

**HERTFORDSHIRE COUNTY COUNCIL**

**FINANCIAL  
REGULATIONS**

**February 2014**

# HERTFORDSHIRE COUNTY COUNCIL

## FINANCIAL REGULATIONS

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## **SECTION ONE**

### **~ INTRODUCTION AND OVERVIEW ~**

#### **1.1 What are the aims of this document?**

The aims of this document are to:

- a) set out the Financial Regulations of the County Council; and
- b) provide a reference point to other documents, which contain the detailed procedures behind these Regulations

#### **1.2 Who should read this document?**

The Regulations apply to all staff and Members of the County Council. However, the prime audience consists of:

- a) Members;
- b) Chief Officers;
- c) Budget Managers / Budget Holders; and
- d) Finance Staff

#### **1.3 Why have financial regulations?**

Financial regulations form a part of the means by which the County Council manages its business. They clarify responsibilities and provide a framework for decision-making. Where there are specific statutory powers and duties, the financial regulations seek to ensure these are duly complied with, as well as reflecting best professional practices and decisions of the County Council and Cabinet.

In summary, financial regulations are the regulatory framework within which the financial affairs of the authority operate.

#### **1.4 Corporate governance in local government and financial regulations**

Effective local government relies on public confidence in elected members and officials. Good corporate governance provides an essential underpinning for credibility and confidence in our public services. These Regulations help to establish a framework in order that the County Council can demonstrate its compliance with the underlying principles of good governance.

#### **1.5 What is the coverage of financial regulations?**

The Regulations apply to all activities of the County Council.

In practice, this means all monies and funds administered by County Council officers by virtue of their office. This includes the authority's direct service and trading organisations within the internal market and funds

managed on behalf of third parties such as the Hertfordshire Superannuation Fund, trust funds, community accounts and unofficial funds. Although locally managed schools have their own financial regulations (contained in the authority's *Financial Handbook for Schools*) they reflect these Regulations.

External providers (outsourced services, contractors and consultants for example) are managed through the contract process. The contract document will set out the financial requirements. This will include for example, compliance with key control procedures, generation of service performance statistics, attendance at service client meetings and access to accounts.

### **1.6 Awareness and access**

It is the responsibility of Chief Officers to ensure that all employees with financial responsibilities are made aware of and have access to these Regulations.

### **1.7 Non-compliance with financial regulations**

Compliance with Financial Regulations is compulsory for all staff. A member of staff who fails to comply with these Regulations may be subject to disciplinary action.

### **1.8 Review of financial regulations**

The Chief Finance Officer is responsible for maintaining a continuous review of these Regulations.

### **1.9 Other rules**

Apart from these Regulations, there are other rules which all members and officers must comply with.

These include:

1. The Law: Local Government law, general civil and criminal law
  
2. County Council Rules:
  - a) the Constitution, including:
    - i) standing orders
    - ii) scheme of delegations to and standing orders for committees
    - iii) scheme of delegations to officers
    - iv) contract regulations
    - v) codes of conduct for members and officers
  - b) personnel policies and procedures

c) schemes of delegation and instructions issued to staff and managers by Chief Officers

### 3. Information for Herts Finance, Budget Managers and Budget Holders

#### Information for Budget Managers and Budget Holders

Information to help equip Budget Managers and Budget Holders across the authority for their important responsibility as stewards of the authority's resources can be accessed by clicking on the link below.

<http://compass.hertsc.gov.uk/area/hcc/resperf/finance/publications/infobudmanhold/>

#### Information for all Finance staff

The Financial Procedures Handbook can be accessed by clicking on the link below.

<http://compass.hertsc.gov.uk/area/hcc/resperf/finance/publications/fiprochhandbook/>

The Link Accountant toolkit can be accessed by clicking on the link below:

<http://compass.hertsc.gov.uk/area/hcc/resperf/finance/publications/17339241/>



## **SECTION TWO**

### **~ DELEGATED FINANCIAL RESPONSIBILITIES WITHIN THE AUTHORITY ~**

#### **~ Introduction ~**

The purpose of this section is to set out the respective roles of Members and officers in the management of the County Council's finances.

The County Council is a single entity with devolved accountabilities but the overall responsibility for financial administration of the Council remains with the Chief Finance Officer. The Policy and Resources Officer Group is a critical element of financial management within the authority.

For purposes of the Financial Regulations the role of:

- the Chief Finance Officer is carried out by the Director of Resources;
- the County Property Officer is carried out by the Assistant Director (Property);
- the Head of Risk Management is carried out by the Performance and Risk Manager; and
- the Chief Internal Auditor is carried out by the Head of Assurance.

#### **~ Financial Regulations ~**

### **2.1. The Chief Finance Officer (CFO)**

2.1.1. The Chief Finance Officer must discharge the statutory duties or mandatory requirements defined in:

- a) *Section 151, Local Government Act 1972*
- b) *Section 114, Local Government Finance Act 1988;*
- c) *The Local Government and Housing Act 1989;* d) *The Local Government Act 2003;*
- e) *The Accounts and Audit Regulations;*
- f) *The Code of Practice on Local Authority Accounting in the United Kingdom (based on International Financial Reporting Standards);*
- g) *The Service Reporting Code of Practice (SeRCOP);*
- h) *The Prudential Code for Capital Finance in Local Authorities;*
- i) *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes; and*
- j) *CIPFA statements defining best practice.*

2.1.2 To fulfil the statutory duties the Chief Finance Officer must himself or through delegated staff:

- a) Provide financial advice to Members to support strategic planning & policy making process and service development to ensure efficient and effective use of resources;
- b) Provide advice and financial information on the optimum use and adequacy of available resources and management of the capital and revenue budgets;
- c) Provide advice on treasury management, taxation, pensions and trust funds and guidance on the safeguarding of financial assets; including risk management and insurance;
- d) Determine the County Council's accounting records and control systems including:
  - (i) measures to prevent and detect inaccuracies and fraud, and the ability to reconstitute any records;
  - (ii) identification of the officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
  - (iii) procedures governing the write off of debts;
  - (iv) ensure the maintenance of proper accounting records in relation to government grants & council expenditure; and
  - (v) publish an annual statement of accounts

2.1.3 The Chief Finance Officer must:

- a) Establish monitoring and reporting arrangements to ensure awareness of significant issues in the delivery of policy and the consumption of resources, to enable prompt management action;
- b) Establish systems to secure financial probity, control, security and best practice in safeguarding the County Council's activities and assets;
- c) Establish processes to ensure that personnel, property and information are managed in a manner consistent with financial control;
- d) Establish processes to check and evaluate the effectiveness of controls;
- e) Establish standards of internal control and through their senior management team, ensure the proper identification and cost effective management of financial risk;
- f) Set adequate standards and procedures for budgeting, accounting systems, reporting and monitoring; and

- g) Maintain and review service accounting records and control systems in accordance with legislative and proper practice requirements.

#### 2.1.4 Trustee of Public Monies

As trustee of the local taxpayer's money <sup>(1)</sup>, to manage the council's resources on their behalf and report any decision or action that would result in unlawful expenditure or incur expenditure that would exceed available resources. <sup>(1)</sup> The case of Attorney General v De Winton in 1906

#### 2.1.5 Financial Expertise

As head of profession for the council's employed finance staff sets the framework and processes for recruitment, professional support and career development.

#### 2.1.6 Other Duties

Responsible for the:

- a) appointment of bankers, monitoring the bank contract and approving officers for :
  - i. opening and closing service bank and imprest accounts;
  - ii. cheque signatories for the bank accounts;
  - iii. investment and borrowing transactions; and
  - iv. confirming lease agreements.
- b) Overall arrangements for the monitoring and review of bank/imprest accounts and balances;
- c) Setting the rules for the retention and disposal of financial documents;
- d) Authorisation of grant claims;
- e) Maintaining a register of authorised signatories;
- f) Preparing the Council's Treasury Management Systems Document, in accordance with CIPFA's Code of Practice on Treasury Management in the Public Services;
- g) Advising the council on the setting of prudential indicators in compliance with the Prudential Code for Capital Finance in Local Authorities, and establishing monitoring procedures in respect of these indicators;
- h) Reporting to the council at the time the budget is set on the robustness of estimates included in the budget and the adequacy of reserves for which the budget provides taking into account an assessment of the risks facing the council; and
- i) Regular review of these Regulations.

## **2.2 Members**

- 2.2.1 Approve the Financial Regulations and Contract Regulations;
- 2.2.2 Set the budget framework and monitor budget performance as well as service performance;
- 2.2.3 Provide the framework to monitor the achievement of policies within the resources allocated;
- 2.2.4 Agree resources to ensure the finance function is resourced to support management in securing effective financial control;
- 2.2.5 Agree efficiency review arrangements; and
- 2.2.6 Scrutinise financial probity through the Audit Committee.

## **2.3 Chief Legal Officer (as Monitoring Officer)**

- 2.3.1 The Monitoring Officer provides advice on vices issues, maladministration, financial impropriety, probity and policy framework issues to all members of the council.

