

HERTFORDSHIRE COUNTY COUNCIL

# **FINANCIAL REGULATIONS**



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## SECTION ONE

### INTRODUCTION AND OVERVIEW

#### 1.1 What are the aims of this document?

The aims of this document are to:

- set out the Financial Regulations of the County Council; and
- provide a reference point to other documents, which contain the detailed procedures behind these Regulations

#### 1.2 Who should read this document?

The Regulations apply to all staff and Members of the County Council, but are of particular importance to:

- Members;
- Chief Officers;
- Budget Managers / Budget Holders; and
- Finance Staff

#### 1.3 Why have financial regulations?

Financial regulations set out the policies and framework within which the County Council manages its business. They clarify responsibilities and provide a framework for decision-making. The financial regulations ensure that the Council complies with statutory powers and duties, as well as reflecting best professional practices and decisions of the County Council and Cabinet.

In summary, financial regulations are the regulatory framework for the financial affairs of the authority.

#### 1.4 Corporate governance in local government and financial regulations

Effective local government relies on public confidence in elected members and officials. Good corporate governance underpins credibility and confidence in our public services. These Regulations help to establish a framework by which the County Council can demonstrate its compliance with the underlying principles of good governance.

#### 1.5 What is the coverage of financial regulations?

The Regulations apply to all activities of the County Council.

In practice, this means all monies and funds administered by County Council officers in the course of their work. This includes the authority's direct service and trading organisations within the internal market and funds managed on behalf of third parties such as the Local Government Pension Fund, trust funds, community accounts and unofficial funds. Although locally managed schools have their own financial regulations

(contained in the authority's *Financial Handbook for Schools*) they reflect these Regulations.

External providers (outsourced services, contractors and consultants for example) are managed through the contract process. The contract document will set out the financial requirements. This will include for example, compliance with key control procedures, generation of service performance statistics, attendance at service client meetings and access to accounts.

The regulations do not apply to companies that the Council has an interest in, who will have their own governance arrangements.

## **1.6 Awareness and access**

It is the responsibility of Chief Officers to ensure that all employees with financial responsibilities are made aware of and have access to these Regulations.

## **1.7 Non-compliance with financial regulations**

All staff with financial responsibilities must comply with Financial Regulations. A member of staff who fails to comply with these Regulations may be subject to disciplinary action. The Chief Finance Officer is responsible for reporting to Cabinet and Council, where appropriate, any breaches of these regulations.

## **1.8 Review of financial regulations**

The Chief Finance Officer is responsible for maintaining a continuous review of these Regulations.

## **1.9 Other rules**

Apart from these Regulations, there are other rules which all members and officers must comply with. These include:

- The Law: Local Government law, general civil and criminal law
- Other parts of The County Council's Constitution, in particular:
  - standing orders for the Council, the Executive and for Committees;
  - schemes of delegations to committees
  - schemes of delegations to officers including any sub-delegations authorised under those schemes;
  - contract regulations
  - codes of conduct for members and officers
- personnel policies and procedures
- instructions issued to staff and managers by Chief Officers
- Procedures and guidance for Herts Finance, Budget Managers and Budget Holders, including all finance policies as published on the Intranet at <https://hertsc365.sharepoint.com/sites/intranet/policies>

## SECTION TWO

### FINANCIAL ROLES AND RESPONSIBILITIES WITHIN THE AUTHORITY

This section sets out the respective roles of Members and officers in the management of the County Council's finances.

The County Council is a single entity with devolved accountabilities but the overall responsibility for financial administration of the Council remains with the Chief Finance Officer (s.151 Officer).

For purposes of the Financial Regulations the role of:

- the Chief Finance Officer is carried out by the Director of Resources;
  - the County Property Officer is carried out by the Assistant Director for Property;
  - the Head of Risk Management is carried out by the Risk and Insurance Manager;
  - the Chief Internal Auditor is carried out by the Head of Assurance Services.
- The Executive Member for Resources is carried out by the Executive Member for Resources, Property and the Economy.

The job titles of those carrying out these responsibilities may change from time to time.

#### 2.1 The Chief Finance Officer

2.1.1 The Chief Finance Officer must discharge the statutory duties or mandatory requirements defined in:

- Section 151, Local Government Act 1972, which provides for the designation of an officer to have responsibility for the proper administration of the council's financial affairs;
- Sections 114 and 114A, Local Government Finance Act 1988, which require the Section 151 Officer to report to the Council (Cabinet in the case of executive functions) if they consider that the Council, Cabinet or an employee has made (or is about to make) a decision involving expenditure or loss which is unlawful and to consult with the Monitoring Officer and the Head of Paid Service before making such a report;;
- Section 25, Local Government Act 2003, which requires the Section 151 Officer to report to the Council, when it is considering its budget and council tax, on the robustness of estimates and adequacy of reserves;
- The Local Government Pension Scheme Regulations, which set out requirements for the administration and governance of the Local Government Pension Schemes;
- Local Government (Early Termination of Employment)(Discretionary Compensation)(England and Wales) Regulations 2006, which set out the requirements for calculating and administering redundancy and discretionary compensation payments to local authority staff;
- The Accounts and Audit Regulations;
- The Code of Practice on Local Authority Accounting in the United Kingdom (based on International Financial Reporting Standards);
- The Service Reporting Code of Practice (SeRCOP);

- The Prudential Code for Capital Finance in Local Authorities;
- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes; and
- CIPFA statements defining best practice.

2.1.2 To fulfil the statutory duties the Chief Finance Officer must themselves or through delegated staff:

- Provide financial advice to Members to support the strategic planning & policy making process and service development to ensure efficient and effective use of resources;
- Provide advice and financial information on the optimum use and adequacy of available resources and management of the capital and revenue budgets;
- Provide advice on treasury management, taxation, pensions and trust funds and guidance on the safeguarding of financial assets; including risk management and insurance;
- Determine the County Council's accounting records and control systems including:
  - measures to prevent and detect inaccuracies and fraud, and the ability to reconstitute any records;
  - identification of the officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions;
  - procedures governing the write off of debts;
  - ensure the maintenance of proper accounting records in relation to government grants & council expenditure; and
  - publish an annual statement of accounts.

2.1.3 The Chief Finance Officer must:

- Establish monitoring and reporting arrangements to ensure awareness of significant issues in the delivery of policy and the consumption of resources, to enable prompt management action;
- Establish systems to secure financial probity, control, security and best practice in safeguarding the County Council's activities and assets;
- Establish processes to ensure that personnel, property and information are managed in a manner consistent with financial control;
- Establish processes to check and evaluate the effectiveness of controls;
- Establish standards of internal control and through their senior management team, ensure the proper identification and cost effective management of financial risk;
- Set adequate standards and procedures for budgeting, accounting systems, reporting and monitoring; and
- Maintain and review service accounting records and control systems in accordance with legislative and proper practice requirements.

2.1.4 Trustee of Public Monies

As trustee of the local taxpayer's money <sup>(1)</sup>, the Chief Finance Officer must manage the council's resources on their behalf and report any decision or action that would result in unlawful expenditure or incur expenditure that would exceed available resources. (1) The case of Attorney General v De Winton in 1906

### 2.1.5 Financial Expertise

As head of profession for the council's employed finance staff, the Chief Finance Officer sets the framework and processes for recruitment, professional support and career development, and ensures proper professional practices are maintained by finance staff across the organisation.

### 2.1.6 Other Duties

The Chief Finance Officer is responsible for the:

- Appointment of bankers, monitoring the bank contract and approving officers for:
  - opening and closing service bank and imprest accounts,
  - cheque signatories for the bank accounts,
  - investment and borrowing transactions, and
  - confirming lease agreements;
- Overall arrangements for the monitoring and review of bank/imprest accounts and balances;
- Setting the rules for the retention and disposal of financial documents;
- Authorisation of grant claims;
- Maintaining a register of authorised signatories;
- Preparing the Council's Treasury Management Systems Document, in accordance with CIPFA's Code of Practice on Treasury Management in the Public Services;
- Advising the council on the setting of prudential indicators in compliance with the Prudential Code for Capital Finance in Local Authorities, and establishing monitoring procedures in respect of these indicators;
- Reporting to the council at the time the budget is set on the robustness of estimates included in the budget and the adequacy of reserves for which the budget provides taking into account an assessment of the risks facing the council; and
- Regular review of these Regulations.

## 2.2 Members

The duties of elected Members are to:

- Approve the Financial Regulations and Contract Regulations;
- Set the budget framework and monitor budget performance as well as service performance;
- Provide the framework to monitor the achievement of policies within the resources allocated;
- Agree resources to ensure the finance function is able to support management in securing effective financial control;
- Agree efficiency review arrangements; and
- Scrutinise financial probity through the Audit Committee.

## 2.3 Chief Legal Officer (as Monitoring Officer)

The functions and responsibilities of the Monitoring Officer are carried out by the Chief Legal Officer.



