

# FINANCIAL REGULATIONS

## 1. Status of Financial Regulations

- (a) These regulations shall be read and construed as part of the Standing Orders of the Council.
- (b) These regulations may be amended by the Council at any meeting on recommendation by the Executive.
- (c) Directors and Corporate Managers are responsible for ensuring that all employees in their units are aware of the existence and content of the Council's financial regulations and that they comply with them.

## 2. Financial Management Responsibilities

### (a) Director Finance

The Director Finance, being designated Proper Officer under Section 151 of the Local Government Act, 1972, shall be financial advisor to the Council, its Committees and the Executive and shall be required to give advice either orally or in writing on all matters having financial consequences.

Section 114 of the Local Government Finance Act 1988 requires the Director Finance to report to the full council, Executive and external auditor if the authority or one of its employees:

- (i) has made, or is about to make, a decision which involves incurring unlawful expenditure
- (ii) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- (iii) is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

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

### (b) Deputy Section 151 Officer

The Deputy Section 151 Officer shall be the Deputy Chief Finance Officer.

For the avoidance of doubt, any of the authorisations or approvals required by the Section 151 Officer under these Financial Regulations or any other

policy, procedure or Standing Orders of the Council may be performed by the Deputy Section 151 Officer in the absence of the Section 151 Officer.

(c) **Financial Reports**

The relevant Directors/Corporate Managers are responsible for ensuring that draft copies of all reports having any financial implications shall be submitted to the Director Finance in sufficient time prior to the meeting of the Executive, Scrutiny Committee or other such Committees which receive financial reports so as to enable the Director Finance to make such observations and submissions as he/she considers appropriate.

(d) **Accounting**

- (i) All financial records and systems of the Council shall be maintained in a form agreed by the Director Finance.
- (ii) The Director Finance shall be responsible for the preparation of the annual accounts of the Council and shall as soon as is practicable after the end of each financial year report in writing to the Audit and Governance Committee.
- (iii) The Director Finance shall be responsible for the prompt submission of all grant claims, financial statistics and other returns having financial implications.

**3. Financial Planning**

- (a) General Fund and Housing Revenue Account, capital and revenue estimates of expenditure and income, shall be prepared by the Directors/Corporate Managers in consultation with the Director Finance. These shall be submitted to Council through the Executive.
- (b) The Director Finance is also responsible for producing other medium term financial plans for the General Fund and Housing Revenue Account, as required for effective financial planning by the Authority.

**4. Control of Expenditure and Income**

- (a) Directors/Corporate Managers may authorise the incurring of expenditure, approved in the annual estimates. This is subject to compliance with Standing Orders (of which these financial regulations are a part).
- (b) On a management unit basis no revenue expenditure shall be incurred or income reduced if this has the effect of overspending the overall net budget, for the financial year, unless a supplementary budget has been agreed by the Council.
- (c) Directors/Corporate Managers (with the agreement of the Director Finance and Executive Member with Relevant Portfolio) may vire budgets between

the management units for which they are responsible, up to a total of £40,000 in the financial year. Virements above this level will require Full Council approval.

- (d) Directors/Corporate Managers (with the agreement of the Director Finance and Executive Member with Relevant Portfolio), authorise additional expenditure up to £40,000 to be funded by the generation of additional income. Additional expenditure above this level will require Full Council approval.
- (e) The Property Maintenance Fund is managed by the City Surveyor, but for reporting purposes covers cost centres across the Council. The City Surveyor may vire budgets within the Property Maintenance Fund as appropriate to ensure proper property management across the Council.
- (f) Directors/Corporate Managers shall not commit the Council to expenditure beyond the year of account unless:-
  - (i) budgetary provision has been approved in the following financial year's revenue and capital estimates; or
  - (ii) budgetary provision exists within a capital budget.
- (g) Expenditure which meets the definition of capital expenditure but falls below the de minimis level of £10,000 will be accounted for as revenue expenditure.

## **5. Risk Management and Control of Resources**

### **(a) Risk Management**

The Executive is responsible for considering and approving the Risk Management Policy.

The Audit and Governance Committee is responsible for:

- (i) considering the Corporate Risk Register (CRR) and recommending its approval to the Executive.
- (ii) monitoring the effectiveness of risk management throughout the Council and the progress made against the CRR target for actions.