## **2.4 Chief Officers (CO)**

- 2.4.1. Chief Officers manage resources available for their services, as per the Scheme of Delegation to Officers, which includes responsibility for financial management and probity.

Chief Officers act on advice or guidance of the Chief Finance Officer ensuring the rules are enforced. They are assisted by Service Lead Finance Officers (SLFO). SLFO postholders are listed in Regulation 2.5.1.

- 2.4.2 Chief Officers must act within budget and policy parameters, promote probity and sound financial control.

- 2.4.3. Each Chief Officer must develop and maintain procedures to monitor and ensure compliance with key controls set by the Chief Finance Officer and also various acts, statutory instruments, regulations, circulars, guidance and statutory codes

- 2.4.4. Chief Officers must:

- a) take a lead on ensuring staff have the financial expertise to discharge duties and functions delegated by the Chief Finance Officer;
- b) Establish clear accountabilities for budgets, systems and information;
- c) consider the financial effects of new policy;

- d) relate existing policy to resources;
- e) ensure compliance with monitoring and reporting framework and probity and policy framework;
- f) establish arrangements for the review of services and processes to identify service improvements and efficiency gains;
- g) ensure rules and guidance to staff responsible for financial management and administration are communicated; and
- h) where fraud or corruption is suspected Chief Officers must immediately report to the Chief Internal Auditor.

2.4.5. Chief Officers must report to the Chief Finance Officer and Members on any matter which may result in a failure of the departmental financial control environment or, any other matter which could adversely affect the financial standing of their department.

More specifically, the Chief Officer must report to the Chief Finance Officer if:

- a) structural changes might impact on the demand for financial support service;
- b) there are potential budget overspends; and
- c) proposed variations in policy have financial effects.

## **2.5 Service Lead Finance Officers (SLFO)**

2.5.1 Service Lead Finance Officers are the following postholders:

- a) Departmental Directors or Assistant Directors (or as designated by the relevant Service Management Board in consultation with the Chief Finance Officer);
- b) Fire & Rescue Service Deputy Chief Fire Officer; and
- c) Assistant Director - Finance.

2.5.2 The designated Service Lead Finance Officer must be a full member of the relevant Service Management Board and/or Policy and Resources Officer Group and must ensure regular and active participation in the work of both boards.

2.5.3 Each department will have a Service Lead Finance Officer and nominations to these posts must be approved by the Chief Finance Officer.

2.5.4 The Chief Finance Officer is responsible for ensuring that a statement of financial delegations is maintained for each designated Service Lead Finance Officer.

#### 2.5.5 Service Lead Finance Officers are required to:-

- a) Support Chief Officers in fulfilling their financial responsibilities;
- b) Act in accordance with sections 151, local government act 1972, section 114, local government finance act 1988, sections 41 and 42, local government and housing act 1989, and sections 25 and 27, local government act 2003;
- c) Promote a culture of probity and sound financial control;
- d) Plan and deliver the major financial activities in their services;
- e) Interpret and communicate the impact of legislative changes, trends and council initiatives relating to their service area;
- f) Promote financial accountability across the department and act as escalation point where there are financial or budget issues.
- g) Report to the Chief Finance Officer, after discussion with Chief Officer financial issues that arise from:-
  - (i) new developments in policy;
  - (ii) budget variations;
  - (iii) policy changes;
  - (iv) virements and carry forward; and
  - (v) UK and European Union Legislation.
- h) In consultation with the finance service ensure that a framework is maintained for support and advice to all staff involved in financial management and administration in their service;
- i) Alert the Chief Finance Officer of any difficulties or interference impacting on the proper discharge of his/her professional duties;
- j) Ensure that every report to the Cabinet, scrutiny committees and panels contains a financial implications section in conformance with the Code of Practice on a Prudential Approach to Local Authority commitments which has been approved by the Chief Finance Officer in advance of publication; and
- k) Ensure that budget planning information, service revenue and capital monitors and service outturn reports are provided in accordance with corporate timetables.

#### **2.6 Statement of Responsibility and Accountability - Budget Managers**

2.6.1 Budget managers are accountable for the budget delegated to them by the Chief Officer or Assistant Director.

#### 2.6.2 Budget managers must:

- a) be able to explain what value is being obtained from their spending in terms of service delivery and meeting council priorities;
- b) explain reasons for likely or actual over or under spending, and also over and under performance;
- c) propose and implement measures to bring spending / performance back on target; and
- d) plan service developments and bid for resources as necessary.

### **2.7 Statement of Responsibility and Accountability - Budget Holders**

2.7.1 Budget holders are accountable to Budget Managers for the budgets delegated to them.

#### 2.7.2 Budget holders must:

- a) monitor budgets within the parameters set by the budget manager;
- b) explain actual or likely over or under spending to the budget manager; and
- c) support budget managers in identifying problems and solutions.

### **2.8 Statement of Responsibility and Accountability - Chief Internal Auditor**

2.8.1 The Chief Internal Auditor must ensure adequate and effective internal audit coverage of the County Council's activities.

2.8.2 The Chief Internal Auditor's reporting lines are set out in Section 7 of these Regulations.

## **SECTION THREE**

### **~ STRATEGIC FINANCIAL MANAGEMENT ~**

#### **~ Introduction ~**

The broad aims of strategic financial management are to:

- a) ensure effective use of resources;
- b) match resource allocation with policy objectives and priorities;
- c) maximise available resources; and
- d) relate service costs to activity levels.

There are three key financial processes - budget setting, in-year budget monitoring and control and year-end accounts.

Procedures, guidance and timetables for the key financial processes are set out in the following Regulations.

#### **~ Financial Regulations ~**

### **3.1 Financial Processes - Procedures, Guidance and Timetables**

3.1.1 The Chief Finance Officer must each year arrange for the timely publication of the procedures, guidance and timetables in support of the key financial processes (budget setting, in-year budget monitoring and control and year-end accounts).

### **3.2 Budget Setting - Integrated Planning Process**

3.2.1 Chief Officers must ensure that arrangements are in place that comply with service needs and corporate requirements.

3.2.2 Chief Officers must ensure that their staff comply with service and corporate requirements.

### **3.3 In-Year Budget Monitoring**

3.3.1 Chief Officers and their staff must comply with the arrangements for producing and distributing the consolidated revenue and capital budget monitors as set out by the Chief Finance Officer each year.

### **3.4 Year End Closure of Accounts**

3.4.1 Chief Officers must ensure that financial management arrangements are in place that comply with service needs and corporate requirements as set out in the account closure pack.



3.4.2 Chief Officers must ensure that their staff comply with service and corporate requirements.

### **3.5. General**

3.5.1 Chief Officers, in consultation with the Chief Finance Officer, must report financial information in a full and clear manner to Members. This will ensure decisions are informed by a sound understanding of the financial consequences.

3.5.2 Chief Officers must report to the Chief Finance Officer and Members, at the earliest opportunity, any matter that may have a significant financial impact on the County Council.

### **3.6 Capital**

#### **3.6.1 Development of Business Cases**

- a) Chief Officers must ensure that all proposed capital schemes, irrespective of funding source(s), have an approved capital business case prior to the start of a project. All capital business cases should be reviewed annually.
- b) Chief Officers must ensure all proposed capital schemes, irrespective of funding source(s), which involve a property and/or ICT element have been developed in accordance with guidance issued by County Property Officer.
- c) Chief Officers must ensure that the Chief Finance Officer is consulted during the project initiation stage where proposed capital schemes involve partnerships with other organisations or financing from other public service bodies and private sector organisations.
- d) Chief Officers must not only comply with section 123 of the Local Government Act 1972, but must also ensure that the County Property Officer and Chief Finance Officer are consulted during the project initiation stage where proposed capital schemes involve the acquisition or disposal of property capital assets.

#### **3.6.2 Development and Review of Capital Programme**

Chief Officers must comply with the process and provide the necessary information by the appointed times for the review of all capital schemes as determined by the Policy and Resources Officer Group.

### 3.6.3 Additional Funding

Where self-financing, grant aided or externally assisted programmes arise outside of the capital programme planning cycle, these may only be added to the capital programme after the Chief Finance Officer confirms that the funding is secure and the schemes have been approved by Cabinet.

### 3.6.4 Project Authorisation

Inclusion of a scheme in the Council's approved capital programme does not, in itself, constitute approval to incur capital expenditure. No capital expenditure may be incurred unless the Finance Director has authorised the scheme to commence, having confirmed that the scheme has been properly approved, that all funding sources are in place and all necessary capital accounting issues have been considered.

### 3.6.5 Monitoring of Capital Schemes

- a) The County Property Officer is responsible for the in-year monitoring of all HCC delivered /project managed property and/or ICT related projects of the capital programme.
- b) Service Chief Officers (supported by Service Lead Finance Officers) are responsible for the in-year monitoring of all other projects within the capital programme.
- c) In-year capital monitoring information must include:
  - (i) analysis of variances from budget in year over £100k, between (a) re-programming / re-profiling cash flow and (b) over / under spending; and
  - (ii) explanation of the implications of the variance for subsequent years' programmes.
- d) For every capital project, the Service Chief Officer will nominate a Project Sponsor. For property or ICT projects the Chief Property Officer will nominate a Budget Manager and Budget Holder. For non-property or non-ICT projects, a Budget Manager and Budget Holder will be nominated by the Service Chief Officer.
- e) The Budget Holder must report monthly to Finance, the Project Sponsor and the Service Chief Officer. The Budget Holder must also report monthly to the Chief Property Officer regarding all ICT and/or property projects.

