rules in so far as they relate to the conduct of business in meetings of the council, the Leader, Executive Members, Committees, Sub-Committees and Scrutiny Committee/ Panels.

These Financial Regulations are subject to Accounts and Audit Regulations (revised in 2003) issued by Government under s27 of the Audit Commission Act 1998. Accounts and Audit Regulations establish statutory provisions for accounting arrangements, audit arrangements and financial control within the council, consistent with Audit Commission guidance, for example its publication Improvement through better Financial Management.

Financial Regulations endorse the Chartered Institute of Public Finance and Accountancy's "A Statement on the Role of the Finance Director in Local Government" issued in January 2003.

Both private and public sector enterprises need control frameworks to ensure their business objectives are met. Councils, however, by virtue of

Deleted: March 2008

Deleted: March 2008

their major role as custodians and spenders of public money, must be seen to be carrying out these duties to the highest levels of integrity, probity, fairness and economy. Financial Regulations are an essential tool to ensuring compliance with both this duty of care and the financial objectives of the council, and set the appropriate standards of financial management and control expected by Council Tax payers and local business rate payers. These Regulations must be followed by all officers, therefore, to enable the Audit Commission to give assurance to these parties that the council can demonstrate compliance with the high levels of stewardship expected.

1.5 Application of Financial Regulations

Financial Regulations apply to every Member and officer of the council and anyone acting on behalf of the council. Failure by an officer of the council to comply with these Financial Regulations may result in formal disciplinary action being taken against the officer concerned.

Strategic Directors should maintain a written record where decision-making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated, references to the Strategic Director in the regulations should be read as referring to the officer exercising the delegated authority. Each Strategic Director must ensure that they have in place and operate a scheme of financial delegation, which should be in a form approved by the Director of Finance. It is the responsibility of each Strategic Director to ensure that all financial processes and controls operated by their service areas comply with these regulations and to liaise with the Director of Finance on the adequacies of those controls. 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.

Deleted: Chief Officers
Deleted: Chief Officer
Deleted: Chief Officer
Deleted: & Resources
Deleted: Chief Officer
Deleted: directorate
Deleted: & Resources

Financial Regulations have an important role in establishing a sound system of corporate governance for the council and also in supporting the Council's Anti-Fraud and Corruption Strategy. The Leader, Executive Members and Strategic Directors have individual and collective responsibility to ensure that the fundamental principles as established by the Cadbury and Nolan Reports on "the financial aspects of corporate governance", namely openness, integrity, and accountability, are established through compliance with Financial Regulations.

Deleted: Chief Officers

Where local management schemes (LMS) have been approved, for example in schools, these shall have effect subject to the overall authority of these Financial Regulations and the council's Standing Orders. The Director of Finance may approve changes to any more-detailed financial regulations within approved local management schemes, again subject to their compliance with these Financial Regulations.

Deleted: & Resources

The Director of Finance is also responsible for reporting, where appropriate, breaches of the Financial Regulations to Members. Strategic Directors are

Deleted: & Resources
Deleted: March 2008
Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

responsible for ensuring that all staff in their service areas are aware of the existence and content of these Regulations 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 service areas, especially where staff do not have access to electronic copies.

Deleted: directorates

Deleted: directorates

1.6 Standard Financial Procedures

The Director of Finance is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, officers and others acting on behalf of the council are required to follow. Details of how the Regulations will be implemented operationally, are contained in the appendices to the Financial Regulations and are referred to as "Standard Financial Procedures". These establish sound practices and assist Strategic Directors in their responsibility for the operation of their financial processes. These Standard Financial Procedures have the same authority as Financial Regulations.

Deleted: & Resources

Deleted: Chief Officers

The Director of Finance may vary Standard Financial Procedures in consultation with the Chief Executive and Strategic Directors in accordance with the needs of individual services. Provided the Director of Finance is satisfied that all necessary controls are met, he/she may agree to variations proposed by Strategic Directors. Agreed variations must be properly recorded, in a form agreed by the Director of Finance.

Deleted: & Resources

Deleted: Chief Officers

Deleted: & Resources

Deleted: directors.

