

## **(7) Financial Procedure Rules**

The rules, more commonly referred as the Council's Financial Regulations and Standard Financial Procedures, provide a framework of control, responsibility and accountability for the administration of the Council's financial affairs.

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**A.1. INTRODUCTION**

A.1.1 The purpose of Financial Regulations is to provide a framework of control, responsibility and accountability for the proper administration of the Council's financial affairs, to enable the Chief Executive and Head of Paid Service, the Chief Finance Officer and all Chief Officers to carry out their statutory duties.

A.1.2 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Section 151 of the Local Government Act 1972;
- The Local Government Finance Act 1988;
- The Local Government and Housing Act 1989;
- The Local Government Act 2003;
- The Accounts and Audit Regulations 2015
- Local Government Pension Scheme Regulations 2013

A.1.3 Under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer is responsible for the proper administration of the Council's financial affairs and is required to report to the County Council, Cabinet and external auditor if the Council or an officer is likely to make a decision or take a course of action which:

- (i) Would lead to unlawful expenditure, or
- (ii) Is likely to cause a loss or deficiency to the authority, or where
- (iii) The Council's expenditure is likely to exceed significantly the available resources.

A.1.4 In addition, Financial Regulations have an important role in establishing a sound system of corporate governance for the County Council and also in supporting the County Council's Anti-Fraud and Corruption Strategy. Chief Officers have individual and collective responsibility to ensure that the fundamental principles as established by the Cadbury Report on "the financial aspects of corporate governance", namely openness, integrity, and accountability, are established through compliance with Financial Regulations.

A.1.5 Financial Regulations are deemed to be part of the Constitution and Standing Orders in so far as they relate to the conduct of business in Council, Cabinet, Lead Member, Scrutiny, Committees, Panels, Boards and Forums. A full list of Committees and Meetings can be found [here](https://democracy.eastsussex.gov.uk/mgListCommittees.aspx?bcr=1). [https://democracy.eastsussex.gov.uk/mgListCommittees.aspx?bcr=1] Cabinet means a formal meeting of the Cabinet, meeting as a committee, convened in accordance with the access to information provisions of the Local Government Act 1972.

- A.1.6 Financial Regulations endorse the Chartered Institute of Public Finance and Accountancy statement "The Role of the Chief Financial Officer in Financial Administration in Local Government" issued in April 2016 in respect of the role of the Chief Finance Officer.
- A.1.7 Financial Regulations outline the system of financial administration to be operated within the Council, and it shall be the responsibility of the Council and Chief Officers to ensure that they are observed. Where the Council has allocated powers to Members and Chief Officers, these shall be exercised in accordance with Financial Regulations.
- A.1.8 Local management schemes have been approved for Schools. These shall have effect subject to the overall authority of these Financial Regulations. The Chief Finance Officer may approve changes to any more detailed financial regulations within approved local management schemes, again subject to their compliance with these Financial Regulations.
- A.1.9 These Financial Regulations are subject to Accounts and Audit Regulations (2015 or subsequent) issued by Government under S23 of the Local Government Finance Act 1988. Accounts and Audit Regulations establish statutory provisions for accounting arrangements, for audit arrangements and for financial control within the County Council.
- A.2 GENERAL FINANCIAL MANAGEMENT**
- A.2.1 To enable the Chief Finance Officer to carry out his/her statutory duties, each Chief Officer must provide such information as requested within any reasonable timescale set.
- A.2.2 Copies of notifications from Government Departments including consents, approvals, regulations, circulars, letters, etc. in any way relating to finance shall be forwarded by Chief Officers immediately to the Chief Finance Officer.
- A.2.3 Notices of all meetings and copies of all agenda, reports and minutes of Cabinet, Committees, Sub-Committees and Panels shall be sent to the Chief Finance Officer as soon as they are available.
- A.2.4 The Chief Finance Officer shall be the chief financial adviser to the Council and shall keep the Council informed of the financial implications of all new policies and changes of policy.
- A.2.5 Each Chief Officer shall consult with the Chief Finance Officer in respect of any matter within his or her responsibilities which contains financial implications for either the revenue budget or capital programme or affects the finances of the Council before any provisional or other commitment is made and before reporting thereon to a Cabinet, Lead Member, Scrutiny, Committee, Panel, Board or Forum. Any report must, where the Chief Finance Officer considers appropriate include their views as well as those of the appropriate Chief Officer. The Chief Finance Officer engages with

Heads of Finance to ensure an appropriate financial view is reflected in relevant Cabinet reports.

A.2.6 The Chief Finance Officer, with his/her statutory responsibilities and also with his/her Head of Profession role for Finance, issues a set of Standard Financial Procedures to establish sound practice and to assist him/her and other Chief Officers in their responsibilities. Standard Financial Procedures have the same authority as Financial Regulations. In particular:

- All payments shall be made in accordance with Standard Financial Procedures or other arrangements formally approved by the Chief Finance Officer.
- The payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees shall be made in accordance with Standard Financial Procedures or other arrangements formally approved by the Chief Finance Officer.
- The collection of all income due to the Council shall be in accordance with Standard Financial Procedures or other arrangements formally approved by the Chief Finance Officer.