The functions of the Monitoring Officer are explained fully in the Council's Constitution. Those relevant to the Financial Regulations include:

- Reporting, after consultation with the Head of Paid Service and the Chief Finance Officer, any actual or potential breaches of the law or maladministration to the Council and/or to the Cabinet.
- Advising whether the decisions of Cabinet are in accordance with the budget and policy framework.
- Provision of advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all members of the council.

## **2.4 Chief Officers**

2.4.1 Chief Officers manage resources available for their services, as per the Scheme of Delegation to Officers, which includes responsibility for financial management and control.

Chief Officers act on advice or guidance of the Chief Finance Officer ensuring the rules are enforced. They are assisted by Service Lead Finance Officers (SLFO). SLFO post-holders are listed in Regulation 2.5.1.

2.4.2 Chief Officers must act within budget and policy parameters, promote probity and sound financial control.

2.4.3 Each Chief Officer must develop and maintain procedures to monitor and ensure compliance with key controls set by the Chief Finance Officer and also various acts, statutory instruments, regulations, circulars, guidance and statutory codes.

2.4.4 Chief Officers must:

- take a lead on ensuring staff have the financial expertise to discharge duties and functions delegated by the Chief Finance Officer;
- establish clear accountabilities for budgets, systems and information;
- consider the financial effects of new policy;
- relate existing policy to resources;
- ensure compliance with monitoring and reporting framework and probity and policy framework;
- establish arrangements for the review of services and processes to identify service improvements and efficiency gains;
- ensure rules and guidance to staff responsible for financial management and administration are communicated; and
- where fraud or corruption is suspected Chief Officers must immediately report to the Chief Internal Auditor.

2.4.5 Chief Officers must report to the Chief Finance Officer and Members on any matter which may result in a failure of the departmental financial control environment or, any other matter which could adversely affect the financial standing of their department.

More specifically, the Chief Officer must report to the Chief Finance Officer if:

- structural changes might impact on the demand for financial support service;
- there are potential budget overspends; and
- proposed variations in policy have financial effects.

## **2.5 Service Lead Finance Officers**

2.5.1 Service Lead Finance Officers are the following post-holders:

- Departmental Directors or Assistant Directors (or as designated by the relevant Service Management Board in consultation with the Chief Finance Officer);
- Deputy Director, Community Protection; and
- Assistant Director - Finance.

2.5.2 The designated Service Lead Finance Officer must be a full member of the relevant Service Management Board and/or Policy and Resources Officer Group and must ensure regular and active participation in the work of both boards.

2.5.3 Each department will have a Service Lead Finance Officer and nominations to these posts must be approved by the Chief Finance Officer.

2.5.4 The Chief Finance Officer is responsible for ensuring that a statement of financial delegations is maintained for each designated Service Lead Finance Officer.

2.5.5 Service Lead Finance Officers are required to:

- Support Chief Officers in fulfilling their financial responsibilities, including the statutory requirements set out in 2.1.1;
- Promote a culture of probity and sound financial control;
- Plan and deliver the major financial activities in their services;
- Interpret and communicate the impact of legislative changes, trends and council initiatives relating to their service area;
- Promote financial accountability across the department and act as escalation point where there are financial or budget issues.
- Report to the Chief Finance Officer, after discussion with the relevant Chief Officer(s) financial issues that arise from:
  - new developments in policy;
  - budget variations;
  - policy changes;
  - virements and carry forward; and
  - UK and European Union Legislation.
- In consultation with the finance service ensure that a framework is maintained for support and advice to all staff involved in financial management and administration in their service;
- Alert the Chief Finance Officer of any difficulties or interference impacting on the proper discharge of his/her professional duties;
- Ensure that every report to the Cabinet, scrutiny committees and panels contains a financial implications section that sets out any financial impact or commitments arising from the proposals and which has been approved by the Chief Finance Officer in advance of publication; and

- Ensure that claims for funds (*including grants and 'match funding'*) are made in accordance with accounting instructions issued by the Chief Finance Officer and the conditions defined by the grant awarding body, by the due date; and that appropriate records are maintained; and
- Ensure that budget planning information, service revenue and capital monitors and service outturn reports are provided in accordance with corporate timetables.

## **2.6 Statement of Responsibility and Accountability - Budget Managers**

2.6.1 Budget managers are accountable for the budget delegated to them by the Chief Officer or Assistant Director. All budgets should be assigned to a named budget manager.

2.6.2 Budget managers must:

- be able to explain what value is being obtained from their spending in terms of service delivery and meeting council priorities;
- explain reasons for likely or actual over or under spending, and also over and under performance;
- propose and implement measures to bring spending / performance back on target; and
- plan service developments and bid for resources as necessary.

## **2.7 Statement of Responsibility and Accountability - Budget Holders**

2.7.1 Budget holders are accountable to Budget Managers for the budgets delegated to them.

2.7.2 Budget holders must:

- monitor budgets within the parameters set by the budget manager;
- explain actual or likely over or under spending to the budget manager; and
- support budget managers in identifying problems and solutions.

## **2.8 Statement of Responsibility and Accountability - Chief Internal Auditor**

2.8.1 The Chief Internal Auditor must ensure adequate and effective internal audit coverage of the County Council's activities.

2.8.2 The Chief Internal Auditor's reporting lines are set out in Section 8 of these Regulations.

## SECTION THREE

### EXECUTIVE DECISIONS

This section sets out the requirements in order to comply with the statutory guidance on the financial aspects of executive decisions, under the access to information regime for local authorities in England. The Government's aim is to ensure open and accountable decision-making.

#### **3.1 Financial Thresholds for Key Decisions**

The County Council sets financial thresholds for key decisions which are significant having regard to the Council's budget for the service or function concerned. The current level is £500,000 or above in respect of expenditure or savings (i.e. £500,000 per year, or where the decision is a commitment to a contract, across the term of the contract).

#### **3.2 Forward Plans**

The Chief Officer is to provide the Chief Legal Officer with all the necessary information about key decisions in order to update the Forward Plan. This should also include the reasons for those decisions and relevant officer reports and background papers, which will then, where appropriate, be made publicly available

#### **3.3 Officer Delegations (decision-takers)**

- The Chief Officer must ensure all departmental officer delegations are kept under continuous review;
- All departmental officer delegation information must be in a format prescribed by the Chief Legal Officer; and
- All departmental officer delegation information must be logged with the Chief Legal Officer, in the *Sub Delegations* register.

## SECTION FOUR

### INTERNAL CONTROL FRAMEWORK AND STANDARDS FOR FINANCIAL TRANSACTIONS

This section sets out the basic internal control framework and financial standards regime, which aims to minimise the occurrence of significant control failings and weaknesses (that is, in any action, procedure or operation). All staff must understand the internal control and risk implications of the tasks they perform, and act accordingly.

#### 4.1 Responsibility for Overall Framework

The Service Lead Finance Officer is responsible for ensuring that control systems and procedures are in place **within their department**; whilst individual staff members are responsible for ensuring that the standards are complied with at all times.

The Service Lead Finance Officer is also responsible for ensuring that monitoring processes are in place to review regularly the effectiveness and operation of these standards.

#### 4.2 Features of Internal Control

The basic internal control features applicable to each area of activity can be summarised as follows:

- formal allocation of responsibilities;
- organisational structure and reporting channels;
- segregation of duties;
- personnel (are competent, suitably qualified and trained);
- completeness and accuracy of the records;
- verification and certification of transactions;
- secure and effective systems (including access to and storage of accounting records);
- documentation (of procedures and business transactions);
- preparation of documentation (set of instructions); and
- physical security.

If the internal control principles are in place and observed they should:

- PREVENT unwanted events or failures;
- DETECT where things have gone wrong or not happened; and
- CORRECT the processes to stop further problems occurring.

#### 4.3 Financial Policies

All financial transactions must be carried out in accordance with the relevant finance Policies for Budget Management, Buying and Paying (including Purchasing), and Raising Income and Debt Management (published on the Intranet [here](#)).

#### **4.4 Financial Standards**

The following financial standards apply to financial transactions.

##### **4.4.1 Financial Standard - Revenue & Capital Budget Management**

- There must be specific budget approval for all expenditure.
- Each budget is allocated to a named individual.
- Budget managers accept accountability for their budgets and the level of service to be delivered.
- Budget managers must ensure that all expenditure accords with the objectives and priorities set out in the service plan, and reflected in the approved budgets.
- Budget managers follow an approved certification process for all expenditure.
- Income and expenditure is properly recorded and accounted for.
- Performance levels are monitored and necessary action taken.
- Processes are in place to meet corporate needs for the management of the budget for the County Council as a whole.
- In practice this means the provision of service:
  - budget planning information (base budget return);
  - monitor (revenue and capital) reports; and
  - outturn reports.