Deleted: & Resources

Deleted: Appendix 2

Formatted: Right

2 FINANCIAL MANAGEMENT

Financial management covers all financial accountabilities in relation to the running of the council, including the policy framework and the council's budgets.

2.2 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 Executive, committees and services operate. 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 full Council is also responsible for monitoring compliance with the agreed policy and related Executive and committee decisions.

Deleted: directorates

The full 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 Executive and its committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

2.3 The Executive

The Leader and Executive Members form the executive of the Council and are collectively referred to in Financial Regulations and Standard Financial Procedures as the Executive. Cabinet refers to a meeting of the full Executive.

The Executive is responsible for proposing the policy framework and budget to the full Council. The Executive, is also responsible for discharging executive functions in accordance with the Constitution, the policy framework and budget. Executive decisions can be taken collectively, or by the Leader or Executive members individually, or can be delegated to an officer.

Where the Executive, collectively or individually, exercises any function they must observe not only any requirements of Financial Regulations and Standard Financial Procedures, which are specifically directed at them, but also the requirements directed at Strategic Directors.

Deleted: Chief Officers

2.4 Overview and Scrutiny

The overview and scrutiny committees support the work of the Executive and the council as a whole. Their purpose is as a force for improvement, in relation to the council and other external bodies that serve the city of Brighton and Hove. Although these committees cannot themselves implement policies and programmes, they have powers to take an overview of policy and to scrutinise decisions, before or after they have been

Deleted: March 2008

Deleted: March 2008

implemented. They can require members (including the Executive), council officers and representatives of other organisations to attend and account for their policies and actions. The committees have access to the Council and the recommendations which flow from the overview and scrutiny processes must be given due consideration by the Executive or other person or body to whom they are directed.

Deleted: .

2.5 Standards Committee

This committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. It also advises the council on the adoption and revision of the Members' Code of Conduct, and for monitoring the operation of the code.

2.6 Audit Committee

The Audit Committee oversees the Council's arrangements for the discharge of its functions in connection with finance, risk management and audit. It makes recommendations to the Council, the Cabinet, Officers or other relevant bodies within the Council.

2.7 The Statutory Officers

2.7.1 Chief Executive

The Chief Executive is the head of paid service and has overall corporate management and operational responsibility (including overall management responsibility for all officers). He/she must report to and provide information and advice to all parties in the decision making process. The Chief Executive is also responsible, together with the Monitoring Officer, for the system of record keeping for all the council's decisions.

2.7.2 Monitoring Officer

The role is held in this council by the Head of Legal & Democratic Services. This officer is responsible for discharging the Monitoring Officer functions under s5 of the Local Government and Housing Act 1989 and the Local Government Act 2000. He/she is responsible for promoting and maintaining high standards of financial conduct, and also for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to executive committees. He/she is also responsible for ensuring that procedures for recording and reporting key decisions are operating effectively.

Deleted: Director
Deleted: Strategy & Governance.

He/she must ensure that executive decisions and the reasons for them are made public, and that council Members are also aware of those decisions and of those made by officers who have delegated executive responsibility.

The Monitoring Officer is responsible for advising all Members and officers about who has authority to take a particular decision.

Deleted: Appendix 2

Formatted: Right

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

The Monitoring Officer is responsible for maintaining an up-to-date Constitution.

2.7.3 Chief Finance Officer

This role is held in this council by the Director of Finance. He/she has statutory duties in relation to the financial administration and stewardship of the council. This statutory responsibility cannot be overridden. The statutory duties are principally contained in:

Deleted: & Resources

- s151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Accounts and Audit Regulations 2003 and 2006; and
- The Local Government Act 2003.

CIPFA's "A Statement on the role of the Finance Director in Local Government (2003)" sets out five key roles that are critical for the achievement of a finance director's statutory responsibilities:

- maintaining strong financial management underpinned by effective financial controls;
- contributing to corporate management and leadership;
- supporting and advising democratically elected representatives;
- supporting and advising officers in their operational roles; and
- leading and managing an effective and responsive financial service.

