

# **PART 4 - PROCEDURAL RULES**

## **SECTION H**

### **FINANCIAL REGULATIONS**

#### **1. INTRODUCTION**

- 1.1 Financial Regulations are the basic rules applicable to key areas of financial administration. They must be available to and followed by all officers / employees, Members and agents acting for the Council. Together with Standing Orders, they regulate the conduct of Council business.
- 1.2 Financial Regulations form part of the Council's Constitution. This can be accessed through the A-Z facility of e-Scene (C for Constitution). Hard copies are provided to senior managers and officers who need to work with them regularly. A Glossary of Terms is attached at the end to explain the terminology used in these Financial Regulations.
- 1.3 The Section 151 Officer is responsible for maintaining Financial Regulations, which must be reviewed at least every 5 years. Financial limits detailed in Financial Regulations and Standing Orders should be reviewed at least every 2 years.
- 1.4 It is the responsibility of the Chief Executive, Directors, and Heads of Service to ensure Financial Regulations are followed. Failure to follow Financial Regulations and Standing Orders will be reported immediately to the Section 151 Officer and may be treated as a disciplinary offence. If serious, it will also be reported to the Executive. Failure by the Chief Executive, Director, or Head of Service will be reported to the Standards Committee if considered appropriate by the Chief Executive or Monitoring Officer.
- 1.5 Financial Regulations also apply to agents and consultants acting for the Council and to services carried out under agency arrangement, unless specifically excepted by the relevant Head of Service and Section 151 Officer. In this event, the circumstances of and reasons for such an exception must be recorded by the relevant Head of Service.
- 1.6 Any transfer of work from services to the Contact Centre must consider issues of compliance and accountability. For example, it may be reasonable to assume that management issues are the responsibility of the Contact Centre, operational issues are the responsibility of the client service and quality control is the joint responsibility of both. Early clarification and agreement will help to reduce the risk of any problems escalating or remaining unresolved.

#### **2. FINANCIAL ADMINISTRATION**

- 2.1 Mr Kelvin Menon, Head of Financial Services is responsible, under section 151 of the Local Government Act 1972, for the proper administration of the financial affairs of the Council. The Section 151 Officer is also responsible for ensuring compliance with current Accounts and Audit Regulations and Accounting Code of Practice.

- 2.2 The Chief Executive, Directors and Heads of Service must ensure all staff fully understand how Financial Regulations relate to and affect their particular responsibilities. The Executive and all committees must also comply with Financial Regulations in their business.
- 2.3 In exceptional circumstances, the Executive may waive compliance with any of these Regulations provided the circumstances are reported to the next meeting of the Council. The Regulations may also be overridden by relevant statutory provisions. For example, in a sudden emergency or event as detailed in s138 of the Local Government Act 1972, the Executive may spend to meet immediate needs without complying with these Regulations.
- 2.4 Heads of Service must operate systems that ensure compliance with Financial Regulations and Standing Orders within their respective services. Advice and support on system controls is available from the Section 151 Officer and Internal Audit.

#### Reports with Financial Implications

- 2.5 Before any new commitments are undertaken, the Chief Executive, Directors or Heads of Service must consult the Section 151 Officer on possible financial implications for the Council before any reports are sent to the Executive. Reports with financial implications submitted to the Executive after a budget or capital programme is approved and in place must show where the financial resources needed will come from within the existing budget or programme, and be agreed with the Section 151 Officer.

### **3. FINANCIAL PLANNING**

- 3.1 The Executive is responsible for regulating and controlling the finances, assets and liabilities of the Council. The Section 151 Officer has authority to amend Financial Regulations, following consultation, necessary for effective supervision and control, ensuring full compatibility with Standing Orders.
- 3.2 Every year, Portfolio Holders must each submit a capital programme and estimate of revenue income and expenditure to the Executive. These programmes and estimates must meet the deadlines, format requirements and cover the time periods set by the Executive. The Head of Financial Services under the direction of the Section 151 Officer collates these estimates and reports on them to the Executive, with any comments and recommendations from the Management Board.
- 3.3 The Executive then considers the aggregate effect of these programmes and estimates on the Council's financial resources. After consulting on proposed amendments and deciding on the supporting resources to be used, the Executive submits them to the Council for approval, recommending the transfer from the Collection Fund for the following financial year.
- 3.4 The Section 151 Officer must report to the Executive on the level of financial resources recommended for use each financial year, keep the Executive informed of the Council's finances and financial performance and advise Members on the financial implications of their work.

#### **4. BUDGETARY CONTROL**

- 4.1 Estimates of income and expenditure on revenue accounts must be prepared in the required form by the Chief Executive, Director and Heads of Service in consultation with the Section 151 Officer. Estimates of receipts and payments on capital accounts must be prepared in the required form by the same senior managers in consultation with the Section 151 Officer and reviewed by the Capital Asset Working Group. Capital projects must be ranked as gold, silver or bronze priority in accordance with project management requirements.
- 4.2 Where the Council has approved and adopted a cash limited budget any additional expenditure must be met by increased income or from savings within approved budgets. The inclusion of items in approved revenue estimates or capital programmes is evidence of approval to spend on them, unless the item is a gold ranked capital project on which the Executive has placed a reservation. Expenditure may only be incurred on reserved items after further consideration by the Executive and the reservation has been removed. Once proposed savings have been approved by the Executive, the Section 151 Officer will amend the budget accordingly.
- 4.3 For the provision of services under their control, Heads of Service may undertake expenditure of any type within approved budgets including the signing of contracts or agreements, provided the Council's Standing Orders for Contracts are followed and the advice of the Head of Legal and Corporate Services is taken on all contracts of £50,000 and over in value, and any with unusual or potentially onerous clauses (Standing Orders for Contracts paragraph 41). They may undertake the day to day running and operation of services, including the control, purchase and disposal of stores and maintenance and repair of all buildings, land and equipment within the responsibility of their service area, in accordance with the policies laid down by the Council or the Executive in these Financial Regulations and Standing Orders.