*In accordance with the instructions and timetable set out in the guidance published by the Chief Finance Officer.*

##### **4.4.2 Financial Standard – accounting systems**

To support this budget management and to meet statutory accounting requirements, all Income, expenditure, assets and liabilities of the Department must be properly recorded and accounted for. This will include:

- Regular in-year monitoring and validation of balance sheet entries.
- The accounting systems and processes to ensure:
  - production of accurate, effective management and budget\accounting information which is easily accessible, timely, relevant and complete and pertinent to officers and Members;
  - integrity of decision making;
  - support for the policy making processes of the Department and County Council as a whole;
  - demonstration of implementation of agreed policy objectives;
  - high personal effectiveness of budget managers and budgetary control;
  - flexible capacity for changes to information requirements as service requirements evolve;
  - prompt processing of all data and month and year end closure of accounts;
  - secure and auditable systems, and effective and efficient financial administration in achievement of value for money in financial systems;
  - satisfaction of all legal requirements for the financial accounts to be a true and complete record of the income and expenditure, and assets and liabilities

of the department and County Council.

*All the above is to be established within a controlled and disciplined environment which, amongst other things, avoids, or identifies immediately significant departures from service policy.*

- The accounting systems also to be capable of providing appropriate, accurate and timely management information for the corporate centre.

#### 4.4.3 Financial Standard - Personnel and Payroll

- Payments are made only to bona-fide employees.
- Payments are in accordance with individuals conditions of employment.
- Payments are made only in respect of services provided to the Department.
- Salaries, wages and expenses are processed only through the payroll system to ensure proper deductions are made for income tax, national insurance and, where applicable, superannuation.
- Amendments to the payroll are duly authorised and promptly and properly processed by the Department, in particular, where failure to do so would result in an overpayment.
- Payments are charged to the appropriate expenditure code, coupled with frequent reconciliations against approved budget.
- The Department to check, at least annually, that gross pay agrees with contracts or other authorised documents and that deductions have been correctly determined.
- The Department to ensure that, where practicable, the duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff are separated from the duties of processing claims.
- Processes are in place to meet corporate needs for the management of the payroll function of the County Council as a whole.
- Processes are in place to recover overpayments with minimum delay.

#### 4.4.4 Financial Standard - Orders for Goods and Services

- The County Council's Contract Regulations must be complied with in full in all cases. Similarly, best procurement practice must also be observed and adhered to.
- Resources are available to meet expenditure.
- Purchase Orders must be raised on SAP for all goods and services, except :
  - orders where payments will be processed through feeder systems
  - utilities (e.g. water, electricity and gas) rents, national non- domestic rates and petty cash payments;
  - exceptional circumstances where payment is required before a VAT invoice is provided; and
  - In cases of emergency a verbal order may be made, provided a SAP order is raised at the earliest opportunity and the supplier notified of the SAP order number.
- SAP online orders over £500 are to be approved online by the designated authoriser or their delegated authoriser, as held within

the system.

- Staff must not use official orders to obtain goods and services for their private use.

#### 4.4.5 Financial Standard - Delivery of Goods and Services

Staff must check goods and services upon receipt to ensure they are in accordance with the order. Ideally this check should be carried out by someone other than the person who input the order, and who will approve payment against the order in SAP.

#### 4.4.6 Financial Standard - Payment of Creditors

- Payment only to be made where:
  - a proper VAT invoice is matched against a receipted SAP purchase order;
  - invoice details have been supplied in an approved interface file; or
  - invoices or requests for payment have been manually coded and approved by an authorised member of staff where no SAP order was placed
- In the case of all payments the following conditions must apply:
  - goods or services have been confirmed as received;
  - expenditure has been properly incurred and is within budget provision;
  - prices accord with quotations, tenders, contracts or catalogue prices and arithmetic is correct;
  - discounts where available have been taken;
  - the correct accounting treatment of VAT has been applied; and
  - the payment is correctly coded.
- All paid invoices shall be stored securely in a manner that will facilitate retrieval (this may include via electronic image).
- Payment must not be made on a photocopied invoice or a statement from a supplier; particular care to be taken with invoices sent as email attachments, to avoid duplicate payment.
- Payment must not be made on an invoice without the supplier's VAT Registration Number.
- Invoices must be processed in accordance with best practice regarding prompt payment; and arrangements made to monitor performance.
- Any individual purchase from an Imprest account is not to exceed the overall imprest limit.

#### 4.4.7 Financial Standard - Income

- Wherever possible, payment should be collected before goods and services are provided.
- Debtor invoices must not be raised for amounts below £25. This refers to all debts other than client charges such as home care, day care and residential care or where required by statute or to preserve a legal right or obligation, such as wayleaves and rents.
- Where possible, consideration should also be given to the need to raise an invoice for less than £50 due to administrative costs of processing invoices.
- Where goods and services are provided on credit, accounts must be raised and settlement obtained with minimum delay.
- For all intended write-offs of debt, the authorising officer must first ensure that:



- no instalment agreement has been set up;
  - all reasonable steps have been taken to recover the debt;
  - there is no reasonable prospect for cost-effective recovery, in whole or in part, either directly or by offset against payment due to the debtor. Debts of under £25 are not currently routinely referred for legal action if the reminder process has proved ineffective;
  - budgetary provision exists, or virement has been arranged and authorised as appropriate for the debt to be written off against a valid ledger code;
  - that the Debt Write-Off Policy is reviewed.
- All write-offs must be actioned on SAP using the Debt Write Off Form.
  - Debts raised for incorrect amounts or in error should be corrected by raising a credit note or supplementary invoice.

*Further information can be found in the Income Collection and Debt Management Policy.*

#### 4.4.8 Financial Standard - Banking and Cash Handling

- All banking arrangements including the setting up and closing of accounts for all official County Council funds, rest solely with the Chief Finance Officer.
- Changes to authorised cheque signatories to be approved by the Chief Finance Officer.
- No imprest petty cash account is permitted to go into overdraft.
- No form of borrowing or loan facility is permitted.
- All monies must be properly recorded, receipted and promptly banked using the correct procedures and the appropriate stationery.
- Money collected and deposited must be reconciled to the bank account at least monthly.
- Income must be accurately recorded against the right budget and exceptions corrected.
- Only an approved level of cash is held on the premises (in accordance with insurance limit).
- Money is securely held whilst awaiting banking.

#### 4.4.9 Financial Standard - Insurance

- Staff to be provided with relevant information and kept up-to-date regarding insurance arrangements.
- All risks are identified and evaluated.
- Acceptable levels of risk are determined and insured against where appropriate.
- Staff to notify the insurance section of all new risks, property, equipment and vehicles which require insurance or any other alteration affecting existing insurances.
- Staff to immediately inform the insurance officer of all accidents, losses and other incidents which give rise to an insurance claim.
- Inventories are to be kept for desirable, portable and attractive items which have a value of £200 or more. Such registers are to be in a form agreed with the Chief Internal Auditor

#### 4.4.10 Financial Standard - Taxation

- Staff to be provided with relevant information and kept up-to-date on tax issues.
- All taxable transactions are identified, properly carried out and accounted for.

- Staff to be instructed on required record keeping.
- Records to be maintained in accordance with instructions.
- Appropriate, accurate and timely management information is provided to the corporate centre to enable returns to be made to the appropriate authorities within the stipulated timescale.

#### 4.4.11 Financial Standard - Retention and Disposal of Financial Records

All financial and accounting records and supporting documentation are retained and stored for the defined period in accordance with the *Guidelines on Retention and Disposal of Financial Records*.

## SECTION FIVE

### STRATEGIC FINANCIAL MANAGEMENT AND REPORTING REQUIREMENTS

This section sets out the overall arrangements for strategic financial management and reporting, including decisions on balances and reserves. It also sets out the financial limits at which budget changes are to be reported and approved.

#### 5.1 Strategic Financial Management

There are three key strategic financial processes - budget setting within the Integrated Planning process, in-year budget monitoring, and year-end accounts. For each of these, the Chief Finance Officer must each year arrange for the timely publication of the procedures, guidance and timetables in support of these key financial processes. Chief Officers must ensure that arrangements that meet service needs and corporate requirements are in place; and that their staff members comply with these arrangements.

In carrying out these processes, the Chief Finance Officer and Chief Officers must ensure that they and their staff follow the principles and guidance set out in Section Two.

Chief Officers, in consultation with the Chief Finance Officer, must report financial information in a full and clear manner to Members. This will ensure decisions are informed by a sound understanding of the financial consequences.

Chief Officers must report to the Chief Finance Officer and Members, at the earliest opportunity, any matter that may have a significant financial impact on the County Council.

#### 5.2 County Council Budget

The budget sits within the Council's Integrated Plan; full Council is required by law to approve the Council's budget, which is considered and recommended to the County Council for approval by the Cabinet after review by Overview & Scrutiny Committee.

#### 5.3 General Contingency

The Chief Finance Officer is responsible for the administration of the general contingency budget. The Chief Finance Officer will make a report to the Cabinet if the general contingency is likely to be exceeded as a result of unforeseen claims or forecasts.

#### 5.4 General Balances and Reserves

5.4.1 Key decisions regarding application of general balances are taken in the budget report, approved by County Council, and the quarterly Finance Monitor, approved by Cabinet.