- f) The County Property Officer (property and ICT projects) and Service Lead Finance Officers (non-property and ICT projects) must ensure that reliable systems and processes are in place, and documented for (i) the recording and monitoring of income and expenditure relating to capital schemes, (ii) identifying capital accounting and valuation implications, and (iii) ensuring that cash flow implications are properly identified and reported.

#### 3.6.6 Post Implementation Review

The Project Sponsor must:

- a) Undertake a post implementation review for all capital schemes over £500k within the timeframe agreed with the relevant Chief Officer, with the support of the project manager involving all stakeholders as well as consultants and contractors; and
- b) Circulate the final report to the relevant Chief Officer and County Property Officer. Members to receive a copy of the report where significant issues have arisen.

### **3.7 The Prudential Code for Capital Finance in Local Authorities**

3.7.1 To comply with the Prudential Code a series of prudential indicators must be set annually by full Council.

3.7.2 The Chief Finance Officer is responsible for ensuring that all matters required to be taken into account in making the decision are reported to council and that procedures are in place to monitor performance against the indicators set.

## **SECTION FOUR**

### **~ FINANCIAL INFORMATION SYSTEMS ~**

#### **~ Introduction ~**

These Regulations cover those financial information systems, which hold or generate data or information that forms part of the prime financial record of the Council.

In Hertfordshire, financial information systems are delivered within the Council's IS/ ICT Strategy, which is subject to regular review.

#### **~ Financial Regulations ~**

- 4.1. The Chief Finance Officer is legally responsible for all financial systems, which operate within the County Council.
- 4.2 The Chief Finance Officer will be responsible for providing core systems for statutory accounting purposes.
- 4.3 Approval must be sought from the Chief Finance Officer for all new financial systems and changes to existing financial systems, whether developed within the County Council or provided by third parties.
- 4.4 All systems that interface to core financial systems must observe defined interfacing and reconciliation standards.
- 4.5 An opportunity must be given to Internal Audit to subject all financial systems, and developments to existing financial systems, to a pre-implementation audit prior to live implementation.
- 4.6 The Chief Finance Officer and Chief Officers must ensure that financial systems are managed in a professional and secure manner by a nominated responsible officer, with full operational and procedural documentation, and that all staff and contractors are aware of their responsibilities and are adequately trained and supported.
- 4.7 Chief Officers and the Chief Finance Officer must agree processes for the operation of interfaces between local and corporate systems.
- 4.8 Chief Officers must comply with the necessary guidance issued by the Chief Finance Officer, covering:-
  - a) operation and management of the ledger system;
  - b) code structures;
  - c) code classes and groups;
  - d) ensuring that income and expenditure is correctly recorded and accounted for;
  - e) record keeping and supporting documentation; and

f) reconciling local and central financial systems.

4.9 Chief Officers must ensure that their staff understand their responsibilities and are adequately trained and supported.

4.10 The Chief Finance Officer and Chief Officers must ensure that all financial systems (both corporate and local):

- Are registered under the Data Protection Act;
- Are operated in line with the relevant IT security policies, standards and guidelines as published on Compass (and that staff are aware of these documents); and
- Are covered by a business continuity plan which safeguards against the loss of critical data and allows for its recovery following a major incident or other interruption in service.

## SECTION FIVE

### ~ EXECUTIVE DECISIONS ~

#### ~ Introduction ~

This section sets out the requirements in order to comply with the statutory guidance on the financial aspects of executive decisions, under the access to information regime for local authorities in England. The Government's aim is to ensure open and accountable decision-making.

#### ~ Financial Regulations ~

##### **5.1 Financial Thresholds for Key Decisions: Setting of Annual Values**

The County Council must set financial thresholds for key decisions. The current level is £500,000 in respect of expenditure or savings.

##### **5.2 Forward Plans**

The Chief Officer is to provide the Chief Legal Officer with all the necessary information about key decisions in order to update the Forward Plan.

##### **5.3 Officer Delegations (decision-takers)**

- a) The Chief Officer must ensure all departmental officer delegations is kept under continuous review;
- b) All departmental officer delegation information must be in a format prescribed by the Chief Legal Officer; and
- c) All departmental officer delegation information must be logged with the Chief Legal Officer, in the *Sub Delegations* register.

## SECTION SIX

### ~ THE CORPORATE FRAMEWORK FOR TRADING ~

#### ~ Introduction ~

A primary aim of trading is to give clients and providers the freedom to manage and innovate services in line with users needs. This framework is intended to clarify roles, responsibilities and rules for trading in order to:

1. Provide a basis for a code of conduct that encourages fair play between all parties;
2. Help ensure that the market works to help rather than hinder the provision of appropriate front-line services; and
3. Safeguard the authority's financial

position. Definition of a Trading Unit

This framework applies to those units that seek to cover their costs and any pre-determined financial target by income from clients, and where the client has the freedom to negotiate on price, quality and/or volume.

#### ~ Financial Regulations ~

##### 6.1 Duties of the Chief Finance Officer

The Chief Finance Officer must:

- 6.1.1 Ensure that arrangements between individual trading units and clients do not adversely affect the financial interests of the corporate body.
- 6.1.2 Agree a course of action with the Chief Officer of a Trading Unit on significant financial issues, which could:
  - a) affect the delivery of a service provided by a trading unit; or
  - b) affect the viability of a trading unit.
- 6.1.3 Authorise named financial officers to help Chief Officers of Trading Units and clients meet their obligations under these Regulations.

##### 6.2 Duties of Chief Officers

This encompasses the duties of both the Chief Officer responsible for the trading unit and the Chief Officer responsible as client for the delivery of the front line service. In some instances both client and trading unit responsibilities may be vested in the same Chief Officer. In the case of individual schools the role of "Client Chief Officer" is taken

on by the Governing Body but the Director Education and Early Intervention will act as Client Chief Officer on behalf of schools in general.

Trading Unit Chief Officers must:

- 6.2.1 Discuss significant financial issues outlined above with the Chief Finance Officer in order to agree an appropriate course of action.
- 6.2.2 Ensure that there is a nominated trading unit manager who is held accountable for meeting the duties set out in these Regulations.
- 6.2.3 Ensure that trading unit managers understand their roles and responsibilities in relation to the traded market.
- 6.2.4 Ensure that the necessary systems, procedures and processes are established so that trading units can comply with these Regulations.
- 6.2.5 Agree the business plans for trading units within their departments and to monitor performance against them. This must be with appropriate advice from the authorised financial officer.
- 6.2.6 Arbitrate with the Client Chief Officer in the event of a dispute between the client and the trading unit or invoke any complaints procedures agreed between both parties. Where there is no formal process and disputes cannot be resolved the matter is to be referred to the Chief Executive (or nominee).

Client Chief Officers must:

- 6.2.7 Ensure that there is a nominated client who is accountable for meeting the duties set out in these Regulations.
- 6.2.8 Ensure that client unit managers understand their roles and responsibilities in relation to managing the traded market.
- 6.2.9 Ensure that the necessary systems, procedures and processes are established so that client units can comply with these Regulations.
- 6.2.10 Arbitrate with the Trading Unit Chief Officer in the event of a dispute between the trading unit and the client or invoke any complaints procedures agreed between both parties. Where there is no formal process and disputes cannot be resolved the matter is to be referred to the Chief Executive (or nominee).



### **6.3 Duties of the Client**

#### Clients must:

- 6.3.1 Be accountable for procuring the traded service to accord with service policy objectives or development plans in the case of schools.
- 6.3.2 Monitor the performance of trading units to ensure that specifications/ contracts are being met and ensure that all bills, properly due, are paid.
- 6.3.3 Specify and agree work, including variations, in a manner which ensures that there are agreed and achievable outputs within the resources available.
- 6.3.4 Where possible and appropriate ensure that trading units are notified and consulted on service decisions that impact on their business.
- 6.3.5 Where appropriate ensure that mechanisms are in place to allow trading units to feedback on client actions, which could have detrimental consequences for their business.
- 6.3.6 Ensure that best use is made of the authority's trading units and that they are given the opportunity to compete for the supply of appropriate goods and services.

