

## **FINANCIAL REGULATIONS**

(Recommended to Executive 26<sup>th</sup> March 2012)

### **1. INTRODUCTION**

- 1.1 These financial regulations have been prepared to advise Members and employees of Bolton Council of the required standards which must be complied with in the management of the Authority's financial affairs.
- 1.2 The regulations define those financial elements that are to be managed by the Deputy Chief Executive. The responsibility for other financial issues rests with Departmental Directors or those to whom responsibility is delegated under statute (e.g. Head teachers).
- 1.3 The Chief Executive's role in corporate and strategic management is recognised including the effective utilisation of the Council's resources in attaining its objectives is recognised.
- 1.4 The Deputy Chief Executive is responsible under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988 for the proper administration of the financial affairs of the Council. The regulations have been designed to meet these legal requirements whilst allowing decisions to be taken by service management wherever possible.
- 1.5 In order to meet statutory responsibilities, the Deputy Chief Executive is to be the head of financial services within the Authority. This provides accountability to the Deputy Chief Executive by all finance staff within the Authority to maintain and promote the highest standards of financial management, integrity and administration in line with these Financial Regulations, Accounting Standards and Codes of Practice.
- 1.6 All accounting and financial systems operated by the Council shall be subject to minimum standards laid down by the Deputy Chief Executive. Any departure from using corporate financial systems must be justified on cost or service grounds and agreed by the Deputy Chief Executive.
- 1.7 The Statutory role of Monitoring Officer is assigned to the Director of Chief Executives Department (Borough Solicitor from 1 April 2012). The monitoring officer is responsible for reporting any actual or potential breaches of the law or maladministration to the full council and/or to the executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 1.8 In relation to support services and trading activities where departmental Directors wish to consider not using existing in-house services, then a full evaluation must be undertaken. Any decision to not use an "in-house" service must be on cost and service delivery grounds and the "in house" operation must have been given the opportunity to bid for the service. Any decision will be subject to approval by the Executive.

### **2. FINANCIAL SUPERVISION**

- 2.1 The Deputy Chief Executive shall prepare a Financial Manual in relation to the corporate systems, with regard being had to the following objectives: -
  - Ensuring the separation, so far as is practicable, of cash and stores handling duties from the responsibility of accounting for those transactions.

- ❑ Minimising the amount of cash handled.
- ❑ Standardising the financial forms and procedures throughout the Authority.
- ❑ The observance of the principles essential to ensure a sound system of financial administration and management.
- ❑ That appropriate security measures are taken to ensure the safe custody of the Council's assets through the maintenance of appropriate records and periodic physical checks.
- ❑ Where it is considered desirable to introduce an "administration manual" or similar instructions for a particular group of establishments, the Deputy Chief Executive and the Director of Chief Executives Department (Borough Solicitor from 1 April 2012) must be consulted to ensure that minimum standards are maintained.

### **3. FINANCIAL MANAGEMENT**

#### **3.1 Financial Advice – Corporate**

The Deputy Chief Executive is responsible for providing financial advice to the Council on all those issues where the Authority is regarded as one legal entity.

#### **3.2 Financial Advice – Departmental**

The Deputy Chief Executive has an overall responsibility to ensure the competent financial advice to an appropriate and reliable standard is provided to the Executive, Executive Members, Committees and Departments. Departmental Directors are responsible for ensuring the arrangements are in place to provide the financial advice and support needed to meet their requirements and undertake necessary risk management appraisals.

#### **3.3 Budget Setting – Corporate**

The Chief Executive and Deputy Chief Executive shall be responsible for designing and implementing the annual Corporate Business Planning Process. The Deputy Chief Executive is responsible for the preparation of a corporate budget reconciling aggregate planned expenditure with anticipated income, advice on the setting of Council Tax and advising on the prudent levels of reserves for the Council.

#### **3.4 Budget Preparation – Departmental**

Detailed Departmental budget preparation will be the responsibility of individual Departmental Directors subject to complying with the Authority's Corporate Business Planning Process and guidance on price base assumptions. The Deputy Chief Executive will determine the information, format and timetable.

#### **3.5 Monitoring – Corporate**

The monitoring of corporate expenditure, aggregate expenditure and cash-flow management will be undertaken by the Deputy Chief Executive who must be supplied with the information necessary to undertake this task.

### 3.6 Monitoring – Departmental

Departmental Directors are responsible for revenue budget management within the totals allocated in the corporate budget. Providing there is no specific direction from the Council to the contra, Departmental Directors may transfer budget allocations within their responsibility. Corporately managed budgets (such as capital financing) may not be redirected by Departmental Directors. Incurring of expenditure and monitoring against budgets will be the responsibility of Departmental Directors.