General reserves are maintained at a prudent level, so as to ensure that the Council can be prepared for unexpected events. In addition, earmarked reserves are held for specific policy decisions. For each reserve established, both the purpose and subsequent timeframe for usage will need to be clearly defined. Any transfer to reserves requires Cabinet approval, except where the reserve has been agreed to operate on a rolling top up basis. Transfers from reserves require authorisation at Service Board level, provided that the planned expenditure is in line with the specific purpose of the reserve. If transfers from reserves are being made for a different reason, then further Cabinet approval will be required. If any element of a reserve is no longer required, then the Service Board may authorise its release into general balances.

## **5.5 Statement of Accounts**

In order to meet the external statutory reporting deadlines, the audited Statement of Accounts will either be approved by full council or the Audit Committee.

## **5.6 Revenue/Capital Virement and Carry Forward Rules**

The framework for virement and carry-forward recognises the need for management flexibility within and between financial years. The framework aims to balance incentives for services to benefit from efficiency and planned savings with the need to ensure in overall terms that policy and service priorities are being met where unplanned under or overspending occurs.

- 5.6.1 Chief Officers must ensure that net expenditure does not exceed the total of their service's delegated budget. Overspending on individual budgets should be dealt with wherever possible by managing expenditure and achieving offsetting underspends on other budgets within the service area, and will be a first call on these savings. The County Council, the Executive or the Chief Executive may require further action by the services to address or compensate for overspends.
- 5.6.2 Budget restructurings are where budget is moved but will be used for the same purpose, for example where there has been a service reorganisation. Budget Managers can approve a budget restructuring within their own cost centres; or for movements between areas, the approval of both Budget Managers is required. Virements are movements where the budget is to be used for a different purpose. Virements that will change Council policy must be approved by the County Council (in the case of plans, strategies or documents comprising the policy framework as set out in section 4.1.1 of the Constitution) or otherwise by Cabinet.
- 5.6.3 Chief Officers, together with their service lead finance officer, will agree and regularly review local delegations for virements below £250,000.
- 5.6.4 Any requests for Carry Forwards must identify the planned spend which has been delayed or the grant or other income which has been received late in the year, and state the purpose for which they will be used in the new financial year. They are subject to Cabinet approval.

#### 5.6.5 Change to Council Policy

No virement (transfer between budgets) or carry-forward, regardless of value, should change County Council policy unless approved by the Council (in the case of plans, strategies or documents comprising the policy framework as set on in section 4.1.1 of the Constitution) or otherwise by Cabinet.

#### 5.6.6 No Change to Council Policy

The levels of authorisation for revenue/capital virement where there is no change to Council Policy are:

£	Virement to be approved by
0 - 249,999	Chief Officer of relevant service or Chief Finance Officer. For Capital Virements, Chief Finance Officer must be consulted. Approval may be delegated under local schemes.
250,000 - 499,999	Chief Officer of relevant service or Chief Finance Officer in either case in consultation with the appropriate Portfolio Executive Member and the Executive Member (Resources, Property & the Economy).
500,000 +	Cabinet.

All requests for virements, carryforwards and movements to/from reserves must be submitted and authorised using the appropriate forms.

In all cases where virements give rise to ongoing commitments, offsetting savings must also be identified to meet these.

5.6.7 Where approvals for virement of more than £500,000 are needed urgently, the general exception or special urgency procedure must be followed, as set out in the Constitution (Annex 4, Sections 12 and 13).

5.6.8 Should the final outturn monitor and Statement of Accounts prove to be different from that predicted when carry-forwards are approved, then **either**:

- if there are further underspends beyond that projected for the service as a whole, these sums will go into general reserves at the year-end; **or**
- if the projected underspend for a service does not occur, carry-forward requests will need to be reduced accordingly.

5.6.9 The exceptions to the above framework are schools with locally managed budgets, which carry-forward their balances (surplus or deficit) subject to the Surplus Balance Control Mechanism. Locally managed schools (LMS) will operate to the authority's Scheme for Funding Schools and other local financial regulations.

## SECTION SIX

### FINANCIAL INFORMATION SYSTEMS

These Regulations cover those financial information systems, which hold or generate data or information that forms part of the prime financial record of the Council.

In Hertfordshire, financial information systems are delivered within the Council's IS/ICT Strategy, which is subject to regular review.

- 6.1. The Chief Finance Officer is legally responsible for all financial systems, which operate within the County Council.
- 6.2 The Chief Finance Officer will be responsible for providing core systems for statutory accounting purposes.
- 6.3 Approval must be sought from the Service Lead Financial Officer and the Chief Finance Officer for all new financial systems and changes to existing financial systems, whether developed within the County Council or provided by third parties. Any systems that interface with the Council's core financial system must comply with the requirements of the Feeder System Policy
- 6.4 Internal Audit must be given the opportunity to carry out - a pre-implementation audit prior to live implementation of all financial systems, and developments to existing financial systems.
- 6.5 The Chief Finance Officer and Chief Officers must ensure that financial systems are managed in a professional and secure manner by a nominated responsible officer, with full operational and procedural documentation, and that all staff and contractors are aware of their responsibilities and are adequately trained and supported.
- 6.6 Chief Officers and the Chief Finance Officer must agree processes for the operation of interfaces between local and corporate systems.
- 6.7 Chief Officers must comply with the necessary guidance issued by the Chief Finance Officer, covering:
  - operation and management of the ledger system;
  - code structures;
  - code classes and groups;
  - ensuring that income and expenditure is correctly recorded and accounted for;
  - record keeping and supporting documentation; and
  - reconciliation of local and central financial systems.

- 6.8 Chief Officers must ensure that their staff understand their responsibilities and are adequately trained and supported.
- 6.9 The Chief Finance Officer and Chief Officers must ensure that all financial systems comply with the Council's ICT policies, and in particular:
- Are registered under the Data Protection Act;
  - Are operated in line with the relevant IT security policies, standards and guidelines as published on the Intranet (and that staff are aware of these documents); and
  - Are covered by a business continuity plan which safeguards against the loss of critical data and allows for its recovery following a major incident or other interruption in service.
- 6.10 Data held in financial information systems must be retained in accordance with the Council's Data Retention policy; and must be capable of retrieval to meet Freedom of Information and other statutory requests.

## SECTION SEVEN

### CAPITAL

This section covers the specific regulations and processes for capital expenditure and funding.

#### 7.1 Capital Programme and Capital Strategy

The Council must balance its available resources with priorities for capital spending, within the constraints of affordability, cashflow and statutory restrictions. The Council's Integrated Plan includes a Capital Strategy which sets out its priorities for capital investment. These provide a framework for reviewing and prioritising bids for capital spend. The Capital Programme within the Integrated Plan gives approval to the overall budget for capital spending, and specific schemes and programmes within this budget. However, inclusion in the Capital Programme does not in itself give approval for these schemes and programmes to commence (see section 7.1.4), The process for submitting, authorising and reviewing non-school capital projects is set out in Process Diagram 1.

##### 7.1.1 Development of Business Cases

- Chief Officers must ensure that all proposed capital schemes, irrespective of funding source(s), have an approved capital business case prior to the start of a project. All schemes in the Capital Programme must be reviewed annually.
- Chief Officers must ensure all proposed capital schemes, irrespective of funding source(s), which involve a property and/or ICT element have been developed in accordance with guidance issued by the County Property Officer and the Assistant Director – Improvement & Technology respectively.
- Chief Officers must ensure that the Chief Finance Officer is consulted during the project initiation stage where the proposed capital schemes involve partnerships with other organisations or financing from other public service bodies and private sector organisations.
- Chief Officers must ensure that the County Property Officer and Chief Finance Officer are consulted during the project initiation stage where proposed capital schemes involve the acquisition or disposal of property capital assets; and must comply with section 123 of the Local Government Act 1972 (the '1972 Act'), to ensure best value is achieved, that is, that any disposal is for consideration that is not less than the best consideration reasonably obtainable (subject to the provisions of section 123 (2) of the 1972 Act relating to the consent of the Secretary of State and disposals by way of a short tenancy).

##### 7.1.2 Development and Review of Capital Programme

All capital projects including self-financing, grant aided or externally assisted programmes must be included within the overall capital programme.



Business cases developed for the annual Capital Programme are normally reviewed by the Policy and Resources Officer Group. Chief Officers must comply with the process and provide the necessary information by the appointed times for the review of all capital schemes as determined by this group.

### **7.1.3 Funding Additional Project Spend**

The overall cash programme for capital expenditure by year, by service, cannot be exceeded without Cabinet approval for all funding sources other than ring-fenced grants, and external contributions to specific schemes (including the use of Section 106 contributions), and use of revenue budgets or reserves as below.

Where grant aided, revenue funded or externally assisted programmes arise outside of the capital programme planning cycle, these may only be added to the capital programme after approval by the Chief Finance Officer, who will confirm that funding is secured and all necessary approvals have been obtained. The increase to the capital programme will then be reported to Cabinet in the quarterly Finance Monitor. Additional spend met from revenue contributions must be approved under the Revenue Budget Virements regulations (section 5.6.6). Spending funded from reserves must meet the approved purpose of the reserve: where this is not the case, Cabinet approval for the use of the reserve is required.