#### Capital Estimates

- 4.4 The Chief Executive, Directors and Heads of Service must liaise with the Section 151 Officer and the Capital Asset Working Group to prepare and annually review an ongoing Capital Programme, to include all ranked capital projects for each service area, for report and submission to appropriate Portfolio Holders and committees. The Programme must include the following details for each capital project:
- project officer
  - project ranking as gold, silver or bronze
  - estimated total cost of project
  - actual expenditure to end of previous financial year
  - estimated capital payments for the current financial year
  - estimated capital payments for future year/s
  - actual or estimated start and completion dates
  - estimated annual revenue costs on project completion and any additional manpower, resources, and land acquisition needs.
- 4.5 Any proposed capital project not previously included in the approved Capital Programme must be the subject of a project appraisal report to the relevant Portfolio Holder from the relevant Head of Service, in consultation with the Section 151 Officer and the Capital Asset Working Group. This report must detail:

- project officer
  - project ranking as gold, silver or bronze
  - justification
  - timescale and limiting factors/constraints
  - financial costs and benefits analysed over all relevant elements
  - analysis of full revenue implications, additional manpower, resources and land acquisition requirements.
- 4.6 The Information Technology (IT) Capital Programme should be co-ordinated and reviewed by the Head of Information and Communications Technology in accordance with paragraphs 4.4 or 4.5 above as a separate item for member approval and onward consideration by officer working groups only.
- 4.7 Once Council approves a Capital Programme, the nominated Project Officer must arrange for the land and resources needed to be acquired. The Section 151 Officer must report to the Executive on how the Capital Programme will be funded, for onward recommendation to the Council.
- 4.8 If a Portfolio Holder proposes to increase the provision for a project within an approved Capital Programme by the lesser of 5% of that provision or £10,000, they must submit a recommendation to the Executive, with reasons for the proposed change and the financial effects for both capital and ongoing revenue. Any proposal for deletion must be notified to the next meeting of the Executive.
- 4.9 The relevant Head of Service and Section 151 Officer must report to the relevant Portfolio Holder no later than 1 year after practical completion of any capital project over £100,000. This report must include:
- a statement on the extent to which the project met its intended purpose
  - assessment of the principal contractor's performance and overall contract performance
  - details of actual expenditure compared to original and revised estimates, with the reasons for any major variations.

#### Revenue Estimates

- 4.10 The Executive must receive and approve annual revenue estimates from the Section 151 Officer in accordance with any set timetable and guidance. These must be prepared by Heads of Service, collated and reviewed by the Head of Financial Services and show for both income and expenditure:
- the actual result for the last completed year
  - the original estimate for the current financial year
  - the probable result (including any supplementary estimates) for the current financial year
  - estimated income and expenditure for the next financial year at current pay and price levels
  - an explanation of any major variations.
- 4.11 The Chief Executive or a Director must nominate Budget Managers for all revenue and capital budget heads. To monitor and control the budgets for which they are responsible, Budget Managers must promptly and regularly receive current financial management information from the Section 151 Officer for comparison against current estimates.

## Overspending and Virement

- 4.12 Any overspending or income shortfall must be covered within annual estimates, or by a supplementary estimate. When an expenditure budget might be overspent or income budget not met, the Budget Manager must consult the Section 151 Officer and then give advance notice to the Executive, explaining both the reasons for and means of financing any variation, or with an accompanying statement on the need for a supplementary estimate. The Budget Manager must prepare a supplementary estimate bid in the form and to the timetable set by the Section 151 Officer, for consideration by the Management Board and approval by the Executive.
- 4.13 Heads of Service may transfer or “vire” funds between current year budget heads for their services, including all salary budgets, subject to the following:
- all corporate priorities, service, performance and budget targets must be maintained
  - all corporate guidelines and policies must be followed
  - conditions of service and the approved establishment must be complied with
  - a single “one-off” budget must not be transferred to fund a new ongoing item of expenditure
  - budgets not under effective control of the budget holder must not be vired e.g. rates and insurance
  - virement cannot be used to change a service base budget for future years.
- 4.14 All transfers must be agreed with the Chief Executive or Director concerned and discussed with the Finance Service before implementation, in accordance with any procedures set out by the Section 151 Officer.
- 4.15 If the proposed transfer affects budget heads controlled by another member of the Management Board, the transfer must be jointly agreed. Any proposal to transfer funds between departments needs the approval of the Management Board and relevant Portfolio Holders.

## Carry Forward of Budgets

- 4.16 Provision for carry forward of unspent capital budget items is made under Capital Programme arrangements, whereby spend may be projected over several years.
- 4.17 Heads of Service may apply for carry forward of revenue budget not spent, or of income not collected, from one financial year to the next. A brief description of the relevant circumstances and explanation of the need for carry forward must be given to the relevant Chief Executive or Director, and approved by the Management Board in liaison with the Section 151 Officer.

## **5. ACCOUNTING POLICY**

- 5.1 The Executive must report on the accounts of each financial year as required by the Accounts and Audit Regulations 2003 (currently by 30<sup>th</sup> June).
- 5.2 The Section 151 Officer determines the accounts, accounting procedures and financial records of the Council and its officers, and must approve and advise on records and procedures in services, and any changes to them.

- 5.3 The principles of internal check must be followed in all accounting procedures:
- Officers involved in processing creditor and/or debtor transactions must not be responsible for payments or the collection of receipts
  - Officers responsible for processing cash transactions must not be involved in examining and checking them.
- 5.4 Prime financial records must not be altered with correction fluids or anything that covers the figures being altered. Neatly crossing through the original data without obliterating it, writing the correct data beside it and initialling the correction is acceptable. Where alterations are made to records passing between services, the officer making the alteration must notify the originating officer of all changes made.

### Reconciliations

- 5.5 The reconciliation of one financial statement or accounting record to another is a most important means of ensuring the accuracy and completeness of financial transactions. They provide a key control in the operation of financial systems. Heads of Service are responsible for ensuring that all Budget Managers and officers responsible for carrying out reconciliations do so promptly at the end of every relevant financial period, ensuring that any discrepancies are resolved.