### **6.4 Duties of a Trading Unit Manager**

#### Trading Unit Managers must:

- 6.4.1 Ensure that sets of service standards are defined.
- 6.4.2 Be accountable for the professional standards and performance of the trading unit.
- 6.4.3 Be accountable to the client for delivery of services as agreed.
- 6.4.4 Ensure that a complaints procedure exists.
- 6.4.5 Maintain expenditure levels in line with income, ensure that appropriate targets are met and all income is properly billed and accounted for.
- 6.4.6 Manage the finances of the trading unit and any budgets managed under contract in accordance with corporate and departmental standards.
- 6.4.7 Ensure that systems are in place to:
  - a) monitor the financial and operational performance of the trading unit;

- b) meet corporate accounting and system requirements; and
  - c) allow clients to feedback their views on service delivery.
- 6.4.8 Report to the Chief Officer on operational and financial performance and other management issues critical to the viability of the unit.
- 6.4.9 Ensure that resources are directed to achieve maximum operational efficiency within the service specification contract agreed with the client and in accordance with these Regulations.
- 6.4.10 Ensure, with the assistance of the authorised financial officer, that all staff and managers fully understand their operational and financial responsibilities and receive the necessary support and training to meet their expected level of competence.

## **6.5 Scope of Operations**

- 6.5.1 Trading units must prepare a business plan that sets out the scope of their intended activities and demonstrate how they are going to meet their financial targets. Trading Unit Chief Officers must review these plans annually with appropriate advice from the service lead finance officer.
- 6.5.2 A trading unit business plan should include all current business activities and proposals for developing the business in line with clients' needs and wants. The Trading Unit Chief Officer should agree significant new services once an assessment of the financial implications has been made.
- 6.5.3 Trading units must provide a justifiable business case for opting out of providing established services and the agreement of the client must be obtained. Suitable but realistic notice must be given so that essential services are not disrupted. Where agreement cannot be reached, the decision must be referred to the Chief Officers of the client and trading unit.
- 6.5.4 Trading units shall not compete with each other. Any existing or potential overlap must be referred to and considered by the Trading Unit Chief Officers. Business decisions must take account of any impact on other trading units. In such instances, suitable notice must be given and there should be appropriate consultation. If a conflict of interest cannot be resolved, the issue must be referred to the Chief Executive (or nominee).

6.5.5 Where trading units wish to provide a service for an external organisation, the following will apply:

- a) if the external organisation is not a “public body” within the meaning of section 1 of the Local Government Goods and Services Act 1970; advice must be sought from the Chief Legal Officer;
- b) there must be no specific legal prohibition on the provision of the service;
- c) business with external bodies must generate a benefit to the County Council;
- d) the trading unit must understand the level of potential liability to the external organisation and insurance cover must be in place;
- e) a legal contract must be signed by both parties (where applicable).

6.5.6 Trading units must ensure that their activities comply with:

- a) European Union directives;
- b) UK legislation;
- c) Best Value legislation;
- d) Local government standards of propriety;
- e) The County Council's *Financial Regulations* and *Contract Regulations*; and
- f) Other County Council Rules (as detailed in section one).

6.5.7 Trading units will not use alternative suppliers for centrally negotiated support services without the approval of the Chief Finance Officer. Opportunities to discuss possible alternative arrangements will be provided when such contracts come up for renewal.

6.5.8 Trading units will ensure appropriate mechanisms are in place to receive feedback from clients on service delivery, but operational control of trading units rests solely with their own in-house management teams (including the appropriate Chief Officer).

6.5.9 All specialist material, documents, systems (including software) or procedures developed or produced by trading units are the property of the County Council and must not be sold without reference the Chief Legal Officer.

## **6.6 Corporate Accounting Requirements**

- 6.6.1 Trading units must comply with the County Council's financial controls and these Regulations.
- 6.6.2 Trading units must ensure that their charges allow them to meet financial targets.
- 6.6.3 Accounts of trading units must be kept separate from those of clients and on a system approved by the Chief Finance Officer.
- 6.6.4 Unless agreed otherwise, all assets are the property of the County Council.
- 6.6.5 Trading units must not enter into agreements to borrow money.
- 6.6.6 Bank accounts must only be set up with the approval of the authorised financial officer.
- 6.6.7 Appropriations to specific reserves and provisions are to be in accordance with the corporate framework, any surpluses must be transferred to a trading unit's general reserve or appropriation account. The Chief Finance Officer and appropriate Chief Officer must agree the deployment of this surplus.
- 6.6.8 The accounts for trading units must comply with appropriate reference to statutory regulations, CIPFA guidelines and published codes of practice.

## **6.7 Limited Liability Companies**

- 6.7.1 The establishment and viability of all new companies must be approved by Cabinet.
- 6.7.2 The Chief Finance Officer will be responsible for:
  - Taking decisions as shareholder where appropriate;
  - Monitoring the ongoing viability and performance of company activities, with a view to ensuring that the County Council's interests are being protected; and
  - Ensuring that company accounts are consolidated within the County Council's financial statements in accordance with proper accounting standards and relevant legislation.

## **SECTION SEVEN**

### **~ INTERNAL AUDIT ~**

#### **~ Introduction ~**

The Council is required under the *Accounts and Audit Regulations (England) 2011* to maintain an adequate and effective system of internal audit. The terms of reference of the Council's Internal Audit are as follows.

#### **~ Terms of Reference of Internal Audit ~**

##### **7.1 Responsibilities and objectives**

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment, by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

##### **7.2 Organisational independence**

Internal Audit is independent of the Council's day-to-day management and of the activities that it audits, while working in partnership with management to improve the control environment and helping the Council to achieve its objectives.

##### **7.3 Accountability**

7.3.1 The internal audit function is delivered by the staff of the Chief Internal Auditor, who reports to and is managed by the Chief Finance Officer. The Chief Internal Auditor will also report to the Chief Finance Officer on any matters affecting that officer's statutory duties.

7.3.2 The Chief Internal Auditor will report to the Audit Committee on:

- a) the terms internal audit charter;
- b) the strategy, plans and performance of internal audit;
- c) the implementation of internal audit recommendations; and
- d) the annual Internal Audit report and other summary reports.

7.3.3 The Audit Committee will conduct an annual review of the effectiveness of the system of internal audit, and the Chief Internal Auditor will provide the Committee with factual information relevant to this review.

7.3.4 The Chief Internal Auditor will ensure that good working relationships between internal audit staff and elected members are established and maintained, in compliance with the *Protocol for Relationships between*

*Members and Officers*, and will act as Lead Officer for the Audit Committee.

#### **7.4 Remit**

Internal Audit's remit extends to the whole of the Council's control environment: this includes the Council's systems of governance, risk management and internal control arrangements, as well as its systems of financial and performance management.

#### **7.5 Review of control environment**

Internal Audit's work will contribute to and co-ordinate an annual review of the effectiveness of the Council's control environment, leading to the preparation of the Council's Annual Governance Statement for scrutiny and approval by the Audit Committee.

#### **7.6 Fraud and corruption**

- 7.6.1 Any employee or member of the Council who suspects fraud, corruption or other financial irregularity must ensure that this is reported promptly to the Chief Internal Auditor for possible investigation.
- 7.6.2 Normally, employees must first report any complaint, allegation or suspicion of such an irregularity to their Chief Officer, who must report this to the Chief Internal Auditor.
- 7.6.3 Exceptionally, if an employee believes that the matter cannot be properly resolved in this way, they should report it direct to the Chief Internal Auditor, or follow the Whistleblowing procedure as set out in the Code of Conduct for Employees and on Compass.
- 7.6.4 The Chief Internal Auditor must consider whether an investigation is appropriate, and, if so decided, must arrange for such an investigation. The Chief Officer must agree any further action with the Chief Internal Auditor before proceeding.
- 7.6.5 The Chief Internal Auditor, in consultation with the relevant Chief Officer, the Chief Legal Officer and, if relevant, the Chief Finance Officer, will decide whether any matter concerning financial irregularity is referred to the police for further investigation.
- 7.6.6 An employee who suspects money laundering activity must report this promptly to the Chief Internal Auditor, who is designated as the Council's Money Laundering Reporting Officer (see Section 16 of these Regulations).
- 7.6.7 If the Chief Internal Auditor is not personally available, then that role will be fulfilled by the relevant Audit Manager.

## **7.7 Consultancy work**

Internal Audit may carry out consultancy or other investigative work, as commissioned by the Chief Finance Officer or other senior officer, provided that it does not adversely affect the resources available for the core assurance work.

## **7.8 Resource requirement**

The Chief Internal Auditor will evaluate the staff and other resources needed to deliver the annual audit needs assessment, as part of the audit planning process, and will also assess the impact of unplanned work (such as fraud investigations) on available resources. He or she will agree appropriate action with the Chief Finance Officer if the resources are evaluated as not matching those required.

## **7.9 Right of audit access and responses to reports**

- 7.9.1 The staff of the Chief Internal Auditor must be given access to any document, information or explanation that they require from employees or members in order to carry out their duties. This right of access is not limited to financial information or accounting records. If a manager is concerned about giving access to non-financial information, he or she may require a discussion with the Chief Internal Auditor or relevant Audit Manager before it is disclosed.
- 7.9.2 Any employee responsible for the development of, or a major change to, a computerised financial system must give Internal Audit reasonable opportunity to evaluate the adequacy of the system's controls before live operation.
- 7.9.3 Recipients of Internal Audit reports must provide a formal response to these, in accordance with a timescale set out by the Chief Internal Auditor, stating the action intended to address any recommendations.

