

## Financial Regulation A

### Financial Management

#### Introduction

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

#### The Full Council

- A.2** The Full Council is responsible for adopting the authority's constitution and for approving the policy framework and budget within which the executive operates. The framework is set out in its constitution. The Full Council is also responsible for monitoring compliance with the agreed policy and related executive decisions.
- A.3** The Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the council and its committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.

#### The Executive

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

#### Committees of the Council

##### Overview and Scrutiny Committee

- A.7** The Overview and Scrutiny Committee are responsible for scrutinising executive decisions before or after they have been implemented and for holding the executive to account. The Overview and Scrutiny Committee are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority.

##### Employment and Appeals Committee

- A.8** The Employment and Appeals Committee is charged with exercising a range of miscellaneous powers on behalf of the Council, including employee appeals and superannuation matters.

### Standards Committee

- A.9** The Standards Committee is established by the Full Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members' Code of Conduct, and for monitoring the operation of the code.

### Audit Committee

- A10** The Audit Committee is the member level forum to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment the integrity of the financial reporting and annual governance processes and the council's compliance with the Data Protection Act 2018. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

### Other Regulatory Committees

- A.11** Planning and conservation, and licensing are not executive functions but are exercised through the Planning Applications Committee and the Licensing Committee.

### The Statutory Officers

#### Head of Paid Service

- A.12** The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole (including overall management responsibility for all staff). He or she must report to and provide information for the Executive, the Full Council, Overview and Scrutiny Committee and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Full Council's decisions (see below).

#### Monitoring Officer

- A.13** The Monitoring Officer is responsible for promoting and maintaining high standards of ethical conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A.14** The Monitoring Officer must ensure that executive decisions and the reasons for them are made public. He or she must also ensure that Council Members are aware of decisions made by the Executive and of those made by officers who have delegated executive responsibility.
- A.15** The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.

- A.16** The Monitoring Officer is responsible for advising the Executive or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A.17** The Monitoring Officer (together with the Finance Director) is responsible for advising the Executive or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
- initiating a new policy;
  - committing expenditure in future years to above the budget level;
  - incurring interdepartmental transfers above virement limits; and
  - causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A.18** The Monitoring Officer in conjunction with the Democratic Services and Scrutiny Manager is responsible for maintaining an up-to-date constitution.

#### Finance Director

- A.19** The Finance Director has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972.
  - The Local Government Finance Act 1988.
  - The Local Government and Housing Act 1989.
  - The Accounts and Audit Regulations 2015.
  - Local Government Act 2003.
- A.20** The Finance Director is responsible for:
- the proper administration of the authority's financial affairs;
  - setting and monitoring compliance with financial management standards;
  - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
  - providing financial information;
  - preparing the Capital Strategy;
  - preparing the revenue budget and capital programme; and
  - treasury management.
- A.21** Section 114 of the Local Government Finance Act 1988 requires the Finance Director to report to the Full Council, Executive and the External Auditor if the authority or one of its officers:
- has made, or is about to make, a decision which involves incurring unlawful expenditure;
  - has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority; or
  - is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- the Finance Director to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally;
- the authority to provide the Finance Director with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out their duties under section 114.

### Chief Officers

**A.22** Chief Officers are responsible for ensuring that Executive Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Finance Director.

**A.23** It is the responsibility of Chief Officers to consult with the Finance Director and seek approval on any matter liable to materially affect the authority's finances, before any commitments are incurred.

### Other Financial Accountabilities

#### Virement

**A.24** The Audit Committee is responsible for agreeing procedures for virement of expenditure between budget headings.

**A.25** Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Finance Director where required. They must notify the Finance Director of all virements.

#### Treatment of Year-End Balances

**A.26** The Audit Committee is responsible for agreeing procedures for carrying forward under and over-spending on budget headings, provided that such carry forwards do not constitute an alteration to the policy and budget framework.

#### Accounting Policies

**A.27** The Finance Director is responsible for selecting accounting policies in accordance with best professional practice and ensuring that they are applied consistently.

#### Accounting Records and Returns

**A.28** The Finance Director is responsible for determining the accounting procedures and records for the authority, and must be consulted on and approve proposals for change.

#### Financial Systems

**A.29** The Finance Director is responsible for approving all the financial systems in operation within the authority and must be consulted on and approve any proposals for change.

## The Annual Statement of Accounts

- A.30** The Finance Director is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Audit Committee is responsible for approving the annual statement of accounts.

## Financial Regulation B

### Financial Planning

#### Introduction

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

- the business plan;
- the revenue budget; and
- the capital programme.

#### Policy Framework

**B.2** The policy framework includes the following statutory plans and strategies:

- business plan;
- revenue budget;
- capital programme;
- capital strategy
- treasury management policy statement and strategy;
- the local plan
- Community Safety Partnership - Strategic Assessment; and
- plans and strategies which together support the business plan.

**B.3** The Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the Full Council by the Monitoring Officer.

**B.4** The Executive is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the council.

**B.5** The Overview and Scrutiny Committee review performance against Business Plan priorities quarterly. The same reports are also reviewed by Corporate Management Team and Management Board.

#### Budgeting

##### Budget Format

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

### Budget Preparation

- B.7** The Finance Director is responsible for ensuring that a revenue budget is prepared on an annual basis and a four-year medium-term financial plan for consideration by the Executive, before submission to the Full Council. The Full Council may amend the budget or ask the Executive to reconsider it before approving it.
- B.8** The Executive is responsible for issuing guidance on the general content of the budget in consultation with the Finance Director as soon as possible following approval by the Full Council.
- B.9** It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Executive and that these estimates are prepared in line with guidance issued by the Executive.