S114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full council, the Executive and external auditor if the authority or one of its officers:

Deleted: <#>The Chief Finance Officer also has a key role in the context of the "Use of Resources" assessment within the Comprehensive Performance Assessment framework.¶

- 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 authority's accounts.

S114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he/she be unable to perform the duties under section 114 personally. In this council, the Head of Financial Services performs the statutory and Head of Profession functions in the absence of the Director of Finance.

Deleted: Assistant Director

Deleted: & Resources

Deleted: March 2008

Deleted: March 2008

- 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 s114.

The Chief Finance Officer is also responsible for advising the Executive, the committees or the full Council where a decision is not in accordance with the budget.

2.7.4 Strategic Directors

The Strategic Directors make up the Strategic Leadership Board (SLB) and comprise of:

- The Chief Executive
- Director of Finance
- Strategic Director – Place
- Strategic Director – People
- Strategic Director – Communities
- Strategic Director – Resources

Strategic Directors are responsible for:

- Ensuring that members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Director of Finance
- Sending all draft reports to the Director of Finance in time for the financial implications to be fully considered and inserted before the reports are considered by the Strategic Leadership Board or Members. All reports should include the comments of the Director of Finance, where appropriate. Failure to ensure that the Director of Finance has sufficient time to consider the financial implication may result in the withdrawal of the report at his/her discretion.
- Entering into and signing contracts on behalf of the council in accordance with the Council's Procurement Policy and Contract Standing Orders.
- The operation of sound financial procedures within their service areas and, in order to fulfil this duty, they shall ensure that there is a formal scheme of financial delegation and adequate controls are in place.
- Where a Strategic Director delegates his/her powers to staff in accordance with a scheme of delegation, holding a record including appropriate authorisation of such delegation.
- Ensuring that financial systems that are developed locally within services are managed in accordance with principles of reconciliation, sound controls, security and other guidelines issued by the Director of Finance. Such systems shall be available to the Head of Audit & Assurance Services.

Deleted: Appendix 2
Formatted: Right
Deleted: <#>Chief Officers¶ Chief Officers comprise the
Formatted: Bullets and Numbering
Deleted: and the Directors of the following services:
Formatted: Space Before: 0 pt, After: 0 pt, Bulleted + Level: 1 + Aligned at: 1.27 cm + Tab after: 1.9 cm + Indent at: 1.9 cm
Deleted: <#>Children & Young Peoples Trust (CYPT);¶ <#>Cultural Services;¶ <#>Environment;¶ <#>Adult Social Care & Housing;¶
Deleted: &
Formatted: Normal, Bulleted + Level: 1 + Aligned at: 1.27 cm + Tab after: 1.9 cm + Indent at: 1.9 cm
Deleted: ;
Deleted: <#>Strategy & Governance.¶ <#>The Chief Officers comprise the Management Team (TMT).¶ Chief Officers
Deleted: & Resources
Deleted: & Resources
Deleted: Management Team
Deleted: & Resources
Deleted: & Resources
Deleted: directorate
Deleted: Chief Officer
Deleted: directorates
Deleted: & Resources
Deleted: Internal
Deleted: March 2008
Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

Where Financial Regulations and Standard Financial Procedures set out the role of Strategic Directors, this term should be taken to include the Chief Executive. In the event of any change in the job title of any officer or any committee or sub-committee, or the transfer of any responsibilities of any officer, the Director of Finance may make consequential amendments to Financial Regulations and Standard Financial Procedures to take account of the change and/or transfer.

Deleted: Chief Officers

Deleted: & Resources

2.8 Other Financial Accountabilities

2.8.1 Virement (Budget Transfer)

Strategic Directors are responsible for agreeing in-year virements but must not take decisions or transfer resources contrary to current council policy as represented by the approved budget.

Deleted: Chief Officers

The procedure for virements is set out in Standard Financial Procedures (paragraph A.2.1).

2.8.2 Treatment of Year-end Balances

The procedure is set out in Standard Financial Procedures (paragraph A.2.2).