Risk management should ensure:

- (i) there are procedures in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority
- (ii) there is a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis

- (iii) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (iv) provision is made for losses that might result from the risks that remain
- (v) procedures are in place to investigate claims within required timescales
- (vi) acceptable levels of risk are determined and insured against where appropriate
- (vii) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

(b) Internal Controls

- (i) key controls are to be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (ii) managerial control systems should include: defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (iii) financial and operational control systems and procedures should include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (iv) an effective internal audit function will be maintained, which is expected to operate in accordance with the principles contained in the CIPFA's Public Sector Internal Audit Standards which are overseen by the Audit & Assurance Council which oversees and with any other statutory obligations and regulations.

(c) Preventing fraud and Corruption

The City Council:

- (i) has an effective Counter Fraud Strategy and maintains a culture that will not tolerate fraud or corruption
- (ii) expects all members and employees to act with integrity and lead by example
- (iii) requires senior managers to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
- (iv) expects high standards of conduct to be promoted amongst members by the Audit and Governance Committee
- (v) maintains a register of interests in which any hospitality or gifts accepted must be recorded
- (vi) has adopted a formal Whistle Blowing procedure
- (vii) requires all legislation, including the Public Interest Disclosure Act 1998, to be adhered to.

## **6. Audit**

The Section 151 Officer shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

- (a) Internal Audit may investigate such financial records, systems and management procedures of the Council and its employees as considered necessary for the purposes of audit. For this purpose Internal Audit shall have authority at all reasonable times to visit all Council establishments and have access to all records and property of the Council and may require such explanations/assistance as he/she considers necessary.
- (b) All employees of the Council through their Director/Corporate Manager, shall immediately notify Internal Audit of any circumstances which suggest the possibility of irregularity in cash, stock or any other matter which may have financial consequences.
- (c) On confirmation of any irregularity or reasonable suspicion thereof, Internal Audit shall advise the Chief Executive & Growth Director, Director Finance and the Monitoring Officer as appropriate.
- (d) The audit arrangements of any shared service shall form part of the agreement for that shared service.

## **7. Orders for Goods, Work or Services**

- (a) Official orders shall be raised in the Council's EProcurement system by an Order Requisitioner, as nominated for each service area, and confirmed by an Approved Authoriser. Orders must include; the nature and/or quantity of goods, materials, work or services to be supplied to the Council, and the estimated cost. Orders must:
  - a. Be allocated to the correct financial and VAT code(s).
  - b. Only commit the Council to expenditure which is within the approved budgets
- (b) Official Orders must be issued for all goods, materials, work or services to be supplied to the Council, unless the Director Finance approves exceptions to ordering where circumstances or trading practice make this desirable. Oral orders shall only be given in the case of expediency and must be confirmed by an official order not later than the next working day.
- (c) Directors and Service Leads shall notify the Director Finance of employees authorised to raise (Order Requisitioner) and approve orders (Order Authorisers) on their behalf.

- (e) Every officer requesting an official order shall ensure, as far as is reasonably practicable, in respect of each transaction, that goods, materials or service ordered are obtained on the best possible terms in respect of cost and quality and represent value for money

The arrangements for the ordering, receipt and issue of all order books shall be controlled by the Director Finance.

## 8. Payment of Accounts

- (a) The Order Requisitioner shall be responsible for goods receipting (GRN) to validate the receipt of ordered goods or services, which will allow payment of the relevant invoice.

GRN may be completed, subject to the following tolerances:

|     | +   | -      |
|-----|-----|--------|
| GRN | £50 | £5,000 |

Changes in excess of £50 will require an amendment to the order and re-approval by an Authorising Officer.

- (b) The matters to be certified by the spending unit, subject to such selective examination of invoices as may be determined by the Director Finance and the Director/Corporate Manager concerned shall include:-
  - (i) That the goods have been received, examined and approved as to quality and quantity or services rendered or work done satisfactorily.
  - (ii)
  - (iii)
  - (iv) That the price charged is correct and the appropriate discounts, allowances and other credits have been deducted.
  - (v)
  - (vi) That the account has not previously been passed for payment.
  - (vii) That the account is arithmetically correct.
  - (ix) That income tax is correctly accounted for in respect of sub-contractors / contractors
- (c) Once an order has been goods receipted, the relevant invoice will automatically be paid, subject to the following tolerance levels:

|            |       |       |
|------------|-------|-------|
|            | +     | -     |
| Auto match | £0.05 | £0.05 |

- (d) Authorised officers may approve orders to be manually matched for payment by Accounts Payable in the event the auto match between the GRN and invoices fails within the following tolerances:

|              |     |     |
|--------------|-----|-----|
|              | +   | -   |
| Manual match | £50 | £50 |

Changes in excess of these tolerances will require an amendment to the order and re-approval by an Authorising Officer.