## **SECTION EIGHT**

### **~ FINANCIAL LIMITS AND REPORTING REQUIREMENTS ~**

#### **8.1 County Council Budget**

The budget is an expression of County Council policy and will therefore be considered and recommended to the County Council for approval by the Cabinet after review by Scrutiny Committees.

#### **8.2 General Contingency**

The Chief Finance Officer is responsible for the administration of the general contingency budget.

If the general contingency is likely to be exceeded as a result of unforeseen claims or forecasts the Chief Finance Officer will make a report to the Cabinet.

#### **8.3 General Balances**

Key decisions regarding application of general balances are taken in the budget report and annual Statement of Accounts.

General reserves are maintained at a prudent level, so as to ensure that the Council can be prepared for unexpected events. In addition, earmarked reserves are held for specific policy decisions. For each reserve established, both the purpose and subsequent timeframe for usage will need to be clearly defined.

Any transfer to reserves requires Cabinet approval. Transfers from reserves require authorisation at Service Board level, provided that the planned expenditure is in line with the specific purpose of the reserve. If transfers from reserves are being made for a different reason, then further Cabinet approval will be required. If any element of a reserve is no longer required, then the Service Board may authorise its release into general balances.

#### **8.4 Statement of Accounts**

In order to meet the external statutory reporting deadlines the Statement of Accounts will either be approved by full council or the Audit Committee.

#### **8.5 Revenue/Capital Virement and Carry Forward Rules**

The framework for virement and carry-forward recognises the need for management flexibility within and between financial years. The framework aims to balance incentives for services to benefit from



efficiency and planned savings with the need to ensure in overall terms that policy and service priorities are being met where unplanned under or overspending occurs.

8.5.1 Chief Officers must ensure that net expenditure does not exceed the total of their service's delegated budget. Overspending on individual budgets should be dealt with by:

- a) managing spending to the budget; and/or
- b) by virement from other budgets during the year.

If after such actions there is still an overspend at the year-end on individual budgets (which should be identified during the budget monitoring process at the earliest stage possible) these will be a first call on any savings, or underspends within the relevant service. If these are not sufficient, overspends must be expected to be a first call in considering the following year's service budget.

This will be in addition to any other action that may be taken by the County Council or the Chief Executive.

8.5.2 Chief Officers, together with their service lead finance officer, will agree and regularly review local virement schemes for their services within the overall scheme agreed by the Chief Finance Officer.

8.5.3 Any requests for Carry Forwards must identify the planned spend which has been delayed or the grant or other income which has been received late in the year, and state the purpose for which they will be used in the new financial year. They are subject to Cabinet approval

8.5.4 Change to Council Policy

No virement (transfer between budgets) or carry-forward, regardless of value, should change County Council policy unless approved by the Council.

8.5.5 No Change to Council Policy

The levels of authorisation for revenue/capital virement where there is no change to policy are:

£	Virement to be approved by
0 - 249,999	Chief Officer of relevant service or Chief Finance Officer.
250,000 - 499,999	Chief Officer of relevant service or Chief Finance Officer in consultation with the appropriate Portfolio Executive Member and the Executive Member (Resources & Transformation).
500,000 +	Cabinet.

In all cases where virement gives rise to ongoing commitments, off-setting savings must also be identified to meet these.

- 8.5.6 Where approvals for virement of more than £500,000 are needed urgently, the urgency or special urgency procedure must be followed, as set out in the Constitution (Annex 4, Section 13).
- 8.5.7 Should the final outturn monitor and Statement of Accounts prove to be different from that predicted when carry-forwards are approved, then **either**:
- a) if there are further underspends beyond that projected for the service as a whole, these sums will go into reserves at the year end; **or**
  - b) if the projected underspend for a service does not subsequently occur, carry-forward requests will need to be examined and reduced so that carry forwards do not exceed a service's underspend. The results of this exercise should be reported in the final outturn report to the Executive in June/July.
- 8.5.8 The responsibility for ensuring all applications for virement and carry-forwards are well documented rests with the appropriate Service Lead Finance Officer.
- 8.5.9 The exceptions to the above framework are schools with locally managed budgets, which carry-forward their balances (surplus or deficit) subject to the Surplus Balance Control Mechanism.

Locally managed schools (LMS) will operate to the authority's Scheme for Funding Schools and other local financial regulations.

## **8.6 Capital Projects**

8.6.1 All self financing, grant aided or externally assisted programmes must be included within the overall capital programme.

8.6.2 The overall cash programme for capital expenditure by year, by service, cannot be exceeded for all funding sources other than ring-fenced grants, without Cabinet approval.

### **8.6.3 Tender Price**

- a) Where the tender price does not exceed the capital programme approval or the estimate for that element of the scheme by 10% or £100,000, whichever is the lesser, a Chief Officer is authorised to proceed provided the scheme total and compensating savings elsewhere in their service's programme are agreed with the Chief Finance Officer and the County Property Officer; and
- b) Where the tender price exceeds the capital programme approval or estimate for that element of the scheme by 10 per cent or £100,000, whichever is the lesser, a report to Cabinet is required.

### **8.6.4 Scheme Savings**

- a) Any savings of less than £100,000 against scheme estimates may be used by a Chief Officer with the agreement of the Chief Finance Officer and the County Property Officer to bring forward schemes already within their capital programme provided that the cost of brought forward schemes can be accommodated within the service's overall capital cash limit for the year. Savings over £100,000 will require reference to Cabinet for a decision upon alternative uses.
- b) At year-end, any savings or under-spend not used to support agreed brought-forward schemes are not available to support additional service capital schemes.

## **8.7 Property Releases**

It is the responsibility of the County Property Officer to notify the appropriate Service Panel of decisions taken by Cabinet or under Scheme of Delegation to Officers on the future use of assets taken out of service.

## **8.8 Income**

Debtor invoices must not be raised for amounts below £25. This refers to all debts other than client charges such as home care, day care and residential care or where required statute.

Income for supplies and services below £25 should be received at the point of delivery or at the time of the service being provided and should be banked promptly. The exception to this rule is for debts that have to be collected to preserve a legal right or obligation, such as wayleaves and rents.

## **8.9 Insurance - Retention of Monies and Cash**

Insurance only covers County Council/client monies in locked safes and receptacles subject to the following conditions and limits:

- a) £4,000 in the custody or under the actual supervision of an employee (i.e. cash in transit);
- b) up to £5,000 in a locked safe (depending upon the quality of safe and its overnight limit. The overnight limit - depends on the type of safe, location and whether it is free standing or cemented into a wall; and
- c) up to £100 in a locked receptacle, but not in a safe or strong room.

## **8.10 Write-offs, Credit Notes and Adjustments**

These limits relate to all write-offs such as irrecoverable debt, stocks and stores (obsolete and stock-take adjustments) and inventory items.

- a) A limit of £75,000 has been specified above which the Chief Finance Officer must review the write-off or credit note. If a lesser amount is required in a specific area, this must be formally agreed with the Chief Finance Officer and included as part of their Financial Procedures; and
- b) Officers must refer to their Department's documented rules for write off authorisation for amounts less than £75,000 contained within their Financial Procedures.

## **8.11 Inventory**

Registers to be kept for desirable, portable and attractive items which have a value of £50 or more. Such registers are to be in a form agreed with the Chief Internal Auditor.

## **8.12 Imprest Accounts - Individual Purchase Limit**

The individual purchase limit not to exceed the overall imprest limit.

## **SECTION NINE**

### **~ INTERNAL CONTROL FRAMEWORK AND FINANCIAL STANDARDS ~**

#### **~ Introduction ~**

This section sets out the basic internal control framework and financial standards regime, which aims to minimise the occurrence of significant control (that is any action, procedure or operation) failings and weaknesses. This requires that all staff understand the internal control and risk implications of the tasks they perform, and act accordingly.

#### **~ Financial Regulations ~**

##### **9.1. Responsibility for Overall Framework**

The Service Lead Finance Officer is responsible for ensuring that the systems and procedures are in place; whilst individual staff members are responsible for ensuring that the standards are complied with at all times.

The Service Lead Finance Officer is also responsible for ensuring that monitoring processes are in place to review regularly the effectiveness and operation of these standards.

##### **9.2. Features of Internal Control**

The basic internal control features applicable to each area of activity can be summarised as follows:

- formal allocation of responsibilities;
- organisational structure and reporting channels;
- segregation of duties;
- personnel (are competent, suitably qualified and trained);
- completeness and accuracy of the records;
- verification and certification of transactions;
- secure and effective systems (including access to and storage of accounting records);
- documentation (of procedures and business transactions);
- preparation of documentation (set of instructions); and
- physical security.

If the internal control principles are in place and observed they should:

- PREVENT unwanted events or failures;
- DETECT where things have gone wrong or not happened; and
- CORRECT the processes to stop further problems occurring.