2.8.3 Accounting Policies

The Director of Finance is responsible for implementing accounting policies which accord with the Accounting Code of Practice (ACOP) and ensuring that they are applied consistently.

Deleted: & Resources

2.8.4 Accounting Records and Returns

The Director of Finance is responsible for determining the accounting procedures and records for the authority, in accordance with statutory requirements and best practice. He/she will also maintain a register of partnerships and other entities in which the council has an interest so that Group Accounts can be published in compliance with local government accounting requirements.

Deleted: & Resources

2.8.5 The Annual Statement of Accounts

The Director of Finance 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 developed by CIPFA. The code is issued in the form of a Statement of Recommended Practice (SORP). The full Council is responsible for approving the annual statement of accounts.

Deleted: & Resources

3 FINANCIAL PLANNING & BUDGET SETTING

3.1 Planning Framework

The full Council is responsible for approving the policy framework (including all relevant statutory plans and strategies) and budget, which will be proposed by the Executive. In terms of financial planning, the key elements are:

- the Corporate Plan,
- the Revenue Budget,
- the Capital Programme,
- the Medium Term Financial Strategy (MTFS), and
- the Performance Plan.

The full 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. Decisions should be referred to the full Council by the Monitoring Officer.

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.

3.2 Budget Format

The general format of the budget will be approved by the full Council and proposed by the Executive on the advice of the Director of Finance. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Deleted: & Resources

3.3 Revenue Budget Preparation

The Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis. A medium term financial strategy (MTFS) taking account of revenue resources over three years and capital resources over five years will also be prepared for consideration by the Executive and full Council. The MTFS will be updated annually to give constant 3 year estimates and will be reported to the Executive and then full Council. The full Council may amend the budget or ask the Executive to reconsider it before approving it.

Deleted: & Resources

It is the responsibility of Strategic Directors to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

Deleted: Chief Officers

Deleted: Appendix 2

Formatted: Right

3.4 Budget Monitoring and Control

The Director of Finance is responsible for ensuring that systems are in place to provide appropriate financial information to enable all revenue and capital budgets to be monitored effectively. He/she must report to the Executive on the overall position on a regular basis in accordance with the Targeted Budget Management (TBM) framework.

Deleted: & Resources

Deleted:

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

Deleted: Chief Officers

Deleted: & Resources

Deleted:

Deleted: & Resources

Deleted: Financial and performance data should be linked wherever possible in accordance with good practice and to meet the aims of the Comprehensive Performance Assessment.

3.5 Preparation of the Capital Programme

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

Deleted: & Resources

3.6 Resource Allocation

The Director of Finance is responsible for developing and maintaining a financial resources allocation process that ensures due consideration of the full Council's policies and priorities.

Deleted: & Resources

3.7 Budget Setting Guidelines

Guidelines on budget preparation are issued to members and Strategic Directors by the Director of Finance taking into account the current policy framework determined by the Council and any subsequent policy framework proposed by the Executive. The guidelines will take account of:

Deleted: Chief Officers

Deleted: & Resources

- legal requirements;
- the medium term planning prospects;
- the corporate plan;
- council priorities;
- available capital and revenue resources;
- value for money;
- spending pressures;
- government guidelines;
- other internal policy documents;
- cross-cutting issues, and;
- the adequacy of the general and earmarked reserves.

Deleted: March 2008

Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

3.8 Maintenance of Reserves

It is the responsibility of the Director of Finance to advise the Executive and/or the full Council on prudent levels of reserves for the authority to ensure the council has a sound financial standing. Consideration will be given to the CIPFA recommended level of balances.

Deleted: & Resources

Deleted: and the requirements of the use of resources assessment within the Comprehensive Performance Assessment

Deleted: March 2008

Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

4 RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 Introduction

Risk management is the planned and systematic approach to the identification, evaluation and control of risks. Its objectives are to enable effective use of resources, secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. The Director of Finance is required to develop and promote risk management across the council and provide advice to managers on the most appropriate tools to use.

Deleted: Strategy & Governance

Deleted: Risk management also forms a key part of the use of resources assessment within the Comprehensive Performance Assessment.