- (e) Orders, GRN and invoices shall be administered by Units promptly so that they can be included in the payment runs and support the payment of invoices in accordance with their payment due dates and secure entitlement to any early payment discounts..
- (f) The Director Finance shall examine, so far as considered necessary, accounts passed for payment, including the final accounts of contracts, and shall be entitled to receive such information and explanations as may be required to ensure that the accounts are in order, before payment is made.

## **9. Banking Arrangements and Cheques**

- (a) All banking arrangements shall be made by the Director Finance.
- (b) Cheques shall be ordered only by the Director Finance who shall ensure that arrangements are made for their safe custody.
- (c) All cheques drawn shall be signed by the Director Finance or as otherwise approved by the Council, or shall bear the facsimile signature of the Director Finance.
- (d) The Director Finance shall be authorised to open such bank accounts as considered necessary in consultation with the Executive member with relevant portfolio.

## **10. Income**

- (a) Arrangements for the collection and banking of all monies due to the Council shall be under the control of the Director Finance.
- (b) Directors/Corporate Managers shall supply to the Director Finance such information in connection with work done, goods supplied or services rendered on behalf of the Council and of all other amounts accruing as the Director Finance may require to ensure prompt recording and collection of all amounts due to the Council.

- (c) The Director/Corporate Manager issuing an invoice for monies due to the Council shall be responsible for the collection of the debt. Invoices must be raised promptly after delivery of goods or completion of the service. Where possible payment should be taken in advance or at the time of providing the goods or services

In the event that monies are outstanding after two months of the invoice date and after normal recovery processes have been undertaken, the Director/Corporate Manager shall advise the Director Finance of the details relating to the invoice and both shall agree what course of action should be taken:

- Continued direct contact with the debtor;
  - Arrangement of an instalment plan to recover the debt;
  - Use of an enforcement agency;
  - Use of legal support;
  - Any other options identified.
- (d) All income account forms and all official receipt forms, books, tickets, other documents and equipment used for acknowledging receipts or controlling income shall be in a form or of a type approved by the Director Finance and shall be ordered and controlled by him/her, or by another Director/Corporate Manager with his/her prior approval.
- (e) The Director/Corporate Manager is responsible for ensuring that the invoice has been allocated the correct financial and VAT code(s).
- (f) No employee shall give a receipt for money received on behalf of the Council on any form other than the official receipt.
- (g) Every Director/Corporate Manager shall maintain a correct and chronological record of all monies received and of the date and amount of deposit. All cheques banked must be individually listed and must have the appropriate receipt references entered against the amounts on the paying-in document. The receipt received must be filed for reference.
- (h) All monies received on behalf of the Council shall be paid over intact, either to the Director Finance or, by arrangement with him/her, direct to the Council's bankers.
- (i) Except where existing Council policy or statute requires otherwise, all proposals to introduce and vary charges for services shall be subject to the approval of the appropriate Director/Corporate Manager in consultation with the relevant Portfolio Holder and can be varied throughout the year. The Director Finance shall be informed of all variations and new charges introduced. Schedules of existing fees and charges shall be submitted to the Council through the Executive annually. Commercially sensitive fees and charges need not be published.
- (j) Property rental income shall be reviewed in accordance with rent review dates except where statutory provisions apply.



- (k) The Director Finance shall in consultation with the Director Corporate Services and the appropriate Director/Corporate Manager be authorised to write-off individual bad debts up to a limit of £500.

The writing-off of individual debts exceeding £500 shall in addition be subject to consultation with the Executive member with relevant portfolio or other appropriate Executive member with portfolio.

The Deputy Chief Finance Officer or Finance Manger - Corporate shall be authorised to write-off small balances of up to £50 on debts, where the majority of the debt has been recovered and it is considered too costly to pursue the outstanding balance.

- (l) Write-offs up to a value of £5 shall be treated as cancellations.
- (m) The Director Finance shall be authorised to write-off individual overpayments of housing benefits up to a limit of £1,000.

The writing-off of individual housing benefits overpayments in excess of £1,000 shall be subject to consultation with the Executive member with relevant portfolio.

- (n) The Director Finance shall be authorised to write off any debt which is considered irrecoverable by reason of the bankruptcy or liquidation of the debtor concerned.
- (o) The Director Finance shall present an annual report to the Relevant Committee outlining the number and detail of the decisions taken in respect of bad debts (details of which shall be kept in a separate register maintained by him/her).

## **11. Security of Cash**

Each Director/Corporate Manager shall be responsible for making arrangements for the safe custody of cash, including imprest accounts and documents having a cash value entrusted to their care. These arrangements shall be approved by Internal Audit.

