



Date of Meeting: 17 September 2019

Lead Member: Cllr Matt Hall – Chair, Audit & Governance Committee

Local Member(s): N/A

Lead Officer: Aidan Dunn

### **Executive Summary:**

The Committee has scheduled a review of the Council's financial regulations at its meeting in September 2019. Regular review is good practice.

The regulations form part of Dorset Council's constitution and material amendments must be agreed by the Council. Financial regulations are part of the Council's internal control environment and so commenting upon them and making recommendations to the full Council fall within the remit of this committee. When the Shadow Council adopted the wider constitution of Dorset Council it agreed that a review of the constitution should take place after the first year of operation. It is intended that the wider review will be undertaken by an executive advisory panel drawn on a cross party basis from the wider council.

The current financial regulations (Appendix 1) were developed by the finance and legal working groups as part of the *Shaping Dorset Council* work programme. The regulations were approved as part of the overall constitution, by the Shadow Council on 24 January 2019.

### **Equalities Impact Assessment:**

This report does not deal with any new strategies or policies that would trigger an impact assessment.

### **Budget:**

N/A

### **Risk Assessment:**

Current Risk: LOW

Residual Risk: LOW

### **Climate implications:**

N/A

**Other Implications:**

N/A

**Recommendation:**

It is recommended that the Committee note the Finance Regulations and suggest when the next review might be appropriate.

**Reason for Recommendation:**

The finance regulations are an important part of Dorset Council's constitution and as part of the internal control environment should be subject to regular review by the Audit and Governance Committee.

The constitution was approved on 24 January 2019, so changes are not anticipated at this stage.

**Appendices:**

Dorset Council Finance Regulations

**Background Papers:**

**Officer Contact:**

Name: Jim McManus

Tel: 01305 221235

Email: [jim.mcmanus@dorsetcouncil.gov.uk](mailto:jim.mcmanus@dorsetcouncil.gov.uk)

## Appendix 1

### **FINANCIAL REGULATIONS**

For the purposes of Article 14 of this Constitution these are the Financial Regulations for the purposes of the management of the Council's financial affairs.

#### **1. INTRODUCTION**

- 1.1. These Financial Regulations apply to every Member and officer and anyone acting on the Council's behalf. They identify the financial responsibilities of the Full Council; the Executive; Executive Committees (if any); individual members of the Executive; committees and sub-committees; the Head of Paid Service, the Monitoring Officer, the Section 151 Officer, Executive Directors and other officers.
- 1.2. In these Financial Regulations references to:
  - "Executive Director" includes the Corporate Director - Legal and Democratic Services;
  - designated officers include any officer duly authorised for the purpose of these Financial Regulations; and
  - where powers have been delegated to other officers, references to a designated officer should be read as if referring to the officer with the delegated power.
- 1.3. The Section 151 Officer will review these Financial Regulations and make changes as he/she considers necessary for the efficient and effective financial management of the Council in accordance with his/her powers under Article 15.
- 1.4. The Section 151 Officer can allow exceptions to these rules where he/she believes that the interests of the Council would be best served subject to prior consultation with the Leader and/or other such Member as the Section 151 Officer considers appropriate.
- 1.5. These Financial Regulations apply equally to any partnership where the Council exercises management control. If in any doubt issues should be discussed with the relevant Executive Director and/or the Section 151 Officer.
- 1.6. The Section 151 Officer is responsible for reporting, where appropriate, financial breaches of these Financial Regulations to the Audit and Governance Committee. Breaches that amount to unlawful actions will be reported by the Section 151 Officer in accordance with his duties under section 114 of the Local Government and Finance Act 1988.
- 1.7. The Section 151 Officer will issue advice, guidance and detailed financial procedures to underpin these Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

#### **Financial Regulation A: Financial Management**

##### **Introduction**

- A.1 Financial management covers all financial accountabilities in relation to the

running of the Council, including the budgetary framework and budget.

## **Section 151 Officer**

A.2 The Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the Council, which are set out in Article 12 of the Constitution.