4.2 Risk Management and Insurance

The Cabinet is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Audit Committee also has a role in reviewing risk management arrangements (see para. 2.6).

The Director of Finance is responsible for ensuring that proper insurance arrangements exist where appropriate.

Deleted: & Resources

4.3 Internal Control

Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.

The Director of Finance is responsible for advising on effective systems of internal control and will need to provide an Annual Governance Statement to the external auditors annually for inclusion in the statement of accounts. Arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.

Deleted: & Resources

It is the responsibility of Strategic Directors 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.

Deleted: Chief Officers

4.4 Audit Requirements

The Accounts and Audit Regulations 2003 (as amended) require every local authority to maintain an adequate and effective internal audit process.

The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by the Audit Commission Act 1998.

Deleted: March 2008

Deleted: March 2008

The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue & Customs who have statutory rights of access.

4.5 Preventing Fraud and Corruption

The Director of Finance is responsible for the development and maintenance of an anti-fraud and corruption policy. The policy will be approved and monitored by the Standards Committee.

Deleted: & Resources

4.6 Assets

Strategic Directors should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency (disaster recovery) plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Deleted: Chief Officers

4.7 Treasury Management

The authority has adopted CIPFA's code of practice for treasury management in local authorities.

The Cabinet is responsible for approving the treasury management policy statement setting out the matters detailed in "Treasury Management in the Public Services: Code of Practice for Treasury Management in Local Authorities". Full Council is responsible for approving the Annual Investment Strategy in accordance with regulations and guidance issued under the Local Government Act 2003.

All money in the hands of the council is controlled by the officer designated for the purposes of s151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer (Director of Finance), who shall make appropriate banking arrangements.

Deleted: & Resources

All executive decisions on borrowing, investment or financing shall be delegated to the Director of Finance, and such officers as he/she may nominate, who shall be required to act in accordance with the Code of Practice referred to in the council's Treasury Management Policy Statement and Annual Investment Strategy.

Deleted: & Resources

4.8 Trust Funds, Funds Held for Third Parties and Other Voluntary Funds

All trust funds, funds held for third parties and other voluntary (unofficial) funds must be approved by the Director of Finance. A voluntary (unofficial) fund is defined as any fund, other than an official fund for the council, which is controlled wholly or in part by an officer by reason of his or her employment by the council.

Deleted: & Resources

Strategic Directors are responsible for ensuring that they are operated in line with appropriate legislation and/or Charity Commission guidance if appropriate.

Deleted: Chief Officers

Deleted: March 2008
Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

Strategic Directors shall ensure that all such funds are audited by suitably qualified auditors and are submitted within six months of the end of the accounting period to the council and any other parties (i.e. clients, sponsors, charitable bodies) with an interest in the fund.

Deleted: Chief Officers

The Director of Finance reserves the right to inspect all documentation relating to unofficial funds and seek such explanations as are necessary to ensure they are being appropriately managed. From time to time the Director of Finance may issue specific guidance on such funds that must be complied with.

Deleted: & Resources

Deleted: & Resources

4.9 Staffing

The full Council is responsible for determining how officer support for executive and non-executive roles within the council will be organised.

The Chief Executive is responsible for providing overall management to staff. He/she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

Strategic Directors are responsible for controlling total staff numbers by:

Deleted: Chief Officers

- advising the executive on the budget necessary in any given year to cover estimated staffing levels required to deliver approved levels of service and having regard to statutory provision;
- 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 policy and procedures.

Deleted: Appendix 2

Formatted: Right

5 SYSTEMS AND PROCEDURES

5.1 Introduction

Sound systems and procedures are essential to an effective framework of accountability and control. This applies to all systems and processes, however, certain IT systems carry more importance. In particular, the corporate Financial Information System, Payroll and HR systems are prime records often subject to both internal and external audit review. Compliance with procedures and controls in relation to these systems is therefore essential to underpin the overall framework of accountability and control.

