

Financial Regulations

Index	Page No.
Financial Accountabilities and Management	2
Financial Planning	3
Revenue Expenditure	3
Capital Expenditure	3
Maintenance of Reserves	5
Scheme of Virement	5
In Year Budget Increase/Supplementary Budgets	5
Treatment of Year End Balances	5
Financial Implications of Reports	6
Risk Management and Control of Resources	6
Insurance	6
Internal Audit	6
Control of Resources	6
Irregularities	7
Third Party Funds	7
Treasury Management	7
Financial Systems and Procedures	7
Income and Expenditure	7
Payments to Employees and Members	9
Taxation	9
External Funding	9

Financial Regulations

1. Financial Accountabilities and Management

- 1.1. The Chief Finance Officer shall be the officer charged with the responsibility for the proper administration of the County Council's financial affairs and for acting as financial adviser to the Full Council, the Cabinet, individual Cabinet Members and Committees.
- 1.2. All money in the hands of the Council shall be under the control of the Chief Finance Officer who is the officer designated for the purposes of Section 151 of the Local Government Act 1972.
- 1.3. All accounts and financial records shall be kept in a form approved by the Chief Finance Officer who will also be responsible for the submission of all claims for grant to Government Departments and other public bodies, and for exercising a current supervision over all financial matters.
- 1.4. Heads of Service/Directors shall be responsible for ensuring that these Financial Regulations are observed throughout the service areas under their control.
- 1.5. For the purpose of complying with these Regulations, the appropriate Heads of Service/Directors shall provide the Chief Finance Officer with any information which he/she may require and, in addition, shall allow the Chief Finance Officer access where necessary to the documents and records under his/her control.
- 1.6. The Chief Finance Officer shall be responsible for preparing and publishing the Statement of Accounts in accordance with the statutory timetable. Heads of Service/Directors shall comply with accounting guidance provided by the Chief Finance Officer and supply him/her with the necessary information when required.
- 1.7. For schools, is a separate version of the financial regulations - [The School and Early Years Finance \(England\) Regulations 2014](#) which should be complied with by Schools' Forum activities. The regulations should also be read in conjunction with the [Scheme for Financing Schools in Lancashire \(September 2015\)](#) and where appropriate, the "Procedures and guidance for the operation of schools' local bank accounts". In addition, schools are required to comply with the Consistent Financial Reporting framework as specified by the Department for Education (DfE).
- 1.8. Members of the Cabinet responsible for specific service budgets shall be empowered to incur expenditure within their approved budgets subject to compliance with the Standing Orders and Procurement Rules of the County Council. However, no expenditure, capital or revenue, shall be incurred in

connection with the adoption of any new policy or extension of existing policy outside the budget without the prior approval of the Full Council.

- 1.9. All Financial Regulations are subject to the provisions of Standing Order 29, which allows urgent decisions which are outside the budget or policy framework to be taken.
- 1.10. The Financial Regulations Guidance Notes and Financial Procedure Rules supplement these Financial Regulations and set out how the regulations will be implemented.
- 1.11. Failure to comply with the Financial Regulations may constitute misconduct and lead to formal disciplinary action.

2. **Financial Planning**

Revenue Expenditure

- 2.1. Estimates of expenditure and income for the appropriate periods and times shall be prepared jointly by the Chief Finance Officer and the appropriate Chief Officer for submission in the first instance to the Cabinet and then to the Full Council.
- 2.2. Subject to Regulation 2.4 Heads of Service/Directors shall be responsible for ensuring that the amount provided in any budgets approved by the Full Council shall not in whole or in part be used for any purpose other than that for which it is authorised.
- 2.3. Heads of Service/Directors shall maintain appropriate budgetary control within their service areas and ensure that all income and expenditure are properly recorded and accounted for.
- 2.4. Heads of Service/Directors shall be responsible for ensuring that any proposed item of expenditure not included in the approved budget or any likely overspending or reduction of estimated income which cannot be met by a transfer in accordance with Regulation 2.17 or from reserves shall not be incurred unless an alternative source of finance has been identified and the prior consent of the Cabinet has been obtained. In all cases, Heads of Service/Directors must ensure that funding has been identified for the ongoing costs of any decisions taken.