## **6. CODE OF CONDUCT FOR EMPLOYEES**

- 6.1 The Code of Conduct for Employees can be found at Chapter 7.4 of the Constitution. Like Financial Regulations and Standing Orders, it must be brought to the attention of and followed by all officers.
- 6.2 It covers general standards; disclosure of information; physical disclosure; political neutrality; relationships; intellectual property and patents; personal interests; separation of roles during tendering; non-solicitation; use of financial resources; gifts; hospitality; visits to exhibitions, demonstrations, conferences etc; use of contractors' services; sponsorship and breaches of the Code.

## **7. DELEGATED AUTHORITIES**

- 7.1 Under the Delegation of Functions to Officers at Chapter 7.3 of the Constitution and paragraph 4.3 above, authority to undertake financial transactions is delegated to senior managers and certain nominated officers. However, delegation to other officers is necessary for practical purposes. These delegations form lines of accountability that should be clear, well communicated and regularly reviewed. They also provide control through appropriate levels of authorisation, limited numbers and separation of duties.

### Authorised Signatories

- 7.2 Delegations within services must be arranged under procedures for authorised signatories. To ensure efficiency and effective absence cover, it is important that full use is made of these arrangements within each service. Heads of Service must supply the names of officers with properly delegated authority and their specimen signatures on the standard form to the Section 151 Officer, who will keep a list of officers authorised to make financial transactions and review it regularly. Any changes to authorised signatories within a service must be advised in the same way.

## **8. INTERNAL AUDIT**

8.1 The Section 151 Officer is responsible for providing an adequate and effective internal audit of all Council activities. The duties and functions of Internal Audit are detailed in CIPFA Statements of Internal Audit Practice and the Accounts and Audit Regulations 2003.

8.2 Under direction from the Section 151 Officer alone or in consultation with the Chief Executive, Audit will review and report on all the activities and operations of the Council as a service to Management. The purpose of these reviews is to:

- promote economy, efficiency and effectiveness in the use of Council resources and thereby secure Best Value;
- ensure systems are in use to protect the authority against fraud and other offences;
- ensure that records kept and information produced are reliable, necessary and appropriate;
- appraise and report on compliance with established policies, plans and procedures;
- produce a full position statement on cause and effect where fraud or any other improper act is suspected, that either directly or indirectly affects the Council's finance and / or assets.

8.3 On production of identification, members of Audit may:

- enter any Council premises or land;
- access all records, documents and correspondence relating to any Council transactions;
- require and receive any explanations needed concerning any matter under investigation;
- require any Council employee to produce cash, stores or any other Council property under his or her control.

### Financial Irregularities

8.4 When any actual or suspected irregularity arises concerning cash, stores or other Council property, or any suspected irregularity in Council business, senior management must immediately notify the Section 151 Officer or Head of Audit, who will investigate and report as necessary. Where irregularities involve either Council Members or officers, the Chief Executive and the Section 151 Officer will be responsible for decisions to involve the police.

## **9. AUDIT OF UNOFFICIAL FUNDS**

9.1 The Section 151 Officer will advise on the keeping and audit of unofficial funds, that is any funds associated with Council business, supervised or managed by council officers, but not part of Council funds or Council trust funds. Officers acting as Honorary Treasurers of unofficial funds must notify their senior manager and the Section 151 Officer.

9.2 The Section 151 Officer can require any officer holding unofficial funds to provide a true account in writing of all money and property in his or her charge, of all receipts and payments with vouchers and other records supporting the accounts, and a list of persons to or from whom money is due detailing amounts for each.

- 9.3 Portfolio Holders and staff responsible for administering an unofficial fund must appoint their own auditors, and consider appointing professional auditors when the fund is large or complex. An audit certificate must be sent each year to the appropriate senior manager with a copy of the audited accounts if required, in the form required by the Section 151 Officer.
- 9.4 Gifts or items purchased from any unofficial fund that are covered by the Council's definition of inventory items must be entered in the establishment inventory if appropriate.

## **10. EXTERNAL AUDIT**

- 10.1 The Council's external auditors are appointed by the Audit Commission. The appointment is currently held by Baker Tilly. External auditors work to a Code of Practice prepared and approved under the Local Government Finance Act 1982. Section 15 of the Act requires the external auditor to satisfy himself that:
- the accounts are prepared in accordance with regulations and comply with the requirements of all other appropriate statutory provisions
  - proper practices were followed in compiling the accounts
  - the organisation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 10.2 Section 16 of the Act sets out external auditor's right to obtain documents and information. External auditors have a right of access at all reasonable times to documents necessary for the purpose of the audit, and can require persons holding or accountable for documents to give any necessary information and explanation. The external auditor also has power to call on Members and officers not holding such documents to provide information and explanation. Failure to comply with the auditor's requirements is an offence for which the court can impose a fine of £200 plus £20 for each day that the offence continues. The body being audited must provide the auditor with proper facilities for carrying out the audit.
- 10.3 The external auditor issues reports on areas of the Council's activities. The Chief Executive, Director and Heads of Service are responsible for formal written response to these reports, in consultation with the Section 151 Officer (Head of Audit).

## **11. ADVANCE ACCOUNTS**

- 11.1 The Section 151 Officer will approve and provide advance accounts to be maintained in the imprest system. The Section 151 Officer will open an account with the Council's bankers for use by the imprest holder that must not be overdrawn. The bank will have a standing instruction to immediately report any overdrawn balance on any imprest account to the Section 151 Officer.
- 11.2 Bank accounts will be in accordance with the Regulations on Banking Arrangements set out below. The Head of Service must submit the names of the authorised signatories for each account to the Section 151 Officer, together with their specimen signatures on the standard form provided. A new form must be completed and submitted for any change.
- 11.3 Council income must not be paid into advance accounts, but must be banked or paid to the authority in accordance with the Regulations on Income set out below.