5.2 General

The Director of Finance is responsible for the operation of the authority's financial systems, the form of accounts and the supporting financial records. Any changes made by Strategic Directors to the existing financial systems or the establishment of new systems must be approved by the Director of Finance. However, Strategic Directors are responsible for the proper operation of financial processes in their own service areas.

Any changes to agreed procedures required or identified by Strategic Directors to meet their own specific service needs must be agreed with the Director of Finance.

Strategic Directors must ensure that their staff receive relevant financial training that has been approved by the Director of Finance. Where access to financial systems is through the use of unique user names and passwords, officers must not allow others to use their access codes or otherwise make use of their rights.

Strategic Directors must ensure that, where appropriate, ICT and other systems are registered in accordance with data protection legislation. Strategic Directors must ensure that staff are aware of their responsibilities under Data Protection and Freedom of Information legislation.

5.3 Income and Expenditure

It is the responsibility of Strategic Directors 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 Strategic Director's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. Specifically, authorised signatories and the limits of financial responsibility should be formally recorded in line with the procedure issued by the Director of Finance. In no circumstance can an officer be given an unlimited limit, as this is not allowed under the council's insurance arrangements.

Deleted: & Resources

Deleted: Chief Officers

Deleted: & Resources

Deleted: Chief Officers

Deleted: directorates

Deleted: Chief Officers

Deleted: & Resources

Deleted: Chief Officers

Deleted: & Resources

Deleted: Chief Officers

Deleted: Chief Officers

Deleted: Chief Officer's

Deleted: & Resources

Deleted: March 2008

Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

5.4 Payments to Employees and Members

The Head of Human Resources is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members. The scheme for Members allowances is the responsibility of the Strategic Director – Resources.

Deleted: Assistant Director

Deleted: Director of Strategy & Governance.

5.5 Imprest and Petty Cash Accounts

The Director of Finance in consultation with Strategic Directors may make imprest/petty cash advances to officers for the purposes of paying minor items of expenditure and any other items as may be approved.

Deleted: & Resources

Deleted: Chief Officers

The Director of Finance reserves the right to withdraw petty cash/imprest facilities from officers if it is deemed that they are being used inappropriately or the expenditure limit is exceeded or a deficit balance is accrued.

Deleted: & Resources

The accounts should be kept on the imprest system and officers should maintain a record of their receipts and payments in a form and manner prescribed by the Director of Finance.

Deleted: & Resources

5.6 VAT & Taxation

The Director of Finance is responsible for advising Strategic Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.

Deleted: & Resources

Deleted: Chief Officers

The Director of Finance is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate. The Head of Human Resources will be required to maintain income tax and national insurance records in accordance with guidelines set by the Director of Finance.

Deleted: & Resources

Deleted: Director

Deleted: & Resources

5.7 Trading Accounts

It is the responsibility of the Director of Finance to advise on the establishment and operation of trading accounts.

Deleted: & Resources

5.8 Financial Information and Communications Systems

It is essential that the council's systems are developed in a planned and co-ordinated way so that they interface correctly in order to deliver high quality management information to support the council's requirements and strategies.

Strategic Directors will need to liaise with the Director of Finance and the Head of ICT on any major proposals either to purchase ICT equipment or software, or to undertake a major upgrade of existing systems.

Deleted: Chief Officers

Deleted: & Resources

Deleted: Assistant Director

Deleted: March 2008

Deleted: March 2008

Deleted: Appendix 2

Formatted: Right

5.9 Control of Contracts

It is essential that all Strategic Directors follow Contract Standing Orders as well as Financial Regulations. The achievement of value for money when procuring goods and services is a key task to ensure that public money is well spent.

Deleted: Chief Officers

Deleted: This is a major factor in the Comprehensive Performance Assessment of the council by the Audit Commission, which tests how well the council currently achieves value for money and how well it manages and improves value for money. Councils currently need to achieve minimum efficiency savings of 3% per annum and must adopt good procurement practice and improve joint working with partners, businesses and other agencies in order to contribute to efficiency targets.