Capital Expenditure

- 2.5. Programmes of capital expenditure estimates shall be prepared jointly by the Chief Finance Officer and the appropriate Heads of Service/Directors for submission to the Cabinet and subsequently to the Full Council, for such periods and at such times as shall be determined by the Full Council.

Appendix 'D'

- 2.6. Programmes of capital expenditure estimates shall be consolidated into a comprehensive report by the Chief Finance Officer in consultation with individual Cabinet Members for submission to the Cabinet.
- 2.7. Approval by the Full Council of the programme of capital expenditure estimates (The Capital Programme) shall constitute the authority for incurring expenditure. Additions to the authorised Capital Programme may be made by cabinet at any time provided that the source of finance is clear at the point of approval and that the revenue consequences including that of any increased borrowing can be contained within existing budgetary provision. Amendments to the capital programme will be dealt with under the Scheme of Delegation to officers where the changes are within the total approved budget for a service programme and the scope of works within it are not fundamentally changed. Amendments requiring additional funding or a fundamental change of scope of a programme will require Cabinet approval. The Cabinet shall have the power to suspend all authority to commit or to incur any capital expenditure which is not legally or contractually committed pending confirmation by the Full Council.
- 2.8. The estimated expenditure committed by officers under the above authority must not exceed the amount approved for the scheme in the Capital Programme by more than 20% of the programme budget or £100,000 (whichever is the lower). If estimated expenditure does exceed the approved Capital Programme figure by more than the above limits then approval to the excess must be sought from Cabinet and Full Council as necessary before any commitment is entered into.
- 2.9. The estimated expenditure referred to in para 2.7 shall be the amount of the accepted tender (adjusted if necessary for any non-contract items), or, if there is no tender, the latest estimate of cost. This figure shall constitute the approved amount for monitoring purposes.
- 2.10. Cost increases which arise in the course of a programme are to be treated as follows:
 - (a) if additional payments arising from cost increases are required to allow a project to continue without delay or if the cost increases arise from fluctuations in the price of loose furniture and equipment, no prior approval is required but any action taken under this Regulation should be reported by an officer decision under the scheme of delegation as long as the programme budget is not breached.
 - (b) if total increased costs, including any previous increases are less than 20% of the programme budget or £100,000 (whichever is the lower) approval to the increase may be given by the Chief Finance Officer on the recommendation of the appropriate Chief Officer and Capital Board, but any action taken under this Regulation.
 - (c) approval to any other cost increases in a programme budget must be sought from Cabinet before any expenditure arising from such cost

increases is committed. Where there are no additional costs to the council in relation to an additional scheme, approval can be undertaken by officers under the Scheme of Delegation.

- 2.11. For each capital project with an out-turn cost greater than £1,000,000 a post-completion statement is to be presented to the relevant Cabinet Member. The statement must show the original capital programme cost estimate, the amount of the accepted tender, any subsequent approvals to increased costs and the actual out-turn expenditure. The statement is to be produced as soon as possible, and at the latest within two years after practical completion of the project.
- 2.12. Where a capital scheme takes the form of a general approval to spend over a programme and the detailed projects within the programme are identified, officers can allocate funding between the projects as long as the overall funding envelope is not exceeded and the scope is not changed. Where a change to scope or overall costs is required this should be approval by Cabinet as necessary. Where approval to a programme is a general allocation, with scheme details to be worked up then approval by Cabinet to the detailed programme of capital expenditure is necessary prior to expenditure being incurred. This regulation does not apply to schemes for structural maintenance.

Maintenance of Reserves

- 2.13. The Chief Finance Officer shall be responsible for advising upon prudent levels of reserves for the Council.
- 2.14. For each reserve established, the purpose, usage (including the timeframe for usage) and basis of transactions shall be clearly articulated.
- 2.15. Authorisation to finance expenditure from reserves will require the approval of the Cabinet, upon the advice of the Chief Finance Officer, unless alternative arrangements were agreed when the reserve was established.
- 2.16. Under Section 114 of the Local Government Finance Act 1988 the Chief Finance Officer must report to Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year.