## **Executive Directors**

A.3 Each Executive Director is responsible in his/her own service areas for:

- ensuring that all reports to Members contain sufficient financial information to allow them to understand the budgetary implications and financial risks associated with any proposals.
- signing contracts on behalf of the Council as provided for in the Officer Scheme of Delegation.

A.4 An Executive Director must take financial advice on any matter liable to result in any budget in his/her control being exceeded in any financial year (after any approved virements), before any further commitments are incurred.

## **Other Financial Accountabilities**

### **Virement**

A.5 Virement between budget lines of the annual revenue estimates need not be approved by Council provided it does not:

- compromise policy objectives for the cost centre relinquishing the budget;
- result in any additional costs or commitments in future years;
- utilise fortuitous savings in expenditure or increases in income; or
- involve virement from recharge budgets.

A.6 An Executive Director is responsible for agreeing virements within delegated limits on budgets within his/her responsibility and/or control, in consultation with the Section 151 Officer where required. He/she must notify the Section 151 Officer of all virements and as necessary these will be reported by the Section 151 Officer to Members.

A.7 The Section 151 Officer may vire between budgets within the control of any one or more Executive Directors.

### **Treatment of year-end balances**

A.8 Members are responsible for agreeing procedures for carrying forward under and overspend budgets.

### **Accounting policies**

A.9 The Section 151 Officer shall determine appropriate technical accounting policies and standards.

## **Accounting records and returns**

A.10 The Section 151 Officer shall determine the accounting records and returns for the Council.

## **The Annual Statement of Accounts**

A.11 The Section 151 Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with relevant accounting Codes of Practice and the Accounts and Audit Regulations 2015. The Audit and Governance Committee is responsible for approving the annual statement of accounts.

## **Government Grants**

A.12 All bids and claims for Government grant, including lottery funding, and all related estimates or forecasts, must be submitted to the Section 151 Officer and the relevant Executive Director before submission or as otherwise provided for in the Officer Scheme of Delegations.

## **Bank Arrangements**

A.13 The Section 151 Officer is responsible for putting in place appropriate banking arrangements with the Council's bankers, including setting up subsidiary accounts.

## **Procurement**

A.14 The Section 151 Officer is responsible for advising the Executive on the Council's procurement policies and arrangements.

## **Financial Regulation B:**

### **Financial Planning**

#### **Introduction**

B.1 The Full Council is responsible for approving the Council's Budget and Policy Framework – Part 2 of the Constitution - and the council tax which will be proposed by the Executive. The key elements of financial planning are the:

- Corporate Plan;
- Capital Strategy;
- Asset Management Plan;
- Risk Management Policy Statement and Strategy;
- Treasury Management Strategy;
- Medium Term Financial Plan;
- Revenue Budget; and
- Capital Programme

#### **Policy Framework**

B.2 Unless it determines otherwise, the Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans

and strategies forming the policy framework and for determining the circumstances in which a decision is deemed to be contrary to the Budget and Policy Framework. Decisions will be referred to the Full Council by the Monitoring Officer and/or the Section 151 Officer.

- B.3 The Full Council is responsible for setting the level at which the Executive may reallocate budgets from one service to another. The Executive is responsible for taking in-year decisions on resources and priorities to deliver the Budget and Policy Framework within the financial limits set by the Council.

## **Budgeting**

### **Budget format**

- B.4 The Section 151 Officer is responsible for determining the general format of the budget. The draft budget will include allocation to different services and projects, proposed taxation levels and contingency funds.

### **Budget preparation**

- B.5 The Section 151 Officer is responsible for ensuring that a budget is prepared on an annual basis and a longer term budget plan is prepared for consideration by the Executive, before submission to the Full Council. The Full Council may amend the budget or ask the Executive to reconsider it before approving it. Further details on this procedure can be found in the Policy and Budgetary Framework Procedure Rules – Part 2 of the Constitution.

- B.6 Guidelines on budget preparation will be issued to Executive Directors by the Executive following agreement with the Section 151 Officer. The guidelines will take account of:

- legal requirements;
- medium-term planning prospects;
- the Corporate Plan;
- available resources;
- spending pressures;
- best value and other relevant Government guidelines;
- other internal policy documents; and
- cross-cutting issues (where relevant).