Where Council funded schemes arise outside of the capital programme planning cycle and increase the need for borrowing, or existing schemes require additional Council funding, the approval of full Council is required, following approval of the scheme by Cabinet .

### **7.1.4 Project Authorisation**

Inclusion of a scheme in the Council's approved capital programme does not, in itself, constitute approval to enter into the scheme or incur capital expenditure. The Scheme must be approved through the Council's normal decision making processes. In addition no capital contracts may be entered into, or expenditure incurred, unless the Chief Finance Officer has authorised the scheme to commence, having confirmed that the scheme has been properly approved, that all funding sources are in place and all necessary capital accounting issues have been considered, and the following processes and approvals have been completed.

For schemes under £250,000, authorisation by the Chief Finance Officer only is required, provided consultation has taken place as set out in section 7.1.1.

For Schemes £250,000 and above, as a minimum the service Chief Officer and Chief Finance Officer must review the scheme. The Chief Finance Officer must decide, in consultation with the Executive Member Resources, Property & the Economy and the relevant service Executive Member, whether the scheme must be taken to Cabinet Panel and be approved by Cabinet.

For Annual Provisions or other programmes comprising a number of smaller schemes, Chief Finance Officer authorisation will be given on approval of the Capital Programme within the Integrated Plan, provided that the scheme has gone

through relevant decision making processes. However for programmes over £5m p.a. (excluding schools) a planned programme of works should be approved by Cabinet, following consultation with Members. The programme for schools maintenance should be reported to Schools Forum for consultation.

#### **7.1.5 Approval of project cost variances**

Where additional costs are identified, either at contract tender or during the project, additional budget must be approved or transferred.

- Budget may be transferred from other schemes, if available. Transfers must be approved in accordance with the Virement regulations (section 5.6.6).
- Additional spend to be met from external funding (grants, contributions etc.) or from service revenue budget or reserves, must be approved by the Chief Finance Officer. For additional spend of £250,000 or more, the Chief Finance Officer must consult with the relevant service Executive Member and the Executive Member for Resources, Property and the Economy. Additional spend over £500,000 must be reported to Cabinet for approval.
- Additional spend to be met from new county capital funding, and so potentially increase the need to borrow, must be approved by full Council following a recommendation from Cabinet and the relevant service Cabinet Panel and Resources, Property & the Economy Cabinet Panel. Reports must show:
  - an explanation of why the funding is required.
  - details of valuing engineering/reduction in scope that has been undertaken or considered.
  - details of the risks should the additional budget not be approved

Once approved, these budget changes will be reported in the quarterly Finance Monitor.

#### **7.1.6 Monitoring of Capital Schemes**

- The County Property Officer is responsible for the in-year monitoring of all Council delivered/project managed property projects of the capital programme.
- The Assistant Director Improvement & Technology is responsible for the in-year monitoring of all Council delivered /project managed ICT related projects of the capital programme.
- Service Chief Officers (supported by Service Lead Finance Officers) are responsible for the in-year monitoring of all other projects within the capital programme.
- In-year capital monitoring information must include:
  - analysis of variances from budget in year over £100k, between (a) re-programming / re-profiling cash flow and (b) over / under spending; and

- explanations for the variance and any impact on subsequent years' programmes.
- Reprogramming of budget between years must be approved by Cabinet (normally as part of the Finance Monitor report)
- For every capital project, the Service Chief Officer will nominate a Project Sponsor. For property projects, the County Property Officer or for ICT projects the Assistant Director Improvement & Technology will nominate a Budget Manager and Budget Holder. For non-property or non-ICT projects, a Budget Manager and Budget Holder will be nominated by the Service Chief Officer.
- The Budget Holder must report monthly via the Capital Budget Monitor to Finance, the Project Sponsor and the Service Chief Officer. The Budget Holder must also report monthly using the Capital Budget Monitor to the Assistant Director Property regarding all property projects.
- The County Property Officer (property projects) and Service Lead Finance Officers (non-property and ICT projects) must ensure that reliable systems and processes are in place, and documented for the monitoring of income and expenditure relating to capital schemes, ensuring that cash flow implications are properly identified and reported.
- The Capital Team in Finance must ensure that reliable systems and processes are in place, and documented for identifying capital accounting and valuation implications.

#### **7.1.7 Post Project Review**

For all capital schemes over £500k, the project sponsor should ensure a post implementation review is conducted, within the timeframe agreed with the relevant Chief Officer and with the support of the project manager involving all stakeholders as well as consultants and contractors. They should circulate the final report to the relevant Chief Officer and County Property Officer. The Executive Member Resources and the relevant service Executive Member must receive a copy of the report where significant issues have arisen.

Where savings have arisen on a project, these must be reported through the monitoring process. Savings may be vired to other projects, following the process at 7.1.5.

At year-end, any savings or under-spend not vired to other schemes or approved by Cabinet for reprogramming to subsequent years will be taken as a corporate savings and are not available to support additional service capital schemes.

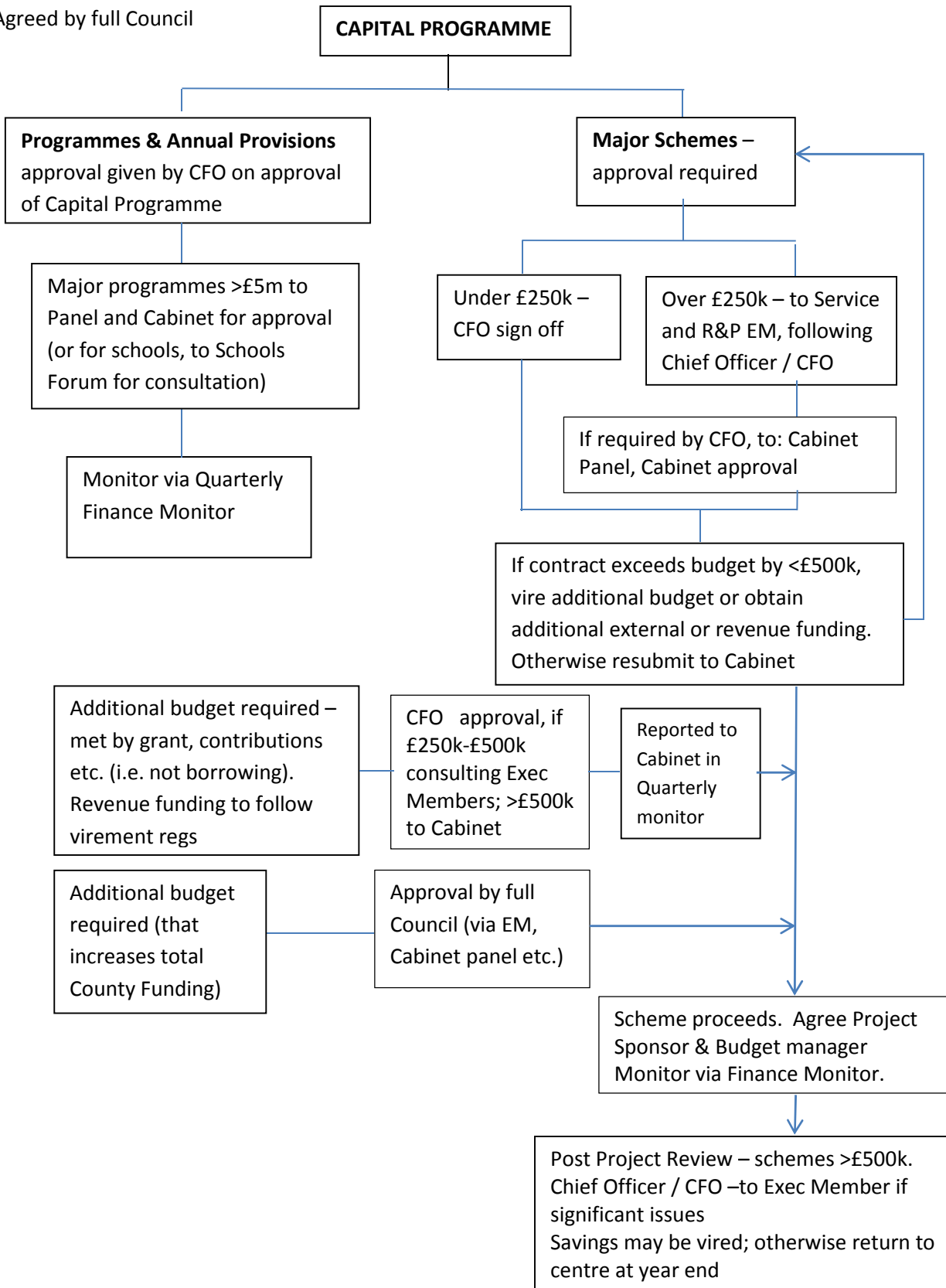
Any overspends must be reported to Cabinet in the Quarterly Finance Monitor. Services will be expected to take action to identify offsetting underspends, which will also be reported to Cabinet for approval.

**Process Diagram 1:**

Approval and Monitoring of Capital Projects, following inclusion in Capital Programme.