## **12. Disposal of Assets**

- (a) The sale of any land or buildings which fall outside the powers given to employees in the scheme of delegations shall require the prior approval of the Executive.
- (b) (i) The disposal of assets individually valued at less than £150 may be undertaken at the discretion of the Director/Corporate Manager. The Director/Corporate Manager shall maintain appropriate records and shall immediately inform Internal Audit and the Director Finance of such disposals.

- (ii) The disposal of assets individually valued in excess of £150 but less than £1,000 may be undertaken by the Director/Corporate Manager with the written approval of the Director Finance. The Director/Corporate Manager shall maintain appropriate records of such disposals and inform Internal Audit.
  - (iii) Proposals for the disposal of other assets individually valued in excess of £1,000 shall at first be referred to the Director Finance and be subject to a tender process before seeking the consent of the Executive Member with Relevant Portfolio. The Director/Corporate Manager shall maintain appropriate records of such disposals and inform Internal Audit.
  - (iv) The disposal of vehicles, plant and equipment valued in excess of £1000 be delegated to the relevant Director via auction or other such appropriate mechanism subject to the prior written approval of the Director Finance. Internal Audit must be informed of each disposal.
- (c) The disposal of any museum exhibit or artefact shall be in accordance with the Council's policy and will require prior consultation with the Leader and Executive Member with Relevant Portfolio. All disposals shall be notified to Internal Audit and the Director Finance.
- (d) Any IT equipment (including laptops, printers, cameras, mobile devices and any other peripheral items) is owned by Strata Service Solutions and must therefore be handed back to Strata when no longer required.

### **13. Investments and Loans**

- (a) The Council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the treasury management policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management in Public Services Code, subject only to amendment where necessary to reflect the particular circumstances of Exeter City Council. Such amendments will not result in a material deviation from the Code's key principles.

- (b) The Council's Executive will receive reports on its treasury management policies, practices and activities, including, as a minimum:
- An annual treasury management strategy including as a minimum an annual strategy and plan in advance of the year
  - A mid-year review
  - An annual report after the end of the financial year in the form prescribed in the TMPs.
- (c) The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Director Finance, who will act in accordance with the Council's policy statement and TMPs and, if a CIPFA member, with CIPFA's standards of Professional Practice on Treasury Management.
- (d) The Council designates the Strategic Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

#### **14. Insurance**

- (a) The Director Finance shall effect all insurance cover.
- (b) Arrangements for the processing and negotiating claims shall be made by the Director Finance.
- (c) Each Director/Corporate Manager shall promptly notify the Director Finance of the extent and nature of all new risks to be insured and of any alteration affecting insurable risks in their unit.
- (d) All insurance cover shall be reviewed annually by the Director Finance.
- (e) Each Director/Corporate Manager shall immediately notify the Director Finance of any claim made in writing outlining the circumstances under which any loss, liability or damage or any event likely to lead to a claim being made. For the avoidance of doubt, claims can be submitted via electronic means where possible.
- (f) All property insurable incidents should be reported to the Insurance and Finance Office, to enable the Council to initiate an insurance claim, if sufficient losses are recorded in a year.

#### **15. Stock**

- (a) Each Director/Corporate Manager shall be responsible for the custody and control of stock and equipment in their unit, records of which shall be maintained in a form to be approved by Internal Audit.
- (b) Each Director/Corporate Manager shall carry out an annual stock-take of such items as agreed by Internal Audit. Except where agreed, the stock-taking shall be carried out by some person independent of the stockholder concerned.
- (c) Subject to Financial Regulation 12, each Director/Corporate Manager shall be responsible for making arrangements to dispose of all obsolete and perishable stock within the year of obsolescence in their unit. Stock disposals should be notified to Internal Audit.

## **16. Imprest Accounts**

The Director Finance in consultation with a Director/Corporate Manager may advance imprests to employees for the purpose of defraying certain minor expenses and other items. Each Director/Corporate Manager shall be responsible for maintaining arrangements and records for the control of imprests in a manner prescribed by Internal Audit.

## **17. Employees Records and Payments**

- (a) The arrangements for the calculation of all salaries, wages, compensation and other emoluments to employees or former employees of the Council shall be approved by Human Resources.
- (b) These arrangements shall include the maintenance of all necessary records concerning pay, superannuation, national insurance and taxation. Directors/Corporate Managers shall ensure that sufficient information is provided to Human Resources for this purpose.
- (c) The making of all payments to employees and former employees of the Council in respect of salaries, wages, compensation and other emoluments shall be under the direct control of the Director Corporate Services. It shall be the duty of the Human Resources to notify the Director Finance promptly of all appointments, dismissals, resignations, transfers and any changes in rate of remuneration (other than normal annual increments) of all salaried employees of the Council. In addition, Directors/Corporate Managers shall notify Human Resources promptly regarding sickness and absence from duty, other than paid leave in respect of all employees in their units.
- (d) Human Resources shall ensure that employees leaving the employment of the Council have repaid, in full, any loans or sums owed to the Council.