### **9.3. Financial Standards**

#### **9.3.1 Financial Standard - Revenue & Capital Budget Management**

- a) Specific budget approval for all expenditure.
- b) Each budget is allocated to a named individual.
- c) Budget managers accept accountability for their budgets and the level of service to be delivered.
- d) Budget managers must ensure that all expenditure accords with the objectives and priorities set out in the service plan, and reflected in the approved budgets.
- e) Budget managers follow an approved certification process for all expenditure.
- f) Income and expenditure is properly recorded and accounted for.
- g) Performance levels are monitored and necessary action taken.
- h) Processes are in place to meet corporate needs for the management of the budget for the County Council as a whole.

In practice this means the provision of service:

- budget planning information (base budget return);
- monitor (revenue and capital) reports;
- and □ outturn reports;

in accordance with the instructions and timetable set out in the guidance published by the Chief Finance Officer.

#### **9.3.2 Financial Standard - Personnel and Payroll**

- a) Payments are made only to bona-fide employees.
- b) Payments are in accordance with individuals conditions of employment.
- c) Payments are made only in respect of services provided to the Department.
- d) Salaries, wages and expenses are processed only through the payroll system to ensure proper deductions are made for income tax, national insurance and, where applicable, superannuation.

- e) Amendments to the payroll are duly authorised and promptly and properly processed by the Department, in particular, where failure to do so would result in an overpayment.
- f) Payments are charged to the appropriate expenditure code, coupled with frequent reconciliations against approved budget.
- g) The Department to check, at least annually, that gross pay agrees with contracts or other authorised documents and that deductions have been correctly determined.
- h) The Department to ensure that, where practicable, the duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff are separated from the duties of processing claims.
- i) Processes are in place to meet corporate needs for the management of the payroll function of the County Council as a whole.
- j) Processes are in place to recover overpayments with minimum delay.

### 9.3.3 Financial Standard - Orders for Goods and Services

- a) The County Council's Contract Regulations must be complied with in full in all cases. Similarly, best procurement practice must also be observed and adhered to.
- b) Resources are available to meet expenditure.
- c) Orders for all goods and services to be made on SAP, except:
  - for utilities (e.g. water, electricity and gas) rents, national non- domestic rates and petty cash payments; and
  - in cases of emergency a verbal order may be made, provided a SAP order is raised at the earliest opportunity and the supplier notified of the SAP order number
- d) SAP online orders over £500 to be approved online by the designated authoriser held within the system.
- e) Staff must not use official orders to obtain goods and services for their private use.

#### 9.3.4 Financial Standard - Delivery of Goods and Services

Staff to check goods and services upon receipt to ensure that they are in accordance with the order and to receipt the SAP order. Ideally this check should be carried out by someone other than the person who input the order.

#### 9.3.5 Financial Standard - Payment of Creditors

a) Payment only to be made where:

- a proper VAT invoice is matched against a receipted SAP purchase order;
- invoice details have been supplied in an approved interface file;
- payment details have been entered directly; or
- invoices have been manually coded and approved by an authorised member of staff where no SAP order was placed

b) In the case of all payments the following conditions must apply:

- receipt of goods or services, cross-referenced to the copy order by order number;
- expenditure has been properly incurred and is within budget provision;
- prices accord with quotations, tenders, contracts or catalogue prices and arithmetic is correct;
- discounts where available have been taken;
- the correct accounting treatment of VAT; and
- the payment is correctly coded.

c) All paid invoices shall be stored securely in a manner that will facilitate retrieval.

d) The Department not to make any payments on a photocopied invoice or a statement from a supplier or an invoice without the suppliers VAT Registration Number.

e) Invoices are processed in accordance with best practice regarding prompt payment; and arrangements made to monitor performance.

#### 9.3.6 Financial Standard - Income

a) Debtor invoices must not be raised for amounts below £25. This refers to all debts other than client charges such as home care, day care and residential care or where required by statute or to preserve a legal right or obligation, such as wayleaves and rents.

Where possible, consideration should also be given to the need to raise an invoice for less than £50 due to administrative costs of processing invoices.



- b) Where goods and services are provided on credit, accounts must be raised and settlement obtained with minimum delay.
- c) For all intended write-offs of debt, the authorising officer must first ensure that:
  - no instalment agreement has been set up;
  - all reasonable steps have been taken to recover the debt;
  - there is no reasonable prospect for cost-effective recovery, in whole or in part, either directly or by offset against payment due to the debtor. Debts of under £25 are not currently routinely referred for legal action if the reminder process has proved ineffective;
  - budgetary provision exists, or virement has been arranged and authorised as appropriate for the debt to be written off against a valid ledger code;
  - that the Debt Write-Off Policy is reviewed.
- d) All write-offs must be actioned on SAP using the Debt Action Form.
- e) Debts raised for incorrect amounts should be corrected by raising a credit note or supplementary invoice.
- f) Debts raised in error should be corrected by raising a document reversal on SAP

Information on income collection and debt management policy and writing-off bad debts can be found by searching for *Financial Procedures* on Compass.

#### 9.3.7 Financial Standard - Banking and Cash Handling

- a) All banking arrangements including the setting up and closing of accounts for all official County Council funds, rest solely with the Chief Finance Officer.
- b) Changes to authorised cheque signatories to be approved by the Chief Finance Officer.
- c) No imprest petty cash account is permitted to go into overdraft.
- d) No form of borrowing or loan facility is permitted.
- e) All monies are properly recorded, receipted and promptly banked using the correct procedures and the appropriate stationery.
- f) Money collected and deposited is reconciled to the bank account at least monthly.

- g) Income is accurately recorded against the right budget and exceptions are corrected.
- h) Only an approved level of cash is held on the premises (in accordance with insurance limit).
- i) Money is securely held whilst awaiting banking.

#### 9.3.8 Financial Standard - Accounting Systems and Processes

- a) Income, expenditure, assets and liabilities of the Department to be properly recorded and accounted for.
- b) Regular in-year monitoring and validation of balance sheet entries.
- c) The accounting systems and processes to ensure :
  - production of accurate, effective management and budget \ accounting information which is easily accessible, timely, relevant and complete and pertinent to officers and Members;
  - integrity of decision making;
  - support for the policy making processes of the Department and County Council as a whole;
  - demonstration of implementation of agreed policy objectives;
  - high personal effectiveness of budget managers and budgetary control;
  - flexible capacity for changes to information requirements as service requirements evolve;
  - prompt processing of all data and month and year end closure of accounts;
  - secure and auditable systems, and effective and efficient financial administration in achievement of value for money in financial systems;
  - satisfaction of all legal requirements for the financial accounts to be a true and complete record of the income and expenditure, and assets and liabilities of the department and County Council.

All the above to be established within a controlled and disciplined environment which, amongst other things, avoids, or identifies immediately significant departures from service policy.

- d) The accounting systems also to be capable of providing appropriate, accurate and timely management information for the corporate centre.

#### 9.3.9 Financial Standard - Development of Financial Information

Systems a) New systems and amendments to existing systems

must satisfy;

- the statutory obligations of the authority as a whole;

- corporate, financial and IT standards; and shared corporate information needs.

b) New systems and amendments to existing systems must be approved by Service Lead Finance Officers and the Chief Internal Auditor.

#### 9.3.10 Financial Standard - Risk Management

- a) Identify and assess risk.
- b) Determine what steps should be taken to reduce or even eliminate risk.
- c) Make provision for losses that might result from the risks that remain.
- d) Monitor the effectiveness of risk reduction strategies.
- e) Processes to be in place to meet the corporate and departmental needs for the effective management of risks affecting the County Council.

#### 9.3.11 Financial Standard - Insurance

- a) Staff to be provided with relevant information and kept up-to-date regarding insurance arrangements.
- b) All risks are identified and evaluated.
- c) Acceptable levels of risk are determined and insured against where appropriate.
- d) Staff to notify the insurance section of all new risks, property, equipment and vehicles which require insurance or any other alteration affecting existing insurances.
- e) Staff to immediately inform the insurance officer of all accidents, losses and other incidents which give rise to an insurance claim.

#### 9.3.12 Financial Standard - Taxation

- a) Staff to be provided with relevant information and kept up-to-date on tax issues.
- b) All taxable transactions are identified, properly carried out and accounted for.
- c) Staff to be instructed on required record keeping.

- d) Records to be maintained in accordance with instructions.
- e) Appropriate, accurate and timely management information is provided to the corporate centre to enable returns to be made to the appropriate authorities within the stipulated timescale.

#### 9.3.13 Financial Standard - Retention and Disposal of Financial Records

All financial and accounting records and supporting documentation are retained and stored for the defined period in accordance with the *Guidelines on Retention and Disposal of Financial Records*.

#### 9.3.14 Financial Standard - Voluntary Funds

Although such funds are not public money, the standards that have been outlined in this section are equally applicable.

## **SECTION TEN**

### **~ MANAGEMENT OF BUSINESS PROJECTS ~**

#### **~ Introduction ~**

For these Regulations, a business project has the following features:

- a specific product or service where the outcome has significant service delivery, organisational or financial consequences for the County Council and its partners;
- cross-service or functional working where the outcome has significant service delivery, organisational or financial consequences for the County Council and its partners;
- non-recurring work with a specified start and finish date; and
- involves significant one-off expenditure which may or may not include external spend whether of a capital or revenue nature.