### Budget Monitoring and Control

- B.10** The Finance Director is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must ensure that expenditure and income is monitored and controlled against budget allocations and report to the Executive on the overall position on a regular basis.
- B.11** It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance Director. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Finance Director to any problems.

### Resource Allocation

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

### Preparation of the Capital Programme

- B.13** The Finance Director is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Full Council.

### Guidelines

- B.14** Guidelines on budget preparation are issued to Members and Chief Officers by the Finance Director following agreement with the Executive. The guidelines will take account of:
- legal requirements;
  - medium-term planning prospects;
  - the business plan;
  - available resources;
  - spending pressures;
  - other relevant government guidelines;

- other internal policy documents; and
- cross-cutting issues (where relevant).

### Maintenance of Reserves

- B.15** It is the responsibility of the Finance Director to advise the Executive and/or the Full Council on prudent levels of reserves for the authority.

## Financial Regulation C

### Risk Management and Control of Resources

#### Introduction

- C.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the authority. This should include the proactive participation of all those associated with planning and delivering services.

#### Risk Management

- C.2** The Audit Committee is responsible for approving the authority's risk management policy and for reviewing the effectiveness of risk management. The Executive is responsible for ensuring that proper insurance exists where appropriate.
- C.3** The Finance Director is responsible for preparing the authority's risk management policy, for promoting it throughout the authority and for advising the Executive on proper insurance cover where appropriate.

#### Internal Control

- C.4** Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.
- C.5** The Finance Director is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.6** It is the responsibility of Chief Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

#### Audit Requirements

- C.7** The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective system of internal audit. The responsibility for Internal Audit is delegated to the Finance Director.
- C.8** Following the dissolution of the Audit Commission, the Public Sector Audit Appointments Ltd (PSAA) was specified as an appointing person under the provisions of the Local Audit (Appointing Persons) Regulations 2015. The PSAA are empowered to appoint external auditors following a national procurement exercise on behalf of those Local Authorities that signed up to the process. Those Local

Authorities that did not opt into the national procurement exercise were able to procure their own external auditors through an individual or local procurement exercise. Wyre opted into the national procurement and these contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, if it chooses to do so. With effect from 2018/19 there is no provision in legislation for PSAA to make arrangements for housing benefit subsidy certification work on behalf of the Department of Work and Pensions and it will be the responsibility of each Local Authority to ensure arrangements are in place.

- C.9** The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

### **Preventing Fraud and Corruption**

- C.10** The Finance Director is responsible for the development and maintenance of effective counter fraud and corruption arrangements.

### **Assets**

- C.11** Chief Officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

### **Treasury Management**

- C.12** The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities and to demonstrate compliance, a review of the Treasury Management Policy Statement, Treasury Management Practices, Treasury Management, the Capital Strategy and Annual Investment Strategy and Minimum Revenue Provision Policy Statement is agreed annually by the Executive. The Council approves the formulation of the plan or strategy for the control of the authority's borrowing, investments or capital expenditure and for the determination of the authority's minimum revenue provision. The Finance Director has delegated responsibility for implementing and monitoring the statement.
- C.13** The authority has nominated the Overview and Scrutiny Committee as being responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies and the Capital Strategy.
- C.14** All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Finance Director.
- C.15** The Finance Director is responsible for reporting to the Executive and subsequently the Full Council, a proposed Treasury Management and Annual Investment Strategy for the coming financial year and Minimum Revenue Provision Policy Statement and the Capital Strategy at or before the start of each financial year.
- C.16** All executive decisions on borrowing, investment or financing shall be delegated to the Finance Director, who is required to act in accordance with CIPFA's Code of

Practice for Treasury Management in Local Authorities and if a CIPFA member, CIPFAs Standard of Professional Practice on Treasury Management.

**C.17** The authority delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive who will receive from the Finance Director and consider as a minimum:

- a Capital Strategy and a Treasury Management and Annual Investment Strategy before the commencement of the new financial year;
- a mid-year review;
- an annual report on treasury management activity before the 30 September after the year end to which it relates; and
- the outcome of debt rescheduling undertaken reported as soon as possible after completion of the exercise.

### **Staffing**

**C.18** The Full Council is responsible for the manner in which the discharge of the Council's functions is co-ordinated, and for determining how officer support for executive and non-executive roles within the authority will be organised.

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

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

- advising the Executive on the budget necessary in any given year to cover estimated staffing levels;
- reviewing and amending the structure and staffing levels, within approved budget provision, and fixing commencing salaries or wages for such appointments and promotions as appropriate, in consultation with the officer responsible for strategic human resource issues; and
- the proper use of appointment procedures.

## **Financial Regulation D**

### **Financial Systems and Procedures**

#### **Introduction**

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

#### **General**

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

#### **Income and Expenditure**

- D.6** It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of their authority. The Audit Committee is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

#### **Payments to Employees and Members**

- D.7** The Finance Director is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

#### **Taxation**

- D.8** The Finance Director is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.9** The Finance Director is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

### **Trading Accounts/Business Units**

- D.10** It is the responsibility of the Finance Director to advise on the establishment and operation of trading accounts.

## **Financial Regulation E**

### **External Arrangements**

#### **Introduction**

- E.1** The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

#### **Partnerships**

- E.2** The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3** The Executive can delegate functions, including those relating to partnerships, to officers. These are set out in the scheme of delegation that forms part of the authority's constitution. Where functions are delegated, the Executive remains accountable for them to the Full Council.
- E.4** The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to partnerships as those that apply throughout the authority.
- E.5** The Finance Director must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. Chief Officers must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.6** Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

#### **External Funding**

- E.7** The Finance Director is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

#### **Work For Third Parties**

- E.8** The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.