Scheme of Virement

- 2.17. Transfers of expenditure between budgets (virements) may be made by Heads of Service/Directors within delegated budgets provided the amount of any individual transfer does not exceed 10% of the gross expenditure or £250,000, whichever is the lower:

Or in any other case, with the consent of the relevant Cabinet Member/s.

In Year Budget Increase/Supplementary Budgets

- 2.18. In the event that it is not possible to move resources between budget headings to meet a liability, a request may be made to Cabinet following consultation with the Cabinet Member with responsibility for Resources and the Chief Finance Officer, for an increase in budget.

Treatment of Year End Balances

- 2.19. The Cabinet shall be responsible for agreeing procedures for carrying forward any under or over spending on budgets, provided that such carry forwards do not constitute an alteration to the policy and budget framework.

Financial Implications of Reports

- 2.20. Heads of Service/Directors shall be responsible for ensuring that Cabinet Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer prior to the reports being submitted to the Cabinet or Cabinet Members.

3. Risk Management and Control of Resources

Insurance

- 3.1. The Chief Finance Officer shall arrange and administer all insurances as directed by the Cabinet or, in the case of a school exercising the option for delegation, be arranged by the school in a manner approved by the Chief Finance Officer.
- 3.2. Heads of Service/Directors shall notify the Chief Finance Officer promptly of all risks, liabilities, properties or vehicles which require to be insured and of any alterations affecting risks or insurances indicating the amount of cover required.
- 3.3. Heads of Service/Directors shall immediately notify the Chief Finance Officer of any fire, loss, accident or other event which may give rise to a claim against the County Council's insurers.

Internal Audit

- 3.4. The Chief Finance Officer shall, to the extent he/she considers necessary or desirable, conduct or arrange for the examination and audit of the accounts of the County Council and of its officers and agents.
- 3.5. The Chief Finance Officer or his/her representative shall have access for any necessary examination and audit, at all reasonable times, to all cash, property, documents, books of accounts and vouchers appertaining in any way to the finances of the County Council, and shall be entitled to require such explanations as may be reasonably considered necessary to satisfy himself/herself of the correctness of any matter under examination.

Control of Resources

- 3.6. Heads of Service/Directors shall be responsible for the safe custody and physical control of stores and equipment and for the maintenance of records in the form approved by the Chief Finance Officer. The records shall include such items as the Chief Finance Officer, after consultation with Heads of Service/Directors, considers necessary.
- 3.7. Heads of Service/Directors shall arrange periodic physical checks of equipment and stores against relevant records by officers other than those responsible for their custody and control.

Irregularities

- 3.8. Heads of Service/Directors shall notify the Chief Finance Officer immediately of all financial or accounting irregularities or suspected irregularities or of any circumstances which may suggest the possibility of irregularities including those affecting cash, stores, property, remuneration or allowances.

Third Party Funds

- 3.9. Third party funds held by an employee of the County Council acting by virtue of his/her office or employment shall be notified to the appropriate Chief Officer concerned who shall, where necessary and in consultation and on the advice of the Chief Finance Officer, prescribe from time to time procedures for ensuring that such funds are properly administered, accounted for and audited.

Treasury Management

- 3.10. The County Council has adopted CIPFA's Treasury Management in Public Services: Code of Practice, as described in that Code.
- 3.11. The Chief Finance Officer shall create and maintain a Treasury Policy Statement and suitable Treasury Management Practices as recommended in the CIPFA Treasury Management Code of Practice.
- 3.12. The Chief Finance Officer shall undertake to submit to the Full Council its Treasury Management Strategy in advance of the year.
- 3.13. The County Council sets its Treasury Management Strategy in line with the indicators required under the CIPFA Prudential Code for Capital Finance.
- 3.14. Within the approved indicators set for the authorised limit and operational boundary for debt, the Chief Finance Officer shall have delegated authority to switch between the levels agreed for borrowing and other credit liabilities.
- 3.15. All arrangements with the County Council's bankers shall be made solely by the Chief Finance Officer, or in a manner approved by him/her after

consultation with the appropriate Heads of Service/Directors. The Chief Finance Officer shall be authorised to open such accounts in the name of the County Council and to give such directions thereon as shall be necessary for the making of payments on behalf of the County Council and for the deposit of moneys received by the County Council.