A.2.9 Chief Officers are responsible for the operation of sound financial procedures within their Department and in order to fulfil this duty they shall ensure that adequate controls are in place.

A.2.10 For this purpose, Chief Officers may issue Work Procedures in accordance with Standard Financial Procedures. The Chief Finance Officer may vary Standard Financial Procedures in accordance with the needs of individual departments. Provided he/she is satisfied that all necessary controls are met, the Chief Finance Officer may agree to variations proposed by Chief Officers. Agreed variations must be properly recorded.

A.2.11 The general regulatory hierarchy of the Council's Constitution may therefore be described as follows:

Procurement Standing Orders	Approved by County Council
Financial Regulations	Approved by County Council
Standard Financial Procedures	Approved by Chief Finance Officer
Work Procedures	Approved by Chief Officers

A.2.12 Where a Chief Officer delegates his/her powers to staff in accordance with a scheme of delegation, a record including appropriate authorisation of such delegation shall be maintained by the Chief Officer concerned.

A.2.13 Heads of Finance and designated financial managers shall be accountable to the Chief Finance Officer as Head of Profession on financial matters and shall act in support of his/her Section 151 role.

A.2.14 The Deputy S151 Officer shall perform the statutory and Head of Profession functions in the absence of the Chief Finance Officer.

**A.3 ACCOUNTING ARRANGEMENTS**

- A.3.1 Chief Officers are responsible for the operation of financial processes within their Department and in consultation with the Chief Finance Officer shall ensure that adequate controls are in place.
- A.3.2 Central accounting systems, financial accounts and supporting records shall be determined by the Chief Finance Officer in accordance with the Accounts and Audit Regulations and other Accounting Codes and Standards. It shall be the responsibility of the Chief Finance Officer to ensure that such accounts and systems are kept up to date either through the staff under his/her control or other appointed agents.
- A.3.3 Financial systems, as determined by the Chief Finance Officer that record, monitor or control financial transactions, and that are developed locally within departments, shall be developed in consultation with the Chief Finance Officer and managed in accordance with principles of reconciliation and other guidelines issued by the Chief Finance Officer.
- A.3.4 Chief Officers shall maintain full and accurate records in order to supply the Chief Finance Officer with such financial and statistical information as he/she shall require to enable him/her to report fully and accurately on the finances of the Council.
- A.3.5 The Chief Officers shall ensure that the principles of internal control within all operations are maintained at least to a standard required by the Chief Finance Officer, from whom advice may be sought. In particular, the following principles shall be observed in connection with accounting systems:
- (a) the duties of providing information regarding sums due to or from the Council and of calculating, checking and recording those sums shall be separated as completely as possible from the duty of collecting or disbursing them;
  - (b) officers charged with the duty of examining and checking the accounts of financial transactions shall not themselves be engaged in any of these transactions.
- A.3.6 Where it is a requirement of the awarding body, or where the Chief Finance Officer requires it, before claims for grant or reimbursement are submitted to any government department or other body they shall be sent to the Chief Finance Officer for examination and certification.
- A.3.7 Bids for external funding shall be prepared in accordance with guidelines issued by, or in consultation with, the Chief Finance Officer and the External Funding Protocol. Where required, before applications are submitted to any government or other body, they shall be sent to the Chief Finance Officer for examination and to confirm that financial implications have been fully assessed.

A.3.8 Chief Officers shall consult the Chief Finance Officer to the County Council entering any formal or legally binding Partnership arrangement. Chief Officers shall ensure that an adequate technical and financial appraisal of all partners is undertaken. Financial appraisals shall be undertaken in consultation with the Chief Finance Officer.

#### A.4 **AUDIT ARRANGEMENTS**

A.4.1 In accordance with delegated powers and The Accounts and Audit Regulations, the Chief Finance Officer shall ensure that the Council maintains adequate and effective arrangements for the internal audit of the Council's accounting records and system of internal control.

A.4.2 Internal auditors appointed by the Chief Finance Officer shall, in pursuance of their duties, have the authority under Accounts and Audit Regulations to:

(a) enter any Council premises or land at any reasonable time, without prior notice;

(b) have access at all times to all records and documents (including email and correspondence) relevant to the business of the council as maintained by the council or third parties on its behalf including (but not limited to) external contractors and consultants;

(c) require and receive any information and explanations considered necessary to the audit;

(d) require any employee or agent of the Council to account for assets under his / her control.

A.4.3 Should an officer suspect an irregularity affecting income, expenditure, cash, stores or any other resources of the Council, it is the officer's duty to immediately report the matter to a Head of Finance, or if not appropriate, to the Chief Officer of the department who shall promptly inform the Chief Finance Officer. The Chief Finance Officer shall take such steps as are necessary by way of investigation and report the findings to the relevant Chief Officer(s).