In the event that, in the opinion of Human Resources, the amount outstanding is so substantial, that it would be unreasonable to deduct all monies owed from the employee's salary, then Human Resources shall in

consultation with Director Finance agree a repayment plan with the debtor to clear the outstanding balance in full within a reasonable period of time.

- (e) The Chief Executive & Growth Director shall be authorised to arrange for the implementation forthwith of any nationally agreed salary or wage award.
- (f) In all cases where sickness or injury allowances are paid to an employee who may have a legal right to damages, including loss of earnings, against a third party, it shall be the duty of the Director/Corporate Manager concerned to notify the Director Finance of the fact that a third party claim may be made. Human Resources shall follow up all such payments and ensure that, as appropriate, sickness pay is recovered from the employee.
- (g) On the recommendation of the Director/Corporate Manager, the Director Finance may approve a reimbursement up to a maximum of £200 for any losses or expenses incurred by employees resulting from loss of, or damage to, their clothing or personal effects, arising out of, or during the course of, their employment, and which are not covered by insurance. For the purposes of this regulation any person carrying out work for or on behalf of the Council or any of its employees in an official capacity (including a member) shall be deemed to be an employee. Any claim where there is a potential risk of personal injury shall be referred to the Council's insurers.

## **18. Partnerships and Third Parties**

- (a) Partnerships
  - (i) The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local, private, voluntary and community sector organisations.
  - (ii) The Executive can delegate functions - including those relating to partnerships - to officers. Where functions are delegated, the Executive remains accountable for them to full Council.
  - (iii) The Director Finance shall ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He/she must ensure that risks have been fully appraised before arrangements are entered into with external bodies.
  - (iv) The Director Finance shall advise on effective controls that will ensure resources are not wasted.
  - (v) The Director Finance shall advise on the key elements of funding a project. In particular this includes:-

- A scheme appraisal for financial viability in both the current and future years
- Risk appraisal and management
- Resourcing including taxation issue
- Audit, security and control requirements
- Carry forward arrangements

(b) External Funding

Each Director/Corporate Manager shall be responsible for promptly notifying the Director Finance of all external funding awarded.

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

(c) Work For Third Parties

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

**19. Corporate Credit Cards**

- (a) The Director Finance in consultation with the Chief Executive & Growth Director, or Director/Corporate Manager may issue a corporate credit card to enable goods, works or services to be procured on behalf of the Council. Officers issued with a credit card are responsible for the physical security and use of the card.
- (b) Each Credit Card holder shall be required to sign a form setting out their responsibilities as a card holder.
- (c) Each credit card holder/authorised user is responsible for:
  - (i) ensuring that proper authorisation is held prior to an order and payment being made
  - (ii) as far as is reasonably practicable, that the goods, works, materials or service procured are obtained at the best possible terms in respect of cost, quality, compatibility and durability
  - (iii) the card is only used for bona fide and secure transactions
  - (iv) obtaining the required proofs of purchase including VAT receipts where appropriate to enable the Council to reclaim such expenditure. Where a VAT receipt has not been received, it is the responsibility of the holder/user to ensure that a VAT receipt is obtained as soon as possible
  - (v) ensuring that the goods have been received, and are of satisfactory quality and quantity
  - (vi) that appropriate entries have been made in inventories or stock records to record the items procured

- (d) Each credit card holder is responsible for:
  - (i) ensuring that the price charged is correct and as agreed
  - (ii) submitting a monthly reconciled account, together with all proofs of purchase and VAT receipts, to the Director Finance promptly.
- (e) The duties of certifying payment and receiving the goods, works, materials or services procured shall not be performed by the same employee, except where this has been agreed with the Director Finance.
- (f) Where a credit card holder or user gives notice to terminate their employment with the Council (or is to change duties within the Council), the Director Finance must be immediately notified so that arrangements may be made to restrict their ability to use the card after the termination/transfer date.

## **20. Urgency**

Notwithstanding the foregoing regulations, in cases of urgency the appropriate Director/Corporate Manager in consultation with the Executive member with Relevant Portfolio, Chair of relevant Scrutiny Committee, Director Finance and Chief Executive & Growth Director shall have the power to authorise on behalf of the Council the incurring of any expenditure or any action which would otherwise be contrary to these regulations. The exercise of this authority shall in every case be reported to the next meeting of Executive or relevant Committee.