- B.7 An Executive Director is responsible for submitting budget estimates to the Section 151 Officer that reflect agreed service plans and that are prepared in line with the guidance issued by the Executive.

## **Resource Allocation**

- B.8 The Section 151 Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's Policy Framework.

## **Preparation of the Capital Programme**

- B.9 The Section 151 Officer is responsible for ensuring that a capital programme is prepared annually for consideration by the Executive before submission to the Full Council.

## **Maintenance of Reserves and Balances**

- B.10 The Section 151 Officer is responsible for advising the Executive and/or the Full Council on prudent levels of reserves and balances.

## **Budget Monitoring and Control**

- B.11 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively.
- B.12 The Section 151 Officer must monitor and control expenditure against budget allocations. Any variation (after approved virements) that the Section 151 Officer considers material will be reported to the Executive.
- B.13 An Executive Director is responsible for controlling income and expenditure in his/her own service area and for monitoring performance, taking account of financial information provided by the Section 151 Officer. He/she will alert the Section 151 Officer and report to Members on variances in his/her own service areas and take any action necessary to avoid exceeding his/her budget allocation (after any approved virements).
- B.14 No expenditure will be incurred on a purpose for which there is no provision in the approved estimates except:
- (a) where a supplementary estimate has been approved by the Executive/Full Council (as relevant); or
  - (b) in the case of an emergency as provided for in the Officers Scheme of Delegation.

## **Financial Regulation C: Risk Management and Control of Resources**

### **Introduction**

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This will include the proactive participation of all those associated with planning and delivering services.

### **Risk Management**

- C.2 The Section 151 Officer and/or Monitoring Officer is responsible for:
- preparing the Council's risk management policy statement and strategy for approval by the Executive;
  - ensuring that appropriate insurances are in place;
  - promoting risk management throughout the Council; and
  - reviewing the effectiveness of the risk management policy statement and strategy.

## **Internal Control**

- C.3 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.4 The Section 151 Officer is responsible for advising on effective systems of internal control which are compliant with all applicable statutes and regulations, and other relevant statements of best practice. The arrangements will aim to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.5 An Executive Director is responsible for establishing sound arrangements for planning, appraising, authorising and controlling operations in his/her own service area to achieve continuous improvement, economy, efficiency and effectiveness and for achieving his/her financial performance targets.

## **Audit requirements**

- C.6 The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective internal audit. The Section 151 Officer is responsible for internal audit and for this purpose he/she or his/her representative may inspect and audit all books of account, financial documents and all other records of the Council, visit any of the Council's premises and obtain such explanations and take away such records for examination as he/she may consider necessary.
- C.7 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

## **Preventing fraud and corruption**

- C.8 The Council has a zero tolerance to fraud, bribery and corruption.
- C.9 The Section 151 Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- C.10 Where it is suspected that money or property has been stolen or otherwise misappropriated, or that a financial irregularity has occurred, the relevant Executive Director must immediately report the matter to the Section 151 Officer. The Section 151 Officer will report such matters as appropriate to Members.

## **Assets**

- C.11 An Executive Director will ensure that records and assets in his/her own service area are properly maintained and securely held. He/she will also ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.
- C.12 An Executive Director is responsible for reporting any deficiencies of equipment or stores in his/her own service areas to the Section 151 Officer, who may authorise the items to be written off or instigate an

investigation into the circumstances.

### **Leasing, Finance and Hire Agreements**

- C.13 An Executive Director is responsible for ensuring that any proposal to enter into a leasing, finance or hire agreement in his/her own service areas is agreed in advance with the Section 151 Officer.

### **Property**

- C.14 The agreement of any terms for leasing of any property or the taking or granting of any interest in property must be undertaken by an Executive Director (or any other Officer delegated/nominated power for such purposes in accordance with the Officer Scheme of Delegations – Part 3(2) of the Constitution).
- C.15 Legal interests in property will be recorded in a Property Terrier or other record.
- C.16 Where exclusive possession of a building, parts of a building or any land is involved on other than a sessional basis or occasional hiring, an Executive Director or any other Officer delegated/nominated power for such purposes in accordance with the Officer Scheme of Delegations – Part 3(2) of the Constitution) will be responsible for making the necessary arrangements including the assessment of rent
- C.17 The Council has adopted policies on whistleblowing, fraud, bribery and anti-corruption all of which support the Council's zero tolerance to fraud, bribery and corruption.