NB this diagram sets out the approval for funding/spend. Relevant decision making processes need to be followed to approve the scheme in principle – this may be via Cabinet or delegated officer decision

Agreed by full Council



## **7.2 Invest to Transform / Invest to Achieve Capital Receipts**

- 7.2.1 The Invest to Transform and Invest to Achieve Capital Receipts reserves are used to fund spend that will produce efficiency savings and/or service improvements, or enable the achievement of capital receipts. In both cases a business case must be produced indicating the level and timing of payback for the investment, and detailing the risks and dependencies. For Invest to Transform projects, the business case should also detail how project success will be measured.
- 7.2.2 Bids must be approved in accordance with the terms of operation for these reserves, as approved by Cabinet.

## **7.3 Capital Spend funded from other reserves**

- 7.3.1 Where capital projects are to be funded from reserves other than Invest to Transform and Invest to Achieve, the scheme and use of reserve must be approved by Cabinet following consideration by the relevant service Cabinet Panel and consultation with the Executive Member for Resources, Property & the Economy.

## **7.4 Prudential Code for Capital Finance in Local Authorities**

- 7.4.1 To comply with the Prudential Code a series of prudential indicators must be set annually by full Council.
- 7.4.2 The Chief Finance Officer is responsible for ensuring that all matters required to be taken into account in making the decision are reported to council and that procedures are in place to monitor performance against the indicators set.

## SECTION EIGHT

### INTERNAL AUDIT

The Council is required under the *Accounts and Audit Regulations (England) 2015* to maintain an adequate and effective system of internal audit. The terms of reference of the Council's Internal Audit are as follows.

#### 8.1 Responsibilities and objectives

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment, by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

#### 8.2 Organisational independence

Internal Audit is independent of the Council's day-to-day management and of the activities that it audits, while working in partnership with management to improve the control environment and helping the Council to achieve its objectives.

#### 8.3 Accountability

8.3.1 The internal audit function is delivered by the staff of the Hertfordshire Shared Internal Audit Service, who report to and are managed by the – Council's Chief Internal Auditor (the Head of Assurance). The Chief Internal Auditor will also report to the Chief Finance Officer on any matters affecting that officer's statutory duties.

8.3.2 The Chief Internal Auditor will report to the Audit Committee on:

- The internal audit charter;
- The strategy, plans and performance of internal audit;
- The implementation of internal audit recommendations; and
- The annual Internal Audit report and other summary reports.

8.3.3 As required by the Public Sector Internal Audit Standards, the Chief Internal Auditor will conduct an annual review of the effectiveness of the system of internal audit, and will provide the Committee with factual information relevant to this review.

8.3.4 The Chief Internal Auditor will ensure that good working relationships between internal audit staff and elected members are established and maintained, in compliance with the *Protocol for Relationships between Members and Officers*, and will act as Lead Officer for the Audit Committee.

#### 8.4 Remit

Internal Audit's remit extends to the whole of the Council's control environment: this includes the Council's systems of governance, risk management and internal control arrangements, as well as its systems of financial and performance management.

## **8.5 Review of control environment**

Internal Audit's work will contribute to and co-ordinate an annual review of the effectiveness of the Council's control environment, leading to the preparation of the Council's Annual Governance Statement for scrutiny and approval by the Audit Committee.

## **8.6 Fraud and corruption**

8.6.1 Any employee or member of the Council who suspects fraud, corruption or other financial irregularity must ensure that this is reported promptly to the Chief Internal Auditor for possible investigation.

8.6.2 Normally, employees must first report any complaint, allegation or suspicion of such an irregularity to their Chief Officer, who must report this to the Chief Internal Auditor.

8.6.3 Exceptionally, if an employee believes that the matter cannot be properly resolved in this way, they should report it direct to the Chief Internal Auditor, or follow the council's Whistleblowing Procedure.

8.6.4 The Chief Internal Auditor must consider whether an investigation is appropriate, and, if so decided, must arrange for such an investigation. The Chief Officer must agree any further action with the Chief Internal Auditor before proceeding.

8.6.5 The Chief Internal Auditor, in consultation with the relevant Chief Officer, the Chief Legal Officer and, if relevant, the Chief Finance Officer, will decide whether any matter concerning financial irregularity is referred to the police for further investigation.

8.6.6 An employee who suspects money laundering activity must report this promptly to the Chief Internal Auditor, who is designated as the Council's Money Laundering Reporting Officer (see Section 16 of these Regulations).

8.6.7 If the Head of Assurance is not available, then the Chief Internal Auditor role will be fulfilled by the relevant Audit Manager.

## **8.7 Consultancy work**

Internal Audit may carry out consultancy or other investigative work, as commissioned by the Chief Finance Officer or other senior officer, provided that it does not adversely affect the resources available for the core assurance work.

## **8.8 Resource requirement**

The Chief Internal Auditor will evaluate the staff and other resources needed to deliver the annual audit plan, and will also assess the impact of unplanned work (such as fraud investigations) on available resources. He or she will agree appropriate action with the Chief Finance Officer if the resources are evaluated as not matching those required.

## **8.9 Right of audit access and responses to reports**

- 8.9.1 The staff of the Chief Internal Auditor must be given access to any document, information or explanation that they require from employees or members in order to carry out their duties. This right of access is not limited to financial information or accounting records. If a manager is concerned about giving access to non-financial information, he or she may request a discussion with the Head of Assurance or relevant Audit Manager before it is disclosed.
- 8.9.2 Any employee responsible for the development of, or a major change to, a computerised financial system must give Internal Audit reasonable opportunity to evaluate the adequacy of the system's controls before live operation.
- 8.9.3 Recipients of Internal Audit reports must provide a formal response to these, in accordance with a timescale set out by the Chief Internal Auditor, stating the action intended to address any recommendations.



## SECTION NINE

### TRADING UNITS AND COMPANIES

A primary aim of trading is to give clients and providers the freedom to manage and transform services in line with users' needs. This may be delivered via a trading unit or through the formation of a separate entity, such as a Company.

#### 9.1 Trading Units

9.1.1 A trading unit is defined as a unit within the county council that seeks to cover its costs and any pre-determined financial target by income from clients, and where the client has the freedom to negotiate on price, quality and/or volume. The Corporate Framework for Trading provides a basis for a code of conduct that safeguards the authority's financial position, ensures the market works to support the provision of front line services, and provides a fair basis of trading between unit and client.

#### 9.1.2 Duties of the Chief Finance Officer

The Chief Finance Officer must:

- Ensure that arrangements between individual trading units and clients do not adversely affect the financial interests of the corporate body.
- Agree a course of action with the Chief Officer of a Trading Unit on significant financial issues, which could:
  - affect the delivery of a service provided by a trading unit; or
  - affect the viability of a trading unit.
- Authorise named financial officers to help Chief Officers of Trading Units and clients meet their obligations as defined in the Corporate Framework for Trading.

#### 9.1.3 Duties of Chief Officers

This section encompasses the duties of both the Chief Officer responsible for the trading unit and the Chief Officer responsible as client for the delivery of the front line service. In some instances both client and trading unit responsibilities may sit with the same Chief Officer. In the case of individual community schools the role of "Client Chief Officer" is taken on by the Governing Body of the school but the Director of Children's Services will act as Client Chief Officer on behalf of schools in general.

Trading Unit and Client Chief Officers must:

- Discuss significant financial issues outlined above with the Chief Finance Officer in order to agree an appropriate course of action.
- Ensure that there is a nominated trading unit manager who is held accountable for meeting the duties set out in the Corporate Framework for Trading, and that the necessary systems, procedures and processes are established to support this Framework.
- Arbitrate with the Trading Unit / Client Chief Officer in the event of a dispute between the client and the trading unit or invoke any complaints procedures

agreed between both parties. Where there is no formal process and disputes cannot be resolved the matter is to be referred to the Chief Executive (or nominee).

## **9.2 Companies**

9.2.1 The establishment and viability of all new companies must be approved by Cabinet, following preparation of a full business case and consideration of the appropriate form of vehicle by the Chief Legal Officer and Chief Finance Officer. The Business Case should set out the options being considered and measure these against the desired outcomes. It should also demonstrate the statutory basis for the provision of the service or activity under consideration.

9.2.2 Once established, the Chief Finance Officer will be responsible for:

- Taking decisions as shareholder where appropriate;
- Monitoring the ongoing viability and performance of company activities, with a view to ensuring that the County Council's interests are being protected; and
- Ensuring that company accounts are consolidated within the County Council's financial statements in accordance with proper accounting standards and relevant legislation.

## SECTION TEN

### MANAGEMENT OF BUSINESS PROJECTS

For these Regulations, a business project has the following features:

- a specific **new** product or service **change** where the outcome has significant service delivery, organisational or financial consequences for the County Council and its partners;
- a change to cross-service or functional working where the outcome has significant service delivery, organisational or financial consequences for the County Council and its partners;
- non-recurring work with a specified start and finish date; and
- involves significant one-off expenditure whether of a capital or revenue nature e.g. capital programme, bid to Invest to Transform Fund or other reserves.