In managing within overall budget allocations, any transfer of resources from one budget head to another which would significantly impact on an existing Council policy must be submitted to the Executive for approval.

### 3.7 Closure of Accounts – Corporate

The Deputy Chief Executive will affect the consolidation and production of the Authority's statutory accounts.

### 3.8 Closure of Accounts – Departmental

Departmental Directors will be responsible for the closure of their departmental accounts which must be in accordance with the standards, timetables and format set by the Deputy Chief Executive. Accounts must also be prepared in accordance with the relevant statutory requirements.

### 3.9 Under/Overspends

All variations between actual expenditure and the departmental budget adjusted for corporately managed expenditure will be carried forward to the following year. An aggregate Departmental underspend of more than 5% will require a report to the Executive before carry forward is allowed. For overspends of more than 2.5% a report to the Executive must explain why the overspend has arisen and the steps being taken to ensure it will not be repeated.

### 3.10 The Collection Fund

The Collection Fund is to be managed by the Deputy Chief Executive.

### 3.11 Tax Accounting

The Deputy Chief Executive will manage the Tax accounting requirements of the Authority. Departmental Directors are required to operate proper procedures for tax accounting within their departments and establish the VAT implications of all proposals (particularly Capital Expenditure on VAT exempt activities) prior to making policy proposals.

### 3.12 Grant and Statistical Returns

The Deputy Chief Executive will make all necessary grant claims on behalf of the Council; Departmental Directors are responsible for providing such supporting information as is necessary. The completion of statutory statistical returns will be the responsibility of Departmental Directors with the exception of statutory returns requiring consolidation which will be the responsibility of the Deputy Chief Executive.

### 3.13 Trading Accounts

The Deputy Chief Executive will advise on the establishment and operation of Trading Accounts. Departmental Directors are responsible for preparing annual business plans and

out-turn reports to demonstrate Trading Accounts have been managed as businesses in accordance with proper accounting principles.

### 3.14 Partnerships

Prior to entering into partnerships Departmental Directors shall undertake a risk management appraisal to identify and assess the risks associated with the proposed course of action and assess the viability of the partnership in terms of the resources available to it. An agreement should clearly specify the roles and responsibilities of partners and the communication mechanisms to be adopted. Where appropriate, potential partners should be made aware of their responsibilities under the Council's Financial Regulations and Standing Orders.

## 4. **INCOME**

### 4.1 Prompt Collection and Recording

Given the financial importance of cash-flow management, VAT requirements and statutory financial reporting, all income must be recorded promptly in a manner approved by the Deputy Chief Executive. Steps should be taken to ensure early collection.

### 4.2 Collection Mechanisms (Invoice, Pre-payment, Receipt, Ticket)

Departmental Directors may choose from the approved mechanisms for collecting income and will bear the administration costs and consequences of lost income. Additional collection methods which meet the minimum standards set must be agreed by the Deputy Chief Executive prior to implementation.

### 4.3 Bad Debt Provision

The Authority is required under statutory accounting practice to set aside a bad debt provision. Departmental Directors must make appropriate provision in respect of the income for which they are responsible. The Deputy Chief Executive will monitor the overall situation.

### 4.4 Enforcement Procedures and Treatment of Irrecoverable Debts

Departmental Directors have the responsibility for enforcing debt recovery. The Executive Member for Health and Corporate Resources will make decisions on debt write off on the recommendation of the Deputy Chief Executive in consultation with Departmental Directors.

### 4.5 Form of Receipt

Receipts or tickets must be of a form approved by the Deputy Chief Executive.

### 4.6 Fees & Charges

Except where statutory requirements provide otherwise all fees and charges shall be increased by the Council's inflation "norm" annually as calculated by the Deputy Chief Executive as part of the budget process. Where a service proposes a lower than inflation increase alternative budget savings should be advanced at the same time.

### 4.7 External Funding and work for third parties

Departmental Directors shall maintain records of all contracts entered into with external bodies in a form agreed with the Deputy Chief Executive. Prior to entering in to such

agreements a risk management appraisal should be conducted to ensure such arrangements do not adversely impact on the services provided by the Council.