- 11.4 Officers responsible for advance accounts must give the Section 151 Officer a certificate on the state of their imprest advance on 31<sup>st</sup> March each year or when requested. An account for the amount advanced must also be prepared for the Section 151 Officer by any imprest holder leaving the Council's employment or no longer entitled to such an account. Senior management must notify the Section 151 Officer as soon as they are aware of any such event.
- 11.5 All claims for petty cash reimbursement must be made on the standard form, supported by a receipted voucher certified by the appropriate Budget Manager. Petty cash reimbursements will be paid by BACS directly into the claimant's bank account. Other arrangements may be made for officers based outside Surrey Heath House.

## **12. BANKING ARRANGEMENTS AND CHEQUES**

- 12.1 All arrangements with the Council's bankers must be made or approved by the Section 151 Officer, who is authorised to operate necessary banking, National Giro, Credit and Purchasing Card Accounts and give any appropriate instruction or indemnity required by the Council's bankers. The Council must review its banking arrangements at least every 5 years.
- 12.2 All bank accounts must be in the name of Surrey Heath Borough Council. All cheques, payment forms and other debit and credit forms must be ordered by the Head of Financial Services, who must make proper arrangements for their security. Cheques drawn on authorised imprest accounts are excluded from this Regulation.
- 12.3 Cheques and similar vouchers on the Council's main banking and National Giro accounts must either display the facsimile signature of the Section 151 Officer, or be signed by the Section 151 Officer, Chief Executive or Head of Financial Services. All cheques drawn over £20,000 in value must be countersigned by the Chief Executive, Head of Financial Services or Head of Audit.

## **13. CONTRACTS**

- 13.1 The Chief Executive, Director or Head of Service concerned must be satisfied that the tenderer is able to fulfil a contract satisfactorily before any contract is entered into. The Head of Financial Services must investigate the financial status of tenderers for contracts over £50,000, and for any other contract where such a check is considered necessary. A financial appraisal should also be undertaken before any contract is extended or negotiated for an additional period.
- 13.2 The Service Accountant (Insurance) must see relevant insurance details and advise on necessary limits before any contract is entered into. Heads of Service are responsible for ensuring that the Service Accountant (Insurance) receives the following details for all proposed contracts:
- nature of work
  - contract sum
  - period of contract
  - any special risk
  - whether the contract relates to existing Council property.
- 13.3 For each contract, the Chief Executive, Director or Head of Service must nominate a Contract Manager who will be responsible for complying with Standing Orders,

properly maintaining all contract documentation, obtaining all necessary sub-contractor tax certificates and forwarding them to the Head of Financial Services before payment is made.

- 13.4 The Head of Financial Services must keep a register of all contracts over £50,000 and all other contracts under seal, to record all payments and show the state of account on each contract between the Council and its contractors together with any other payments and related professional fees. Contracts based on schedules of rates and for which individual job orders are placed are exempted from this Regulation.
- 13.5 Where contracts of £50,000 or less are placed on official orders or other schedule of rates tenders allow for payment by instalments, the relevant Contract Manager must keep a record to show the state of account for each contract together with any other payments and related professional fees, in a form approved by the Section 151 Officer. Contracts of £5,000 or less must not be paid by instalment.
- 13.6 Each payment to a contractor must be made on a certificate issued by a Head of Service, Contract Manager or other properly authorised officer. Each payment certificate must show:
- the approved contract sum, approval reference and contract number
  - the value of approved variations to the contract and approval reference
  - the value of work completed to date
  - retention money held
  - retention money released
  - amount paid to date
  - amount now certified
  - any fluctuations, where applicable
  - VAT, where applicable.

Payment supporting documents must be kept by the Contract Manager on a permanent file, showing how the payment has been built up.

- 13.7 Subject to contract provisions, every extra or variation must be authorised in writing by the Chief Executive, Director or other properly authorised officer before expenditure is incurred, except in exceptional circumstances and only when the total budget approved for the contract is not exceeded. Where the approved budget would be exceeded, the Executive must approve any variation. A copy of each variation order for contracts of £50,000 or more must be supplied to Finance.
- 13.8 The final payment certificate for any contract must not be issued until Audit has had the opportunity to agree a detailed statement of account, including all relevant documents as required from the appropriate officer, private architect, engineer or other consultant. Audit must examine current and final accounts for contracts as necessary, making any enquiries and receiving any information and explanations required at any time during or after the contract period.
- 13.9 Claims from contractors for matters not clearly within the terms of any existing contract must be referred to the Head of Legal and Corporate Services to consider the authority's legal liability and to the Section 151 Officer for financial consideration before a settlement is reached.

13.10 Where contract completion is delayed and gives rise to a claim for liquidated damages on behalf of the Council, the Contract Manager concerned must act in accordance with the Contracts Handbook section 8 (Contract Management – Financial Management) and report to the appropriate Portfolio Holder.

## **14. INCOME AND DEBTORS**

### Fees and Charges

- 14.1 As named budget holder, the Chief Executive, Directors or Heads of Service must set annual discretionary fees and charges after consultation with the relevant Portfolio Holder and Head of Financial Services. Charge adjustments may be made for variations to standard services at the discretion of the Chief Executive, Director or Head of Service concerned following consultation with the relevant Portfolio Holder. All charges for Council services must be reviewed every year and approved by Members.
- 14.2 Proposed charges must reflect costs, budget guidelines, corporate priorities and case law. Any new charge or change where the predicted annual increase in income is over £1,000 or that involves potentially sensitive issues should be raised with the Management Board before consultation with the relevant Portfolio Holder.
- 14.3 One-off services may be undertaken and associated charges set by the Chief Executive, Director or Head of Service concerned subject to availability of resources and consideration of any sensitive issues by the Management Board and the relevant Portfolio Holder.