These Regulations commence with the preparation of the preliminary business case following the initial feasibility stage.

10.1 The Chief Officer must appoint a Project Sponsor who will be responsible for managing all aspects of the project including delivery of the project objectives within the constraints of the agreed budget.

10.2 The Project Sponsor must ensure that robust project management and project governance arrangements are established. **This must include production of a Project Initiation Document (PID) which covers the project's purpose, risks, costs, resources, timelines and benefits.**

10.3 The PID must be signed off by the relevant officers dependent on the type of project and its funding. Projects funded from the Capital Programme, Invest to Transform Fund or other reserves must have the required financial approvals as set out in section 7 and section 5.4. Projects funded from revenue budget must have the approval of the budget holder and any other **appropriate authorisation**, as determined by the project sponsor.

10.4 The Project Sponsor must ensure that all staff involved in projects are competent and appropriately trained in order to fulfil their roles and responsibilities.

10.5 The Project Sponsor must ensure that the Service Lead Finance Officer is party to all key decisions which affect the financial viability or costs of the project.

10.6 The Project Sponsor must monitor the effectiveness of project managers in keeping projects within prescribed financial parameters, by means of **regular updates including a progress report and risk log.**

- 10.7 The Project Sponsor must be satisfied that adequate and effective project and change control mechanisms are in place.
- 10.8 The Project Sponsor is responsible for ensuring that a timely project review takes place; and that outcomes are measured against appropriate metrics defined at the outset of the project.
- 10.9 The Service Lead Finance Officer must ensure that appropriate option appraisal is carried out on each project by suitably trained or experienced finance staff. This should include consideration of whole life costs, sensitivity analysis and risk assessment.
- 10.10 The Service Lead Finance Officer must ensure that appropriate cost management and reporting procedures are in place and being followed.
- 10.11 The Service Lead Finance Officer must ensure that the business case is updated for any changes, ensuring that the benefits still justify the investment in the project.

## SECTION ELEVEN

### CROSS SECTOR PARTNERSHIP WORKING

CIPFA's *A Statement on the Role of the Chief Finance Officer in Local Government* identifies clearly that the "... the statutory role of the Chief Finance Officer does not stop at the boundaries of the local authority, but extends into partnerships, joint ventures and controlled companies".

A partnership is a co-operative relationship between two or more independent parties, which is designed to secure some shared objective or mutual operational benefits. It can take all sorts of forms, but it is generally assumed to exclude the familiar relationships between client and contractor, and between employer and staff.

One form of partnership is where the partners pool budgets to achieve their joint objectives, although each partner still retains their statutory responsibilities for the functions carried out under the pooled fund.

Given the wide range of partnerships it is not practical to set out the detailed financial requirements of every type of partnership, and therefore the Regulations concentrate on the principles.

#### 11.1 Chief Officer

The Chief Officer must:

- Ensure that the Chief Finance Officer is consulted at the project initiation stage in developing the proposal, and is involved in all critical decision-making stages leading up to and including the decision to create a partnership.
- Ensure that appropriate approvals are obtained before any negotiations are concluded to work with external bodies.
- Maintain a register of all contracts entered into with external bodies in accordance with procedures specified in the Council's Contract Regulations.
- Ensure that before entering into agreements with external bodies, a risk management appraisal has been provided to the Chief Finance Officer.
- Ensure that such agreements and arrangements do not impact adversely upon the services provided for the Council.
- Ensure that all agreements and arrangements are properly documented.

#### 11.2 Service Lead Finance Officer

##### 11.2.1 Pooled health and local authority budgets:

The Service Lead Finance Officer must:

- approve the financial arrangements in support of the partnership, in consultation with the Chief Finance Officer.
- ensure that the Pool Manager provides the County Council's Chief Finance Officer in the prescribed format and in a timely fashion the information and data necessary

for:

- medium term financial planning;
- financial monitoring;
- disclosure in the notes to the Consolidated Revenue Account in the Annual Statement of Accounts. The minimum being the purpose of the pool, the identity of the partner bodies, the gross income and expenditure of the pool and the County Council's contribution; and
- completion of government returns and statistical returns for CIPFA and other bodies.
- agree the protocols and arrangements for professional dialogue between:
  - the County Council's Chief Finance Officer and the Host Authority Responsible Financial Officer; and
  - the County Council's Chief Internal Auditor and the Host Authority Chief Internal Auditor.
- ensure that the written agreement between the partners includes:
  - statements of how much financial variation will be allowed;
  - how the partners anticipate that the budget will be kept to;
  - how underspends and overspends will be dealt with;
  - the financial monitoring and reporting arrangements;
  - the corporate governance arrangements (including risk management, the internal control framework and financial standards);
  - professional dialogue arrangements;
  - the audit and inspection rights and arrangements;
  - banking arrangements;
  - insurance;
  - and the charging policies of the local authority within the partnership arrangements.

#### 11.2.2 Local Strategic Partnerships – including the Hertfordshire Local Enterprise Partnership

The Service Lead Finance Officer must:

- Provide such financial and performance information and data as deemed necessary in the specified format and time period in order that the County Council, as the nominated Accountable Body, can fulfil its duties and responsibilities in connection with the financial management of these partnerships.
- Ensure all terms and conditions linked to funding passed to partner organisations are fully complied with.
- Develop and maintain robust systems for the four key financial processes as well as risk management and internal control within and between partners.
- Maintain such reasonable and accurate financial and other records (for example asset register) relating to these partnerships.

#### 11.2.3 Other forms of partnerships:

The Service Lead Finance Officer must:

- Approve the financial arrangements in support of the partnership, in consultation with the Chief Finance Officer.
- Carry out those responsibilities and duties set out in the CIPFA's *Financial*

*Control and Budgeting for Local Authority Partnerships: A Practical Guide* dated 2001. An overview of the responsibilities (appraisal, budgeting, financial monitoring and control, and financial reporting) can be found on pages 6 to 9 of the above mentioned CIPFA publication.

## SECTION TWELVE

### EXTERNAL FUNDING

External funding is potentially an important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the County Council.

#### **12.1 Chief Officer**

The Chief Officer must:

- 12.1.1 Ensure that the key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
- 12.1.2 Ensure that funds are acquired only to meet the priorities of the County Council;
- 12.1.3 Ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements;
- 12.1.4 Ensure that all claims and submissions are reviewed by a Finance Business Partner or Head of Finance, and authorised as required;
- 12.1.5 Ensure that all claims for funds are made by the due date; and
- 21.1.6 Ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.

#### **12.2 Service Lead Finance Officer**

The Service Lead Finance Officer must:

- 12.2.1 Ensure that all the funding notified by external bodies is received and properly recorded in the County Council's accounts; and
- 12.2.2 Ensure that audit requirements are met.



## SECTION THIRTEEN

### RISK MANAGEMENT

Risk management is:

- The identification, analysis, and economic control of all risks, which threaten the assets, activities and objectives of an organisation;
- An umbrella discipline that cuts across all areas of the authority's activities, from the strategic to the operational, and needs to be integral to all activities; and
- About being 'risk aware' – in managing risk the Council seeks to minimise losses, though not necessarily eliminate threats.

Although services can reduce their exposure to the financial consequences of certain risks by way of insurance it must be stressed that insurance does not prevent loss and is not a substitute for good risk management. By reducing, or even preventing, the incidence of losses, whether they result from crime or accident, the County Council will benefit from reduced costs of providing insurance cover and will also avoid the disruption and wasted time caused by losses and insurance claims.

#### 13.1 Chief Officers:

13.1.1 Are responsible for ensuring that risk management is integrated into both the business planning and finance planning processes. Specifically, the preparation of business plans and budgets are undertaken in the light of the identified risks facing the authority;

13.1.2 Must establish and maintain effective systems and processes for identifying, profiling, evaluating and managing all significant strategic and operational risks, which includes:

- i) the awareness and understanding of the key issues,
- ii) the maintenance of a risk register and
- iii) plans and controls to mitigate and manage these risks;

The process requires answers to the following questions:

- What is the risk? (risk identification)
- What will happen to desired outcomes? (risk evaluation - impact)
- How likely is the event to happen? (risk evaluation - probability)
- Does the benefit outweigh the risk? (risk/benefit analysis)
- Can we do anything to reduce the risk? (risk reduction)
- Has anything happened which alters the risk? Are controls being as effective as expected? (risk monitoring)
- What plans can we put in place in case the event should happen? (contingency/service continuity planning)
- What insurance can we buy to mitigate the risk, or can we contract out this risk? (risk transfer)
- What financial provisions should we hold for the primary or residual risk? (risk funding)

13.1.3 Must notify the Risk & Insurance Manager of any significant risk that takes place irrespective of whether it was identified through the Department's risk management system;

- 13.1.4 Must seek to minimise the risk of significant service disruption by ensuring that they have in place appropriate and robust business/service continuity plans;
- 13.1.5 Must supply annually the Chief Legal Officer/Chief Internal Auditor with whatever information is necessary and within the prescribed deadline in order for the County Council to complete the Annual Governance Statement to be appended to the Statement of Accounts
- 13.1.6 Must supply the Chief Finance Officer with whatever information is necessary and within the prescribed deadline in order for the County Council to comply with the Audit Commission's *Code of Audit Practice*, which requires the external auditors to annually evaluate the risk assessment and management arrangements of local authorities.