5.10 Banking Arrangements

The Director of Finance is responsible for ensuring that the council operates cost effective and sound banking systems to ensure its financial transactions are documented with the utmost accuracy, evidenced by reconciliations, with the avoidance of fraud and corruption. The Cabinet shall approve all banking contract terms and conditions.

5.11 Financial Limits

Financial limits need to be set in the interests of good governance and financial management. Strategic Directors are responsible for determining financial limits of authority, which are incorporated in their service areas scheme of financial delegation.

Deleted: & Resources

Deleted: Chief Officers

Deleted: directorates'

6 EXTERNAL ARRANGEMENTS

6.1 Introduction

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 or improvement of the economic, social or environmental well-being of its area.

6.2 Partnerships

6.2.1 The Executive is responsible for approving delegations, including frameworks for partnerships, and is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

6.2.2 The main reasons for entering into a partnership are:

a) where required, to act as the statutory accountable body;

b) the desire to find new ways to share risk;

c) the ability to access new resources;

d) to provide new and better ways of delivering services;

e) to forge new relationships.

6.2.3 A partner is defined as either:

a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project or services in relation to a statutory function or functions of the council or in support of council priorities,

or

b) a body whose nature or status give it a right or obligation to support the project or services.

6.2.4 Partners participate in projects or services by:

a) acting as commissioner, deliverer or sponsor of projects or services, solely or in concert with others;

b) acting as funder or part funder of projects or services;

c) being the beneficiary group of the activity undertaken in a project or services.

6.2.5 Partners have common responsibilities:

a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;

b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;

c) be open about any conflict of interests that might arise;

d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;

e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;

f) to act wherever possible as ambassadors for the project.

6.2.6 The Executive can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the authority's Constitution. Where functions are delegated, the Executive remains accountable for them to the full council.

6.2.7 The Chief Executive represents the authority on partnership and external bodies, in accordance with the scheme of delegation.

6.2.8 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the council.

6.2.9 The Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He/she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, particularly where the authority is the designated lead partner or accountable body. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies. He/she will also maintain a register of partnerships and other entities in which the council has an interest so that Group Accounts can be published in compliance with local government accounting requirements.

Deleted: & Resources

6.2.10 Strategic Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

Deleted: Chief Officers

6.3 External Funding

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

Deleted: & Resources

6.4 Work for Third Parties

The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies although this may be delegated to officers in accordance with the council's scheme of delegation.

Deleted: Appendix 2

Formatted: Right

SCHEDULE OF OFFICER RESPONSIBILITIES

Monitoring Officer

Financial Regulations including Standard Financial Procedures refer to the Monitoring Officer. The Head of Legal & Democratic Services is responsible for this role.

Deleted: Director

Deleted: Strategy & Governance

Deleted: He/she is also responsible for strategic risk management.

Chief Finance Officer

The role of Chief Finance Officer is undertaken by the Director of Finance.

Deleted: & Resources

Deleted: March 2008

Deleted: March 2008

BIBLIOGRAPHY

Asset Registers: A Practical Guide for Public Services CIPFA (1997)

Best Value Accounting – Code of Practice 2006 CIPFA (2006)

Building Effective Partnerships: Practical Guidance for Public Services on Working in Partnership CIPFA (1997)

Code of Practice for Internal Audit in Local Government in the United Kingdom CIPFA (2006)

Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice CIPFA/LASAAC (2007)

Competing Demands – Competition in the Public Services CIPFA (1997)

Guidance for Internal Auditors Auditing Practices Board (1990)

World Class Financial Management Audit Commission (2005)

People + Pounds + Property = Services. A guide to the Use of Capital Accounting to Improve Asset Management and Service Performance CIPFA (1998)

Prudential Code for Capital Finance in Local Authorities; Guidance Note for Practitioners CIPFA (2003)

Statement on the Role of the Finance Director in Local Government, CIPFA (2003)

The Accounts and Audit Regulations 2003 and 2006 CLG (2003/2006)
Delivering Good Governance in Local Government: Framework & Guidance CIPFA (2007)

Treasury Management in Local Authorities: Code of Practice and Guide for Chief Finance Officers CIPFA (2006)