### Collection of Income Due

- 14.4 The collection of all income due to the Council is under the direct supervision or approval of the Section 151 Officer, and must comply with the Corporate Policy on Debt and procedures.
- 14.5 The Chief Executive, Directors and Heads of Service must provide the Section 151 Officer with details from daybook sheets including debtor details and correct income code, to record all sums due to the Council and ensure prompt recovery of income. This includes all contracts, leases and other agreements or arrangements involving the receipt of money by the Council. The Section 151 Officer may inspect any related documents or evidence as required.
- 14.6 All official receipt forms, books, tickets and similar items must be ordered, controlled and issued by the Section 151 Officer for supply to services as needed. All receipts and issues of controlled stationery must be recorded in a register, with each entry signed by the receiving officer.
- 14.7 It is important to maintain separation of duties between officers raising invoices and those collecting income. Officers are accountable for all money they receive on behalf of the Council, and must record it in an accurate, chronological account of all receipts and deposits with either the Section 151 Officer or the Council's Bankers. All income received by an officer on behalf of the Council must be paid promptly to the Section 151 Officer, to the Council's banking or National Giro account, or transmitted directly to any other entitled body or person as instructed by the Section 151 Officer.

- 14.8 All cheques and payable orders must be crossed to the Council's account immediately on receipt in the receiving department. Every transfer of official money from one officer to another must be evidenced in departmental records by the signature of the receiving officer. Personal cheques must not be cashed from money held on behalf of the Council.
- 14.9 Any discrepancies between amounts deposited and amounts shown as received must be recorded and investigated, with Audit notified immediately of any amounts over £20. If not corrected, any shortfall must be made good at a later deposit at the discretion of the Section 151 Officer, with any uncorrected shortfall over £200 reported to the Executive.
- 14.10 Cancelled invoices or day book sheets must show the reason for cancellation and be signed by an authorised officer of the service responsible for raising the debt.

#### Sponsorship

- 14.11 Offers of sponsorship with a value of less than £1,000 may be arranged and agreed by the Chief Executive, Director or Head of Service concerned. Offers with a greater financial value should be discussed with the relevant Portfolio Holder. All arrangements for sponsorship must be careful to comply with paragraph 15 of the Officer Code of Conduct. (Regard shall be given to the Guidance on Sponsorship within the Constitution.)

#### Windfall Income

- 14.12 The Section 151 Officer must be notified of any anticipated one-off or windfall income to the Council (such as unclaimed housing benefits) as soon as it is identified. Use of windfall income of less than £1,000 will be determined by the Section 151 Officer in accordance with corporate priorities. Use of windfall income of £1,000 or more will be considered by the Management Board and approved by the Executive.

### **15. INSURANCE**

- 15.1 The Section 151 Officer must arrange all insurance cover and negotiate all claims in consultation with other officers, as necessary. The Council must review its insurance arrangements at least every 10 years, and its level of risk cover at least once a year.
- 15.2 Heads of Service must keep the Section 151 Officer promptly informed of all new risks, properties or vehicles that need to be insured, of any alterations affecting existing insurances and of any special risks with regard to contracts, such as pile driving. They must review all insurances in consultation with the Section 151 Officer as and when necessary, consulting the Section 151 Officer and Head of Legal and Corporate Services on the terms of any indemnity that the Council is asked to provide.
- 15.3 The Service Accountant (Insurance) must maintain appropriate records detailing all insurances arranged by the Council, and keep Heads of Service informed as necessary. Heads of Service must keep records of all plant, vehicles, furniture and equipment under their control, to be available for inspection by the Section 151 Officer. See section 16 below.
- 15.4 In the event of any loss, liability, damage or event likely to lead to a claim, Heads of Service must promptly notify and provide a written report to the Section 151 Officer.

Officers must never verbally admit liability, take any action or record in any way an admission of liability on behalf of the Council.

- 15.5 All employees of and voluntary workers for the Council must be included in a suitable fidelity guarantee policy.
- 15.6 Unless a small claim as detailed at paragraph 15.7 below, an insurance claim should be made where possible and no payments made to third parties in lieu of or advance for damage to third party property.
- 15.7 The Section 151 Officer has authority to make payments under the small claims procedure on behalf of the Council's insurers. In consultation with the Chief Executive, the Section 151 Officer may make ex-gratia payments of up to £100 for any single claim.
- 15.8 On request, senior managers must provide the Section 151 Officer with details of insurance cover arranged by organisations that own or lease buildings on Council held land.
- 15.9 The Service Accountant (Insurance) must periodically inspect insurance documents to ensure that adequate cover is in place for all mortgaged properties, including those where the mortgagor has arranged cover with a company other than the Council's own insurers. He or she must also inspect insurance documents to ensure adequate cover is arranged and maintained for vehicles purchased under car loan agreements.

## **16. INVENTORIES**

- 16.1 Heads of Service are responsible for setting up and maintaining an inventory of all items under their control with a replacement value of £50 or more, including all electrical and photographic equipment regardless of cost. Inventories must be kept up to date, in a form agreed with the Section 151 Officer. An annual check of all inventories must be carried out by each service, and action taken on any anomalies found that must be noted on the inventory. Details of all purchases or disposals must be included on inventories at the time of purchase, sale or disposal and notified to the Section 151 Officer
- 16.2 The Head of Legal and Corporate Services is responsible for maintaining a central inventory of furniture and the Head of Information and Communications Technology a central inventory of computer equipment.
- 16.3 Heads of Service are responsible for the care and custody of all equipment held in their respective services. Council property must not be removed or used except in the ordinary course of business, or in accordance with specific directions from the Head of Service concerned.

## **17. INVESTMENTS, BORROWING AND TRUST FUNDS**

- 17.1 All money in the hands of the Council is to be aggregated for the purposes of treasury management under the control of the Section 151 Officer.
- 17.2 This Council adopts the key recommendations of CIPFA's 'Treasury Management in the Public Services; Code of Practice' (the Code), as described in Section 4 of that Code.

- 17.3 Accordingly, this Council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies and objectives 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 policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.

- 17.4 This Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to its Executive, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 17.5 The Executive 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, and an annual report by 30<sup>th</sup> September after its close, in the form prescribed in its TMPs.
- 17.6 All negotiable instruments, financial bonds and securities held in the name of the Council or its nominees must be held securely by the Head of Legal and Corporate Services, the Section 151 Officer or the Council's bankers unless the Council has authorised use of an outside agent.
- 17.7 In consultation with the relevant Portfolio Holder or Leader, the Section 151 Officer may engage external Investment Fund Managers to manage the authority's investments. The terms and conditions of any engagement will be determined by the Section 151 Officer and include a requirement that any such managers must report quarterly to and attend review meetings with Council representatives.
- 17.8 All trust funds must wherever possible be in the Council's name and always comply with the requirements of the Charity Commissioners. Unless the trust deed states otherwise, officers and councillors (except when acting in a private capacity) acting as trustees must give all related securities etc to the Head of Legal and Corporate Services or the Section 151 Officer for safekeeping. See section 9 above on the Audit of Unofficial Funds for general management guidance.