## **5. CAPITAL EXPENDITURE**

- 5.1 Annually the Deputy Chief Executive shall prepare a Capital Programme ensuring all approved capital schemes match the financial resources available to the Council.
- 5.2 No capital expenditure shall be incurred unless approval has been given by the appropriate Executive Member. Approvals will normally be given as part of the Council's Corporate Business Planning Process. In exceptional circumstances, the Executive may grant a supplementary capital approval outside the normal planning cycle, having established the scheme is of sufficient policy priority and there are resources available to fund the proposal.
- 5.3 Departmental Directors shall have responsibility for the Capital Expenditure incurred. They must ensure that all expenditure is funded from their approved capital resources or that additional resources are found from their Revenue budgets. Cost variations on individual capital projects in excess of 5% at any stage must be reported to and approved by the Executive Member.
- 5.4 Schemes must be managed within the year. Departmental Directors shall submit quarterly monitoring reports to their Executive Member showing the latest estimate of the total costs of approved schemes and the expenditure in the current year as compared with available resources.
- 5.5 Where scheme costs are reduced or schemes deleted, Departmental Directors can utilise the released capital resource in the year for other projects. However, this must not lead to any commitments for future years that cannot reasonably be accommodated by the Department within its likely allocation in the future year, without approval by the Executive.
- 5.6 Major projects are subject to the requirements of the Capital Project Management Handbook. The Directors of Corporate Resources and Legal & Democratic Services are responsible for maintaining that document. Departmental Directors are responsible for ensuring the principles of good project management adhered to, in particular that post project reviews take place.

## **6. PROCUREMENT**

- 6.1 All contracts on behalf of the Council shall be let in accordance with the Council's Standing Orders. Where a contract price can be adjusted for inflation this must be reported at the time the placing of the contract is considered.
- 6.2 In house services, existing contracts and e-procurement will provide routine channels for legal and efficient procurement. Where the Deputy Chief Executive agrees an exemption from the use of the e-procurement system official buying orders must be used and signed by designated officers.

## **7. PAYROLL**

### **7.1 Employee Records**

The maintenance of Member and employee payroll records are subject to statutory requirements and will be subject to minimum standards laid down by the Deputy Chief Executive.

## 7.2 Pay Determination

Departmental Directors shall comply with corporate guidelines and salary scales. In particular the grading of all posts must be agreed with the Assistant Director Human Resources.

## 7.3 Retirement/Termination/Redundancy

The responsibility for ensuring any termination of employment is in accordance with corporate policy will be the responsibility of Departmental Directors. The financial consequences of any termination of employment will be met from Departmental Budgets unless part of a corporately approved scheme.

## 8. **BANKING**

### 8.1 Treasury

The management of the Authority's cash-flow, lending and borrowing will be the responsibility of the Deputy Chief Executive in accordance with the code of practice approved by Council.

### 8.2 Disbursements

All disbursements will be made through the Authority's central bank account which will be the responsibility of the Deputy Chief Executive, except when the Deputy Chief Executive approves alternative arrangements. Where a School exercises its legal right to its own Bank Account the Deputy Chief Executive will issue guidelines within which the Bank Account is to be operated.

### 8.3 Financing Arrangements

All forms of external financing including leasing and borrowing will be the responsibility of the Deputy Chief Executive. No external funding arrangements shall be entered in to without the prior approval of the Deputy Chief Executive.

### 8.4 Imprest Accounts

The operation of imprest accounts are the responsibility of Departmental Directors. The Deputy Chief Executive must approve the establishment and management arrangements of all imprest accounts.

## 9. **CONTINUOUS IMPROVEMENT & VALUE FOR MONEY**

9.1 It is the responsibility of Departmental Directors to establish sound arrangements for planning appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving performance targets

## 10. **AUDIT**

10.1 The Internal Audit function operates under terms of reference agreed annually by the Executive Member for Health and Corporate Resources. The Deputy Chief Executive will be responsible for the internal audit of the Authority. Internal Audit shall have authority to

visit all offices and other establishments, have access thereto and have access to all records, documents and explanations in connection with any matter under examination.

**11. IRREGULARITIES**

- 11.1 The Deputy Chief Executive shall maintain an anti-fraud policy. Any suspected irregularity must be reported to the Deputy Chief Executive who will provide any necessary advice to management and where appropriate arrange for any investigations to be carried out.

**12. RISK MANAGEMENT & BUSINESS CONTINUITY**

- 12.1 The Deputy Chief Executive shall be responsible for overseeing the Risk Management process, maintaining the corporate risk register and providing Risk Management advice affecting such insurance cover as shall be necessary. The responsibility for reviewing and notifying the existence of risk will rest with the Departmental Directors managing the asset or undertaking the activity.

- 12.2 Departmental Directors are responsible for Business Continuity planning in their areas. The Corporate Business Continuity plan shall be maintained and updated by the Deputy Chief Executive.

**13. VOLUNTARY UNOFFICIAL FUNDS**

- 13.1 Voluntary unofficial funds held by an employee of the Council by reason of their employment shall be notified to the Departmental Directors concerned. Such funds are to be administered in accordance with the Code of Practice approved by the Council.

**14. REVIEW**

- 14.1 The Chief Executive and Deputy Chief Executive shall review the financial regulations at maximum intervals of five years and shall report to the Executive accordingly.