These Regulations commence with the preparation of the preliminary business case following the initial feasibility stage.

#### **~ Financial Regulations ~**

- 10.1 The Chief Officer must appoint a Project Sponsor who will be responsible for managing all aspects of the project including delivery of the project objectives within the constraints of the agreed budget.
- 10.2 The Project Sponsor must ensure that robust project management and project governance arrangements are established.
- 10.3 The Project Sponsor must ensure that all staff involved in projects are competent and appropriately trained in order to fulfil their roles and responsibilities.
- 10.5 Project Sponsors must ensure that the Service Lead Finance Officer is party to all key decisions which affect the financial viability or costs of the project.
- 10.6 In order to undertake their function as budget managers effectively, Project Sponsors must monitor the effectiveness of project managers in keeping projects within prescribed financial parameters.
- 10.7 The Service Lead Finance Officer must ensure that finance staff involved in project appraisal work are suitably trained.

- 10.8 The Service Lead Finance Officer must ensure that appropriate option appraisal is carried out on each project, including consideration of whole life costs, sensitivity analysis and risk assessment.
- 10.9 The Service Lead Finance Officer must ensure that appropriate cost management and reporting procedures are in place and being followed.
- 10.10 The Service Lead Finance Officer must be satisfied that adequate and effective project and change control mechanisms are in place.

## **SECTION ELEVEN**

### **~ CROSS SECTOR PARTNERSHIP WORKING ~**

#### **~ Introduction ~**

CIPFA's *A Statement on the Role of the Chief Finance Officer in Local Government* identifies clearly that the "... the statutory role of the Chief Finance Officer does not stop at the boundaries of the local authority, but extends into partnerships, joint ventures and controlled companies".

A partnership is a co-operative relationship between two or more independent parties, which is designed to secure some shared objective or mutual operational benefits. It can take all sorts of forms, but it is generally assumed to exclude the familiar relationships between client and contractor, and between employer and staff.

One form of partnership is where the partners pool budgets to achieve their joint objectives, although each partner still retains their statutory responsibilities for the functions carried out under the pooled fund.

Given the wide range of partnerships it is not practical to set out the detailed financial requirements of every type of partnership, and therefore the Regulations concentrate on the principles.

#### **~ Financial Regulations ~**

##### **11.1 Chief Officer**

The Chief Officer must:

- 11.1.1 Ensure that the Chief Finance Officer is consulted at the project initiation stage in developing the proposal, and is involved in all critical decision-making stages leading up to and including the decision to create a partnership.
- 11.1.2 Ensure that appropriate approvals are obtained before any negotiations are concluded to work with external bodies.
- 11.1.3 Maintain a register of all contracts entered into with external bodies in accordance with procedures specified in the Council's Contract Regulations.
- 11.1.4 Ensure that before entering into agreements with external bodies, a risk management appraisal has been provided to the Chief Finance Officer.
- 11.1.5 Ensure that such agreements and arrangements do not impact adversely upon the services provided for the Council.

11.1.6 Ensure that all agreements and arrangements are properly documented.

## **11.2 Service Lead Finance Officer**

### **11.2.1 Pooled health and local authority budgets:**

The Service Lead Finance Officer must:

- a) approve the financial arrangements in support of the partnership, in consultation with the Chief Finance Officer.
- b) ensure that the Pool Manager provides the County Council's Chief Finance Officer in the prescribed format and in a timely fashion the information and data necessary for:
  - medium term financial planning;
  - financial monitoring;
  - disclosure in the notes to the Consolidated Revenue Account in the Annual Statement of Accounts. The minimum being the purpose of the pool, the identity of the partner bodies, the gross income and expenditure of the pool and the County Council's contribution; and
  - completion of government returns and statistical returns for CIPFA and other bodies.
- c) agree the protocols and arrangements for professional dialogue between:
  - the County Council's Chief Finance Officer and the Host Authority Responsible Financial Officer; and
  - the County Council's Chief Internal Auditor and the Host Authority Chief Internal Auditor.
- d) ensure that the written agreement between the partners includes statements of how much financial variation will be allowed; how the partners anticipate that the budget will be kept to; how underspends and overspends will be dealt with; the financial monitoring and reporting arrangements; the corporate governance arrangements (including risk management, the internal control framework and financial standards); professional dialogue arrangements; the audit and inspection rights and arrangements; banking arrangements; insurance; and the charging policies of the local authority within the partnership arrangements.



### 11.2.2 Local Strategic Partnerships - Health and Wellbeing Board and Local Enterprise Partnership

- a) To provide such financial and performance information and data as deemed necessary in the specified format and time period in order that the County Council, as the nominated Accountable Body, can fulfil its duties and responsibilities in connection with the financial management of these partnerships.
- b) To ensure all terms and conditions linked to funding passed to partner organisations are fully complied with.
- c) To develop and maintain robust systems for the four key financial processes as well as risk management and internal control within and between partners.
- d) to maintain such reasonable and accurate financial and other records (for example asset register) relating to these partnerships.

### 11.2.3 Other forms of partnerships:

The Service Lead Finance Officer must:

- a) approve the financial arrangements in support of the partnership, in consultation with the Chief Finance Officer
- b) carry out those responsibilities and duties set out in the CIPFA's *Financial Control and Budgeting for Local Authority Partnerships: A Practical Guide* dated 2001. An overview of the responsibilities (appraisal, budgeting, financial monitoring and control, and financial reporting) can be found on pages 6 to 9 of the above mentioned CIPFA publication.

## **SECTION TWELVE**

### **~ EXTERNAL FUNDING ~**

#### **~ Introduction ~**

External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the County Council.

#### **~ Financial Regulations ~**

##### **12.1 Chief Officer**

The Chief Officer must:

- 12.1.1 ensure that the key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- 12.1.2 ensure that funds are acquired only to meet the priorities of the County Council;
- 12.1.3 ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements;
- 12.1.4 ensure that all claims for funds are made by the due date; and
- 12.1.5 ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.

##### **12.2 Service Lead Finance Officer**

The Service Lead Finance Officer must:

- 12.2.1 ensure that all the funding notified by external bodies is received and properly recorded in the County Council's accounts; and
- 12.2.2 ensure that audit requirements are met.

## **SECTION THIRTEEN**

### **~ RISK MANAGEMENT ~**

#### **~ Introduction ~**

Risk management is:

- the identification, analysis, and economic control of all risks, which threaten the assets, activities and objectives of an organisation;
- an umbrella discipline that cuts across all areas of the authority's activities, from the strategic to the operational, and needs to be integral to all activities; and
- about being 'risk aware' – in managing risk the Council seeks to minimise losses, though not necessarily eliminate threats.

Although services can reduce their exposure to the financial consequences of certain risks by way of insurance it must be stressed that insurance does not prevent loss and is not a substitute for good risk management. By reducing, or even preventing, the incidence of losses, whether they result from crime or accident, the County Council will benefit from reduced costs of providing insurance cover and will also avoid the disruption and wasted time caused by losses and insurance claims.

#### **~ Financial Regulations ~**

##### **13.1 Chief Officers:**

13.1.1 are responsible for ensuring that risk management is integrated into both the business planning and finance planning processes. Specifically, the preparation of business plans and budgets are undertaken in the light of the identified risks facing the authority;

13.1.2 must establish and maintain effective systems and processes for identifying, profiling, evaluating and managing all significant strategic and operational risks, which includes (i) the awareness and understanding of the key issues, (ii) the maintenance of a risk register and (iii) plans and controls to mitigate and manage these risks;

The process requires answers to the following questions:

- a) What is the risk? (risk identification)
- b) What will happen to desired outcomes? (risk evaluation - impact)
- c) How likely is the event to happen? (risk evaluation - probability)
- d) Does the benefit outweigh the risk? (risk/benefit analysis)

- e) Can we do anything to reduce the risk? (risk reduction)
- f) Has anything happened which alters the risk? Are controls being as effective as expected? (risk monitoring)
- g) What plans can we put in place in case the event should happen? (contingency/service continuity planning)
- h) What insurance can we buy to mitigate the risk, or can we contract out this risk? (risk transfer)
- i) What financial provisions should we hold for the primary or residual risk? (risk funding)

13.1.3 notify the Head of Risk Management of any significant risk that takes place irrespective of whether it was identified through the Department's risk management system;

13.1.4 seek to minimise the risk of significant service disruption by ensuring that they have in place appropriate and robust business/service continuity plans;

13.1.5 must annually supply the Chief Legal Officer/Head of Risk Management with whatever information is necessary and within the prescribed deadline in order for the County Council to comply with the requirements of the *Code of Corporate Governance in Local Government*; and

13.1.6 must supply the Chief Finance Officer with whatever information is necessary and within the prescribed deadline in order for the County Council to comply with the Audit Commission's *Code of Audit Practice*, which requires the external auditors to annually evaluate the risk assessment and management arrangements of local authorities.