## **18. ORDERS FOR WORK, GOODS AND SERVICES**

- 18.1 Official orders must be raised for all work, goods or services to be supplied to the Council. Exceptions are allowed only for supply of public utilities, periodical payments such as rent or rates, reimbursement of expenses or other items approved by the Section 151 Officer.
- 18.2 Official orders can only be raised when there is approved budget to cover their costs, or by special financial provision or allocation. The names of officers authorised to sign orders must be notified to the Section 151 Officer in accordance with

arrangements for Authorised Signatories detailed at paragraph 7.2 above. Heads of Service are responsible for official orders raised in his or her service.

18.3 Official orders must be:

- in a form approved by the Section 151 Officer
- signed only by a properly authorised signatory
- consecutively numbered
- completed with details of the nature and quantity of work, goods or services required, the relevant contract, expenditure code and agreed or estimated price excluding VAT.

18.4 Any blank spaces on the order form must be drawn through diagonally by the completing officer, so no further items can be added after authorisation. Copy orders must be kept and filed numerically by the issuing service. The Section 151 Officer controls the issue of all order books, and stocks of unused orders must be kept securely within services.

18.5 Use of official electronic orders must be controlled by system access and authorisation procedures approved in advance by the Section 151 officer.

18.6 Verbal orders such as those made on the telephone should only be used in emergencies. The next available official order number and name of the authorised officer must always be quoted to the supplier, with a confirmation order sent to the supplier no later than the next working day, showing the official order number quoted and marked "Confirmation order – telephone order of (date) refers".

## 19. PAYMENT OF ACCOUNTS

19.1 Apart from arrangements for advance accounts (see Section 11 above), the normal methods of paying sums due from the Council are BACS and crossed cheque. Payments by other methods such as credit or purchase cards may only be at the discretion of the Section 151 Officer.

19.2 The Head of Service or delegated officer issuing an order must use arrangements for authorised signatories to set up procedures for examining, verifying and certifying the related invoice, payment voucher or account. The Head of Service receiving the works, goods or services must arrange to certify receipt and that the sum due for payment is provided for within approved budgets. These procedures must ensure prompt clearance of invoices to achieve performance indicator targets and avoid financial loss under the Consumer Credit Act.

### Payment of invoices where an official order has been issued

19.3 As soon as possible after receipt, invoices for which an official order has been issued must be certified on "Certification of Invoice" form F34 as follows:

- the officer ordering the works, goods or services must initial to confirm that the works, goods or services have been satisfactorily received and that the sum due for payment is properly incurred and covered by approved budgets;
- the officer must indicate whether or not the invoice has been in dispute;
- the officer must also mark off the invoice on the copy order and initial to confirm that the invoice has not been previously paid;

- the officer must ensure that the prices, extensions, calculations, trade discounts, other allowances, credits and treatment for VAT (see Regulation 21 below) are correct;
  - the officer must certify by full signature that all previous checks have been carried out to his or her satisfaction and that the invoice is approved for payment;
  - the officer must immediately forward the invoice to Finance.
- 19.4 Finance must verify that invoices are properly certified by responsible officers and examine certified accounts as necessary, receiving any information and explanations required.
- 19.5 Where payment of an invoice clears its associated order, the order must be marked "Paid" and numerically filed with other completed orders, separately from unpaid orders.
- 19.6 As soon as possible after 31<sup>st</sup> March or by a date in April set by the Section 151 Officer each year, the Chief Executive, Directors and Heads of Service must each notify the Section 151 Officer of all outstanding revenue expenditure for the previous financial year relating to works, goods or services ordered and supplied during that year.
- 19.7 Statements are not invoices, and to reduce the risk of duplicate payments, must not be paid.
- 19.8 Faxed documents must not be used as payment vouchers for the same reason. Photocopies also increase the risk of duplicate payments and must not be used for payment unless endorsed by the certifying officer that the original is not available and unlikely to be so.
- 19.9 The Chief Executive or properly authorised officer is responsible for raising and certifying requisitions for making approved loans and advances.
- 19.10 Accounts for payments relating to purchase of land or property must be supported by details of the land or property including location, the vendor's name, the purchase price and all associated expenses, and be certified by the Chief Executive or properly authorised officer.

#### Payments made without invoice

- 19.11 All payments made without a supporting invoice must be recorded on a "Cheque Requisition Voucher" form F66, unless otherwise instructed by the Section 151 Officer. A properly authorised officer must initial to confirm that:
- the work, goods, services, refunds, rebates or other commitments have been properly received or will be received or accounted for;
  - the calculations, allowances, credits and treatments for VAT are correct;
  - the amount for payment has not been previously passed for payment;
  - the sum due for payment is provided for in approved budgets.

The officer must then certify by full signature that all previous checks have been satisfactorily carried out and that the payment is approved.

- 19.12 By 31<sup>st</sup> March each year, the Chief Executive, Directors and Heads of Service must ensure that all capital expenditure occurring in that year has been properly certified

and passed for payment. No account may be taken of expenditure in the year incurred by contractors but not certified or paid by the Council.

## **20. PARTNERSHIPS**

- 20.1 The Chief Executive, Directors and Heads of Service may enter into partnerships and similar joint undertakings on behalf of the authority, subject to consideration and approval by the Management Board and the Executive. Partnership transactions must comply with these Financial Regulations and Standing Orders, unless otherwise specified by the partnership.

## **21. VALUE ADDED TAX (VAT)**

### VAT on payments

- 21.1 Certifying officers must confirm that all suppliers of goods, works or services have complied with VAT legislation and have correctly completed payment documentation in accordance with instructions issued by Customs and Excise.