## **13.2 Risk and Insurance Manager**

The Risk and Insurance Manager is responsible for:

- 13.2.1 Developing and maintaining an effective policy and strategy on managing risk, which has the support of the Chief Executive and Chief Officers;
- 13.2.2 Developing and maintaining a framework for managing risk;
- 13.2.3 Keeping under continuous review the departmental arrangements for managing risk to ensure that risk is being managed to an acceptable standard, and report to the Chief Officer if corrective action is necessary; and
- 13.2.4 Advising the Council on matters of risk management, and for raising awareness of and promoting risk management amongst its staff.

## **SECTION FOURTEEN**

### **INSURANCE**

Services can reduce their exposure to the financial consequences of certain risks by way of insurance. In summary, payment of a premium to an insurance provider can be exchanged for an agreed sum, if damage, loss or death occurs.

#### **14.1 Chief Officer**

Each Chief Officer must:

- 14.1.1 Have regard to the need to safeguard the financial interests of the County Council and to have special fidelity cover for officers with substantial financial responsibilities.
- 14.1.2 With the advice of the Risk and Insurance Manager, decide whether assets and risks within their service are adequately insured, or if uninsured, should be insured.
- 14.1.3 Inform the Risk and Insurance Manager of the assets and interests under their control to be covered by the policies in force and must report on any substantial new risks arising within their services.
- 14.1.4 Ensure that the insurance list or inventory are updated on a continuous basis and checked annually.
- 14.1.5 Make appropriate and robust business/service continuity plans should a major incident occur which would have a significant impact on their service.
- 14.1.6 Seek to minimise the risk of losses occurring, but in the event that they do occur, they shall immediately report the circumstances to the Risk and Insurance Manager, who shall make the necessary claims against the insurance policies.

#### **14.2 Risk and Insurance Manager**

- 14.2.1 The Risk and Insurance Manager is responsible for:
  - Ensuring that all assets and liabilities are properly identified by Chief Officers, by receiving updated insurance lists or inventories, and insured where necessary;
  - Reviewing policies and assessing their impact upon the County Council's Self Insurance Fund;
  - Managing the operation of the County Council's Self Insurance Fund;
  - Reviewing reports received from the County Council's risk management and insurance consultants;
  - Advising and keeping under constant review the County Council's premium renewal strategy;
  - Advising and keeping under constant review the most economic balance between self-insurance and insurance purchase;
  - Maintaining effective claims handling procedures, in the processing and

monitoring of claims; and

- Sharing claims management information with the Heads of Departments, working together to reduce future exposure to risk particularly those areas expecting a high incidence of claims.

14.2.2 The Risk and Insurance Manager must inform Chief Officers of the insurance policies in force and the conditions thereof and Chief Officers must ensure that those conditions are enforced.

14.2.3 The Risk and Insurance Manager will act as lead officer for insurance matters on major departmental initiatives, including new contracts, development of new systems and procedures as appropriate.

14.2.4 The Risk and Insurance Manager will advise authority staff and external contacts on insurance matters, including providing advice and guidance on policy issues, and the renewal terms of all policies.

14.2.5 The Risk and Insurance Manager will resolve all queries and complaints received by the Insurance Section to the satisfaction of all parties, without prejudicing the County Council's position.

### **14.3 Settling of insurance claims**

The settling of insurance claims against the Council will be subject to approval as follows:

<b>Amount</b>	<b>Minimum approval required</b>
Up to £25,000	Claims Officers
In excess of £25,000 and up to £200,000	Senior Insurance Officer /Risk & Insurance Manager
In excess of £200,000 and up to £500,000	Insurer
In excess of £500,000 and up to £1m	Insurer
In excess of £1m	Insurer

### **14.4 Insurance - Retention of Monies and Cash**

The Council no longer insures against the loss of cash. Service Lead Finance Officers are responsible for ensuring that appropriate arrangements are in place for holding monies within their services and the following are the recommended limits:

- £4,000 in the custody or under the actual supervision of an employee (i.e. cash in transit);

- up to £5,000 in a locked safe (depending upon the quality of safe and its overnight limit. The overnight limit - depends on the type of safe, location and whether it is free standing or cemented into a wall; and up to £100 in a locked receptacle, but not in a safe or strong room.

## SECTION FIFTEEN

### INCOME

The fees and charges levied by councils are an important source of income. Income can be a vulnerable asset and effective collection systems are necessary to ensure that it is collected promptly for chargeable events and that all income due is identified, collected, receipted and banked properly.

#### 15.1 Chief Officer

Each Chief Officer must:

- 15.1.1 Establish and keep under review a charging and credit policy for the supply of goods or services, including the appropriate charging of VAT;
- 15.1.2 Ensure that all income due to the County Council is identified and charged correctly, in accordance with the charging and credit policy;
- 15.1.3 Ensure that all income is collected from the correct person, at the right time, using the correct procedures;
- 15.1.4 Ensure all money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received;
- 15.1.5 Wherever possible, have at least two people present when post is opened so that money received by post is witnessed and recorded; this requirement must be met where post regularly contains money;
- 15.1.6 Ensure Income is not used to cash personal cheques or other payments;
- 15.1.7 Ensure a record is kept of money received directly by employees of the Council to provide a clear audit trail;
- 15.1.8 Ensure money collected and deposited is reconciled to the appropriate bank account on a regular basis;
- 15.1.9 Establish a segregation of duties where the responsibility for cash collection is separated from that for identifying the amount due; and that responsibility for reconciling the amount due is separated from handling of the amount received;
- 15.1.10 Ensure income is only held on premises up to insurance levels approved by the Chief Finance Officer (see section 14.4). All income must be secured in lockable and, where possible, non-portable storage to safeguard against loss or theft;
- 15.1.11 Ensure all appropriate income documents are retained and stored for the defined period in accordance with the Council's document retention policy and schedule;
- 15.1.12 Ensure full compliance with the County Council's overall charging policy and rules on set out in the Income Collection and Debt Management Policy.

## **15.2 Service Lead Finance Officer**

The Service Lead Finance Officer must ensure that effective systems and procedures are in place to:

- 15.2.1 Collect income and provide audit evidence to document this;
- 15.2.2 Pursue non-payment of invoices within defined timescales;
- 15.2.3 Monitor and report the level and age of debt monthly, requiring budget managers/holders take timely debt recovery action where appropriate; and
- 15.2.4 Correctly make accounting adjustments to the ledger for any debt written-off.

## SECTION SIXTEEN

### MONEY LAUNDERING

Although the relevant Regulations relating to money laundering do not, in many cases directly apply to local authorities, guidance from CIPFA states that local authorities should comply with the requirements of these Regulations. All members of staff and those acting on behalf of the Council, must follow the Council's Anti Money Laundering Policy, published on the Intranet. This Policy sets a limit on payments to the Council in the form of cash; place a duty on members of staff who suspect money laundering activity to report this to the Money Laundering Reporting Officer; and require that officer to make appropriate reports to the National Crime Agency.

#### *The Money Laundering Reporting Officer*

The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Assurance Services, who can be contacted as follows:

Head of Assurance Services  
Shared Internal Audit Service  
Postal Point SROB105  
Hertfordshire County Council  
Robertson House  
Six Hills Way  
Stevenage  
Herts SG1 2FQ  
Direct dial number: 01438 845508 (Comnet: 55508) Fax: 01438  
845501 (Comnet: 55501)

In the absence of the Head of Assurance, the Audit Managers are authorised to deputise.



## SECTION SEVENTEEN

### TREASURY MANAGEMENT

This section sets out how the Council operates its treasury management function and how it complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Treasury Management in the Public Services: Code of Practice* (the TM Code).

Treasury Management is defined as:

*'The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*

17.1 The Chief Finance Officer is responsible for maintaining:

- a Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Treasury Management Practices (TMPs) and setting out the manner in which the organisation will seek to achieve policies and objectives and prescribing how it will manage and control those activities.

17.2 The Chief Finance Officer must ensure that the Policy Statement and TMPs follow the recommendations contained in the TM Code, subject only to amendment where necessary to reflect the particular circumstances of the authority. Such amendments will not result in the authority materially deviating from the TM Code's key principles.

17.3 The Chief Finance Officer must ensure that the County Council 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, a mid-year review and an annual report after its close.

17.4 The Chief Finance Officer is responsible for ensuring that the key principles set out in the Treasury Management Policy Statement for managing the authority's treasury management activities are abided by.

17.5 The Chief Finance Officer has responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice (the SoPP) on Treasury Management.

17.6 County Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. At budget setting time, the Audit Committee will delegate this function to the Overview and Scrutiny Committee to enable the treasury management strategy to be considered alongside the budget.