## **13.2 Head of Risk Management**

The Head of Risk Management is responsible for:

13.2.1 Developing and maintaining an effective policy and strategy on managing risk, which has the support of the Chief Executive and Chief Officers;

13.2.2 Developing and maintaining a framework for managing risk;

13.2.3 Keeping under continuous review the departmental arrangements for managing risk to ensure that risk is being managed to an acceptable standard, and report to the Chief Officer if corrective action is necessary; and

13.2.4 Advising the Council on matters of risk management, and for raising awareness of and promoting risk management amongst its staff.

**~ Further Information ~**

Please refer to:

- SOLACE/CIPFA: *Code of Corporate Governance in Local Government - A Keystone for Community Governance - Framework and Guidance Note* (2001)
- CIPFA: *Risk Management in the Public Services* (2001)
- HM Treasury: *Management of Risk - A Strategic Overview* (known as the 'Orange Book') (2001)
- Audit Commission: *Worth the Risk - Improving Risk Management in Local Government* (2001)

## **SECTION FOURTEEN**

### **~ INSURANCE ~ ~**

#### **Introduction ~**

Services can reduce their exposure to the financial consequences of certain risks by way of insurance. In short, payment of a premium to an insurance provider in exchange for an agreed sum if damage, loss or death occurs.

### **~ Financial Regulations ~**

#### **14.1 Chief Officer**

Each Chief Officer must:

- 14.1.1 Have regard to the need to safeguard the financial interests of the County Council and to have special fidelity cover for officers with substantial financial responsibilities.
- 14.1.2 With the advice of the Insurance Manager, decide whether assets and risks within their service are adequately insured, or if uninsured, should be insured.
- 14.1.3 Inform the Insurance Manager of the assets and interests under their control to be covered by the policies in force and must report on any substantial new risks arising within their services.
- 14.1.4 Ensure that the insurance list or inventory are updated on a continuous basis and checked annually.
- 14.1.5 Make appropriate and robust business/service continuity plans should a major incident occur which would have a significant impact on their service.
- 14.1.6 Seek to minimise the risk of losses occurring, but in the event that they do occur, they shall immediately report the circumstances to the Insurance Manager, who shall make the necessary claims against the insurance policies.

#### **14.2 Insurance Manager**

14.2.1 The Insurance Manager is responsible for:

- a) ensuring that all assets and liabilities are properly identified by Chief Officers, by receiving updated insurance lists or inventories, and insured where necessary;
- b) advising how insurance will be funded;

- c) reviewing policies and assessing their impact upon the County Council's Self Insurance Fund;
- d) managing the operation of the County Council's Self Insurance Fund;
- e) reviewing reports received from the County Council's risk management and insurance consultants;
- f) advising and keeping under constant review the County Council's premium renewal strategy;
- g) advising and keeping under constant review the most economic balance between self-insurance and insurance purchase;
- h) maintaining effective claims handling procedures, in the processing and monitoring of claims; and
- i) sharing claims management information with the Heads of Departments, working together to reduce future exposure to risk particularly those areas expecting a high incidence of claims.

14.2.2 The Insurance Manager must inform Chief Officers of the insurance policies in force and the conditions thereof and Chief Officers must ensure that those conditions are enforced.

14.2.3 The Insurance Manager will act as lead officer for insurance matters on major departmental initiatives, including new contracts, development of new systems and procedures as appropriate.

14.2.4 The Insurance Manager will advise authority staff and external contacts on insurance matters, including providing advice and guidance on policy issues, and the renewal terms of all policies.

14.2.5 The Insurance Manager will resolve all queries and complaints received by the Insurance Section to the satisfaction of all parties, without prejudicing the County Council's position.

## SECTION FIFTEEN

### ~ INCOME ~

#### ~ Introduction ~

The fees and charges levied by councils are an important source of income. Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly.

#### ~ Financial Regulations ~

##### 15.1 Chief Officer

Each Chief Officer must:

- 15.1.1 Establish and keep under review a charging and credit policy for the supply of goods or services, including the appropriate charging of VAT;
- 15.1.2 Ensure that all income due to the County Council is identified and charged correctly, in accordance with the charging and credit policy;
- 15.1.3 Ensure that all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery; and
- 15.1.4 Ensure full compliance with the County Council's overall charging policy and rules on *Debt Policies and Procedures*, which sets out the principles behind the authority's policy on income and debt collection, and the procedures to be followed to ensure that debt recovery is managed efficiently.

##### 15.2 Service Lead Finance Officer

The Service Lead Finance Officer must:

- 15.2.1 Ensure robust procedures and systems as well as documentation are in place to collect income;
- 15.2.2 Ensure effective action is taken to pursue non-payment within defined timescales;
- 15.2.3 Monitor the level and age of debt monthly and take corrective action where appropriate; and
- 15.2.4 Ensure that appropriate accounting adjustments are made following write-off action.



## **SECTION SIXTEEN**

### **~ MONEY LAUNDERING ~**

#### **~ Introduction ~**

The Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 place obligations on the Council and its employees with respect to suspected money laundering. As a result, these Financial Regulations set a limit on payments to the Council in the form of cash; place a duty on staff who suspect money laundering activity to report this to the Money Laundering Reporting Officer; and require that officer to make appropriate reports to the National Criminal Intelligence Service.

Money laundering is generally understood to mean the conversion of the proceeds of crime, in order to create the end appearance of legitimately earned funds. However, the legislation applies a broader definition, as follows:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002);
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329).

These are the primary money laundering offences, and are thus prohibited acts under the legislation.

Any member of staff could potentially be caught by the money laundering provisions, if they suspect money laundering and either become involved with it in some way and/or do nothing about it. These Regulations set out how any concerns should be raised.

While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

## The Money Laundering Reporting Officer

The officer nominated to receive disclosures about money laundering activity within the Council is the Chief Internal Auditor, whose duties are carried out by the Head of Assurance Services, who can be contacted as follows:

Head of Assurance Services  
Shared Internal Audit Service  
Postal Point SROB105  
Hertfordshire County Council  
Robertson House  
Six Hills Way  
Stevenage  
Herts SG1 2FQ

Direct dial number: 01438 845502 (Comnet: 55502)  
Fax: 01438 845501 (Comnet: 55501)

In the absence of the Chief Internal Auditor, the Audit Manager are authorised to deputise.

### **~ Financial Regulations ~**

- 16.1 No payment to the Council will be accepted in cash if it exceeds £5,000.
- 16.2 Any employee who suspects money laundering activity must make a Disclosure Report reporting their suspicion promptly to the Money Laundering Reporting Officer (MLRO), or to the MLRO's deputy if appropriate, using the *Money Laundering Reporting Procedure*.
- 16.3 The employee must follow any subsequent directions of the MLRO or deputy, and must not themselves make any further enquiries into the matter.
- 16.4 The employee must not disclose or otherwise indicate their suspicions to the person suspected of money laundering.
- 16.5 The MLRO or deputy must promptly evaluate any Disclosure Report, to determine whether it should be reported to the National Criminal Intelligence Service (NCIS).
- 16.6 The MLRO or deputy must, if they so determine, promptly report the matter to NCIS on their *standard report form* and in the prescribed manner.
- 16.7 The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money

laundering and they do not disclose this as soon as practicable to NCIS.

16.8 Where the Council is carrying out “*relevant business*” (accountancy, audit and certain legal services) (*for fuller definition please search on Compass*) and, as part of this:

- a) forms an ongoing business relationship with a client; or
- b) undertakes a one-off transaction involving payment by or to the client of €15,000 (approximately £10,000) or more; or
- c) undertakes a series of linked one-off transactions involving total payment by or to the client(s) of €15,000 or more; or
- d) it is known or suspected that a one-off transaction (or a series of them) involves money laundering;

then the *Client Identification Procedure* must be followed before any business is undertaken for that client. This requirement does not apply if a business relationship with the client existed before 1 March 2004.

Online versions of the forms referred in this section can be found by searching on Compass.

## **SECTION SEVENTEEN**

### **~ TREASURY MANAGEMENT ~**

#### **~ Introduction ~**

This section sets out how the Council operates its treasury management function and how it complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice* (the TM Code).

Treasury Management is defined as:

*'The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*

#### **~ Financial Regulations ~**

17.1 The Chief Finance Officer is responsible for maintaining:

- (a) a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- (b) Treasury Management Practices (TMPs) and setting out the manner in which the organisation will seek to achieve policies and objectives and prescribing how it will manage and control those activities.

17.2 The Chief Finance Officer to ensure that the Policy Statement and TMPs follow the recommendations contained in sections 6 and 7 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of the authority. Such amendments will not result in the authority materially deviating from the TM Code's key principles.

17.3 The Chief Finance Officer to ensure that the County Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close in the form prescribed in its TMPs.

17.4 The Chief Finance Officer has responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice (the SoPP) on Treasury Management.

- 17.5 County Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. At budget setting time, the Audit Committee will delegate this function to the Overview and Scrutiny Committee to enable the treasury management strategy to be considered alongside the budget.
- 17.6 The Chief Finance Officer is responsible for preparing the Council's Treasury Management Systems Document, in accordance with the TM Code.