### VAT on receipts

- 21.2 All officers raising income for the Council must consult Finance to ensure compliance with VAT legislation for the supply of Council services. The Section 151 Officer is responsible for maintaining all records, accounts and claims under the Value Added Tax Act 1983.

## **22. SALARIES, WAGES AND PENSIONS**

- 22.1 The Head of Legal and Corporate Services will pay all salaries, wages, pensions, compensations etc. to all employees or former employees of the Council. This will be under arrangements approved and controlled by the Section 151 Officer in consultation with the Head of Legal and Corporate Services.

- 22.2 The Head of Legal and Corporate Services or Chief Executive, Director or Head of Service concerned must notify the HR Manager and the Section 151 Officer as soon as possible of anything affecting such payments, particularly:

- appointments, resignations, dismissals, retirements, redundancies, deaths, suspensions, secondments and transfers;
- absence from duty due to sickness, maternity, compassionate or unpaid leave;
- all changes in remuneration for employees on Surrey Heath Borough Council conditions of contract;
- changes in remuneration apart from normal increments, pay awards and agreements affecting all other employees;
- information necessary to maintain records of service for superannuation, income tax, national insurance and similar matters.

- 22.3 All employees must be appointed in accordance with the Regulations of the Council and the approved establishments, grades and rates of pay.

- 22.4 All time records or other pay documents must be in a form set or approved by the Section 151 Officer. The Chief Executive, Directors or Heads of Service are responsible for completing and signing time sheets as needed and for passing them to the Head of Legal and Corporate Services for payroll preparation.

## **23. SECURITY**

- 23.1 The Chief Executive, Directors and Heads of Service are responsible for the security of all buildings, stocks, stores, equipment, cash, documents and other assets under their control. The Section 151 Officer must be consulted whenever security might be inadequate or special arrangements are needed.
- 23.2 Maximum limits for cash holdings must be agreed with the Section 151 Officer and cannot be exceeded without his permission, to prevent invalidating insurance cover.
- 23.3 Keys to safes, cash boxes, strong rooms and security systems must be held by officers responsible for them at all times. The loss of any such keys must be reported to the Section 151 Officer at once and no new keys cut without agreement from the Section 151 Officer.
- 23.4 The Head of Legal and Corporate Services is responsible for the proper security and privacy of electronic data. The Chief Executive, Directors and Heads of Service are each responsible for ensuring compliance with Data Protection legislation in their respective services, and for ensuring all staff are aware of their obligations under the Data Protection Act.

## **24. STOCKS AND STORES**

- 24.1 Heads of Service are responsible for the care and custody of stocks and stores in their services, for keeping stocks and stores records in a form approved by the Section 151 Officer and for not holding more stocks than are needed.
- 24.2 Heads of Service must arrange for at least annual test checking of stocks by officers who are independent of responsibility for stock control. Audit Services are also entitled to check stocks and stores, and receive any information required for the Council's accounting, costing and financial records.
- 24.3 Adjustments to write off shortfalls or bring surpluses into charge must be authorised by the Section 151 Officer, except for individual adjustments of £500 or more when the relevant Head of Service must secure the approval of the relevant Portfolio Holder.
- 24.4 The Chief Executive, Director or Head of Service is responsible for keeping records of all vehicles and mobile equipment under his or her control, which Audit Services are entitled to examine.
- 24.5 Heads of Service may dispose of surplus materials, stores or equipment up to a value of £500 by competitive tender, public auction or another reasonable manner at the discretion of the Section 151 Officer. Before disposal all other services must be notified to see if items for disposal can be used elsewhere.

## **25. TRAVEL, SUBSISTENCE, FINANCIAL LOSS AND OTHER ALLOWANCES**

- 25.1 All claims for payment of officers' car allowances, subsistence allowances, travelling and incidental expenses incurred on official duty must be properly certified by an authorised officer and submitted to Payroll or Finance as appropriate on the approved form within two days of the month end to which the claim relates.

- 25.2 All claims for the payment of work or qualification training and course expenses, including related subsistence and travel expenses, must be properly authorised by an officer in the same service and submitted to the Head of Legal and Corporate Services for certification and forwarding to the Section 151 Officer. Claims for conference expenses must be signed by a properly authorised officer and submitted to the Section 151 Officer.
- 25.3 Payments to members, including co-opted members of the Council or its committees, and to officers who are entitled to claim travelling or other allowance, must be made by the Head of Legal and Corporate Services on receipt of the properly completed claim form. All claims must be certified by the Chief Executive to confirm attendance and submitted to the Section 151 Officer within two days of the month end to which the claim relates.
- 25.4 Certification by or on behalf of the Chief Executive, Director or Head of Service means that the certifying officer is satisfied the journeys were authorised, expenses properly and necessarily incurred and that the allowances are properly payable by the Council.

## **26. WRITE OFFS AND DISPOSALS**

- 26.1 Amounts, individual debts, stocks and stores of up to and including £1,000 may be written off with the approval of the Head of Financial Services. Amounts or items of over £1,000 can only be written off with the approval of the Executive.
- 26.2 The Section 151 Officer has authority to write off debts in respect of bankruptcies and liquidations. Any such amounts written off or later associated receipts must be reported to the relevant Portfolio Holder or Leader for information.
- 26.3 A bad debt raised on the Council sundry debtor system after 1<sup>st</sup> April 1997 will be written off against the revenue service account from which it was raised; bad debts relating to highways agency accounts will be written off only with the agreement of Surrey County Council; bad debts relating to gypsy rents will be written off to the relevant personal account and will be included in the next claim submitted to Surrey County Council; bad debts relating to bed and breakfast accommodation will be written off to a specific corporate provision.
- 26.4 A central file of all amounts written off must be maintained within Finance and kept up to date. All requests for write off must be submitted by Heads of Service to Finance. Details of the total values written off and the services to which they refer must be reported in the Information Bulletin each year.
- 26.5 Heads of Service may dispose of items of equipment that are obsolete or surplus to requirements after consultation with the Section 151 Officer. Disposal must normally be by competitive tender or public auction, unless otherwise approved by the Section 151 Officer.