### **Treasury Management**

- C.18 The Council has adopted CIPFA's Treasury Management Code of Practice 2017.
- C.19 The Full Council is responsible for approving a Treasury Management Strategy compliant with the Code of Practice.
- C.20 The Council has delegated responsibility for the implementation and monitoring of treasury management policies and practices to the Executive. The Executive has delegated the administration of treasury management decisions to the Section 151 Officer who will act in accordance with the Treasury Management Policy statement and CIPFA's standard of professional practice on treasury management.
- C.21 The Council has delegated to the Audit and Governance Committee responsibility for ensuring scrutiny of the Treasury Management Strategy and policies.

### **Staffing**

- C.22 The Chief Executive, as the Head of Paid Service, is responsible for providing overall management to staff. He/she is also responsible for the evaluation or other agreed systems for determining the remuneration of a job.
- C.23 An Executive Director is responsible for controlling total staff numbers in his/her own service areas by:

- advising the Executive on the annual budget required to cover estimated staffing levels;
- adjusting staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint to meet changing operational needs; and
- proper use of appointment procedures.

## **Financial Regulation D: Systems and Procedures**

### **Introduction**

D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **General**

- D.2 The Section 151 Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by an Executive Director to the existing financial systems or the establishment of new systems must be approved by the Section 151 Officer. However, an Executive Director is responsible for the proper operation of financial processes in his/her own service areas.
- D.3 An Executive Director must agree any changes to agreed procedures to meet his/her own specific service needs with the Section 151 Officer.
- D.4 An Executive Director will ensure that his/her staff receive relevant financial training that has been approved by the Section 151 Officer.
- D.5 An Executive Director must ensure that, where appropriate, computer and other systems in his/her own service areas are registered in accordance with data protection legislation. An Executive Director must ensure that staff in his/her own service areas are aware of their responsibilities under freedom of information legislation.

### **Income and Expenditure**

- D.6 The Section 151 Officer will be responsible for paying all properly incurred liabilities.
- D.7 An Executive Director is responsible for ensuring that a proper Scheme of Delegation has been established in his/her own service areas and is operating effectively. The Scheme of Delegation identifies staff authorised to act on the Executive Director's behalf, or on behalf of the Executive, in respect of payments, income collection and placing orders, together with the limits of his/her authority. Further details relating to officer delegations can be found in the Officer Scheme of Delegations - Part 3(2) of the Constitution.
- D.8 Once a charge has been raised no debtor will be excused a payment due to the Council other than with the approval of the relevant Executive Director and the Section 151 Officer. The Section 151 Officer will maintain a record of write-offs.

## **Payment to Employees and Members**

- D.9 The Executive Director - Corporate Development is responsible for payments of salaries, wages and allowances to staff, including payments for overtime, and for payment of allowances to Members.

## **Taxation**

- D.10 The Section 151 Officer is responsible for advising Executive Directors, in the light of guidance issued by the appropriate bodies and relevant legislation, on all taxation issues that affect the Council.
- D.11 The Section 151 Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **Trading Accounts/Business Units**

- D.12 It is the responsibility of the Section 151 Officer to advise Executive Directors on the establishment and operation of trading accounts and business units, and to determine the arrangements under which these are operated.

## **Financial Regulation E: External Arrangements**

### **Introduction**

- E.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.

### **Partnerships**

- E.2 The Executive will normally take the lead in forming partnerships with public, private voluntary and community sector organisations.
- E.3 The Section 151 Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He/she must ensure that the financial risks have been fully appraised before agreements are entered into with external bodies.
- E.4 An Executive Director is responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **External Income**

- E.5 The Section 151 Officer is responsible for the Council's arrangements for the pursuit, receipt and recording of external income.

### **Work for Third Parties**

- E.6 The Chief Executive is responsible for the arrangements for any work for third parties.