4. **Financial Systems and Procedures**

Income and Expenditure

- 4.1. New financial procedures and systems shall not be introduced or existing systems amended without consultation with, and the prior approval of, the Chief Finance Officer.
- 4.2. All receipts shall be paid into and all payments shall be made out of the County Fund by or under the direction of the Chief Finance Officer.
- 4.3. Arrangements for the safe and efficient receipt and accounting of all moneys due to the County Council shall be subject to the supervision of the Chief Finance Officer who may issue such instructions as he/she deems necessary.
- 4.4. The Chief Finance Officer shall issue such instructions as he/she deems necessary on the procedures for the ordering of goods and the verification of invoices and claims; and he/she shall be entitled to make enquiries and to receive such information and explanation as he/she may reasonably require. (See also Regulation 4.10).
- 4.5. Invoices and claims for payment shall be examined and verified by or on behalf of Heads of Service/Directors and shall be certified in such form and manner as shall be prescribed by the Chief Finance Officer .
- 4.6. The Chief Finance Officer shall provide such Imprest and Advance Accounts as he/she considers suitable for appropriate officers and other employees of the County Council for the purposes of defraying petty cash and other expenses and shall issue the necessary instructions to imprest holders for the setting up and operation of these accounts.
- 4.7. The Chief Finance Officer shall, to the extent he/she considers necessary, examine, prior to payment, final accounts of contracts.
- 4.8. Without prejudice to the legal obligations of the nominated Architect or Engineer under the contract, on the completion of any contract for Building Construction or Engineering Works the final certificate of completion shall not be issued until the appropriate officers, private architects, engineers or consultants have provided to the Chief Finance Officer detailed statements of account and other relevant documents.

- 4.9. The Chief Finance Officer shall be informed in writing of all written contracts, agreements, awards and other instruments involving the payment or receipt of money by the County Council.
- 4.10. Purchase of equipment, goods and materials shall be effected through the most economical and practical means, making use of contracts arranged by the Corporate Procurement Team and co-ordinated purchasing or any other contracting arrangements where these are available. To this end the Chief Finance Officer shall issue such general instructions as he/she deems necessary and shall be entitled to make such enquiries and to receive such information and explanations as he/she may reasonably require.

Payments to Employees and Members

- 4.11. The assessment, calculation and payment of all salaries, wages, pensions, pension payments, compensation and other emoluments or allowances to employees or Members or former employees of the County Council shall be made by the Chief Finance Officer, or in a manner approved by him/her after consultation with the appropriate Heads of Service/Directors.

Taxation

- 4.12. The Chief Finance Officer shall be responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

5. External Funding

- 5.1. Heads of Service/Directors shall ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts in a form approved by the Chief Finance Officer. Heads of Service/Directors shall also ensure that the written approval of the Chief Finance Officer is obtained prior to committing the County Council to act as the "accountable body" for any partnership with which it is involved.
- 5.2. Heads of Service/Directors shall ensure that the matched funding requirements are considered prior to entering into an agreement and that future revenue budgets reflect these requirements.
- 5.3. Heads of Service/Directors shall ensure that audit requirements are met, that all claims for funds are made by the due date and that all expenditure is properly incurred and recorded.

Note

The above Regulations, whilst specific in terms, are intended to operate with proper consultations with the appropriate Heads of Service/Directors, especially where other professions and skills are required to give effect to them in relation to procedures and professional practices to be observed.

Appendix 'D'

These Regulations should be read in conjunction with other internal regulatory frameworks which form part of the Council's Constitution, for example, procurement rules (contract standing orders); schemes of delegation; the Codes of Conduct for employees and Members and the Financial Regulations Guidance Notes and Financial Procedure Rules.