## **27. PROTECTION OF PRIVATE PROPERTY IN THE TEMPORARY CUSTODY OF THE AUTHORITY (LOST PROPERTY)**

- 27.1 When action is needed to prevent or limit loss or damage of moveable property, the Chief Executive, Director or Head of Service concerned must notify the Section 151 Officer and provide an itemised and certified inventory in all cases. These inventories must be prepared in the presence of at least two officers.

27.2 All valuables such as jewellery, watches and other similar items and documents of title must be deposited with the Section 151 Officer for safe custody, unless he or she decides otherwise.

**28. COMMERCIALY COMPETITIVE LOCAL AUTHORITY SERVICES**

28.1 Where any of the Council's services are being run in competition with commercial organisations, to the extent that they may unreasonably restrict the commercial operation of the service concerned, the Section 151 Officer following consultation with the Management Board and the relevant Portfolio Holder or Leader may amend any of these Financial Regulations. All such amendments must be reported to the next meeting of the Executive.

**SURREY HEATH BOROUGH COUNCIL  
FINANCIAL REGULATIONS  
GLOSSARY OF TERMS**

<b>Accrual</b>	A sum included in the final accounts to cover income or expenditure attributable to that year but for which payment was not received/made during the year.
<b>Allocation</b>	Salaries and associated expenses of central departments, and the cost of maintaining administrative buildings and other central services shared between cost centres.
<b>Budget</b>	A statement of the authority's plans for revenue and capital expenditure and income over a specified period of time.
<b>Budget Head</b>	A specific area of income or expenditure that together make up a cost centre. Each is given an individual number within the cost centre as detailed in the Estimate Booklet.
<b>Capital Discharged</b>	The amount of capital expenditure paid for out of revenue or other sources.
<b>Capital Outlay</b>	Expenditure on acquiring significant fixed assets which will be of use or benefit in providing services beyond the year of account.
<b>Capital Programme</b>	This makes budget provision for expenditure on major schemes or works.
<b>Capital Receipts</b>	Proceeds from the sale of assets and other receipts of a capital nature.
<b>Cash Limited Budget</b>	A budget subject to the control that additional funds cannot be made available unless realised through increased income or from savings within the approved budget.
<b>Cost Centre</b>	The main headings for each activity as shown in the summary sheet in the Estimate Booklet.
<b>Collection Fund</b>	The Council collects local taxation on behalf of Surrey County Council, Surrey Police, Parish Councils and to meet its own needs. This money collected as Council Tax is managed separately along with central government grants in the Collection Fund.
<b>Creditors</b>	Represent money owed by the Council to others.
<b>Debtors</b>	Represent money owed to the Council by others.
<b>Deferred Capital Receipts</b>	Monies from sales of assets which will be received in instalments over agreed periods of time.
<b>Deferred Charges</b>	An item in a balance sheet where there is a loan liability but no tangible asset, such as house renovation grants or residual debt on assets sold.

<b>Detail Account</b>	Sub divisions of the numbered budget heads, details of which are held in the financial accounting system.
<b>Fidelity Guarantee</b>	Insurance against fraudulent losses.
<b>General Fund Revenue Account</b>	Makes financial provision for all operational expenditure on services, or day to day running costs. The main Council fund.
<b>Government Grants</b>	Sums paid by central government towards either specific services or in aid of services generally.
<b>Management Board</b>	The membership of the Management Board is the Chief Executive, Director of Support Services and Director of Corporate Services, advised by the Section 151 Officer and the Monitoring Officer who are ex officio members.
<b>Monitoring Officer</b>	The officer designated under section 5 of the Local Government and Housing Act 1989 as the Council's Monitoring Officer, responsible for the discharge of a wide range of statutory duties such as arrangements for corporate governance, lawfulness, standards of conduct, probity, allegations of maladministration, complaints, etc. The officer is currently the Head of Legal and Corporate Services.
<b>Outturn</b>	The actual income and expenditure for a financial year, as stated by the final accounts.
<b>Performance Indicators</b>	A set of local authority service performance indicators determined by central government and published each year for every local authority.
<b>Project</b>	<p>Discrete piece of work which is not "business as usual" but has a start and end date, and for which a team would usually be assembled to focus on the work.</p> <p><u>Gold</u> major projects relating to the four key priorities in the Corporate Plan or those that SMT considers critical to the success of SHBC; SMT member as sponsor or lead officer; frequent proactive updates to SMT.</p> <p><u>Silver</u> major projects in a service; critical to the success of the service to community; EMT member as sponsor or lead officer; regular proactive updates to SMT. Will be identified in Service Plans.</p> <p><u>Bronze</u> significant projects; impact limited to discrete services/communities; EMT or service colleague as sponsor or lead officer; SMT updated by exception only; will be identified in Service Plans.</p> <p><u>Status</u> "Green" - project progressing well; risks under control; completion target will be met. "Amber" - project progressing, but significant risks developing; completion target may not be met; "Red" - significant risks impeding project completion, and completion target unlikely to be met; corrective action needed.</p>

<b>Property Maintenance Fund</b>	A separate financial provision for the major repair and maintenance of the Council's existing property, vehicles, plant and equipment.
<b>Repairs and Renewals Fund</b>	A separate financial provision for the major repair and maintenance of the Council's existing property, vehicles, plant and equipment, like the Property Maintenance Fund.
<b>Reserves and Provisions</b>	Funds set aside to meet future expenditure on specific items or as a contingency against future losses.
<b>Revenue Contributions to Capital Outlay</b>	The financing of capital expenditure directly from revenue.
<b>Revenue Expenditure</b>	The day to day costs of providing services.
<b>Section 151 Officer</b>	The officer responsible for the proper administration of the Council's financial affairs, currently the Chief Executive, as required by section 151 of the Local Government Act 1972.
<b>Virement</b>	The transfer of an underspend or increased income on one budget head to finance additional spending on another budget head within the financial year, without affecting future budgets.
<b>Working Balances</b>	Sums provided within the accounts to meet those expenses incurred in advance of the receipt of income as well as for unforeseen contingencies.