A.4.4 Chief Officers are responsible for ensuring that all employees are informed of the County Council's Anti-Fraud and Corruption Strategy and that copies of the Policy Statement and Code of Conduct for Employees documents are provided to all new employees.

#### A.5 **CONTROL OF FINANCIAL BUDGETS**

- Budget Process – Reconciling Policy, Performance and Resources (RPPR)
- The Medium Term Financial Plan
- Revenue Budget Management
- Capital Programme Management

### **A.5.1 Budget Process**

A.5.1.1 Chief Officers and the Chief Finance Officer shall jointly prepare departmental annual estimates for both revenue and capital expenditure for the coming financial year for presentation to the Cabinet during the December/January cycle of meetings. The estimates shall be in a form agreed and notified by the Chief Finance Officer and be in accordance with any criteria set by the Council. Where a scheme of delegated financial management has been developed and approved by the Council, detailed estimates shall be prepared in accordance with the scheme.

A.5.1.2 A Medium Term Financial Plan shall be produced setting out the Council's government and local funding, the service budgets and any other known funding, commitments or pressures for a three year rolling period.

Estimates presented to the Cabinet shall include a report on the effects on the finances of the Council. The Cabinet shall consider the estimates presented and the report, and make such amendments as it deems necessary to the estimates, and recommend the level of the precept for the Council's approval.

A.5.1.3 For additional income, e.g. one-off grants, the Chief Finance Officer, with reference to the relevant grant determination, and in consultation with the Corporate Management Team, will determine whether the grant should be held corporately or passed to the relevant department within the MTFP. Additional income received in year from grants and other sources will be stated in subsequent reports, and, following determination by the Chief Finance Officer, treated as an underspend.

A.5.1.4 During each financial year, Chief Officers shall submit revenue budget and capital programme monitoring information to the Chief Finance Officer in a format and at such intervals as may be agreed.

A.5.1.5 The Chief Finance Officer will report on the outturn of expenditure and income to the Cabinet as soon as practicable after the end of the financial year.

A.5.1.6 The Chief Finance Officer will certify that the Statement of Accounts has been prepared in accordance with Accounts and Audit Regulations 2015 and that the Statement represents fairly the financial position of the County Council. The Chief Finance Officer will submit the Statement of Accounts to the Cabinet for approval not later than four months after the end of the financial year.

A.5.1.7 Where forms of service delivery other than those directly provided by the Council are to be used e.g. a trading organisation or a direct service organisation, these Financial Regulations would need to be reviewed and updated to ensure the adequacy and robustness of this service delivery.

## **A.5.2 Revenue Budget Management**

- A.5.2.1 Chief Officers shall be responsible for managing and directing resources to achieve the objectives of the budget. This will involve monitoring expenditure and income and the regular review of performance. Where budgets are delegated to local financial managers ("budget managers"), the budget managers are charged with the same responsibility.
- A.5.2.2 No expenditure shall be incurred which is not covered by an approved budget. If a Chief Officer is of the opinion that a budget will be or is likely to be overspent he/she must inform the Chief Finance Officer. The Chief Officer, in consultation with the Chief Finance Officer, will seek any necessary supplementary estimate or approval to commit additional expenditure in future years from the Cabinet.
- A.5.2.3 Earmarked revenue budget income, received for a specific purpose, may be spent for the purpose it was received so long as the Chief Finance Officer confirms that the purpose for which it is proposed it will be spent is in accordance with the purpose for which it was earmarked, and expenditure will not cause additional commitments for future years. Where commitments do arise, the approval of the Cabinet must be obtained.
- A.5.2.4 As part of the approved budget, a contingency provision may be approved each year by the Council. Once approved, allocations will only be made from the contingency provision under the direction of the Chief Finance Officer and in accordance with the approved purposes of the contingency.
- A.5.2.5 Revenue Budget transfers and under/overspending carry forwards shall be in accordance with the procedures set out in Regulation A.13 (Financial Limits).
- A.5.2.6 Surpluses earned by direct service organisations of the Council shall only be used for purposes approved by the Cabinet.

## **A5.3 Capital Programme Management**

- A.5.3.1 Capital expenditure, as defined in the Local Authorities (Capital Finance) Regulations 1990, or in such subsequent Regulations as may succeed these, will be considered for inclusion within the approved Capital Programme. The Chief Finance Officer will periodically review and issue a minimum threshold value below which projects cannot be charged to capital.
- A.5.3.2 The Government places controls on the financing capacity of the Council. This means that capital expenditure should: form part of a programme; be carefully prioritised in order to comply with the Council Plan; maximise the benefit of scarce resources and comply with CIPFA's Prudential Code for Capital Finance in Local Authorities (2013).
- A.5.3.3 A Capital Strategic Asset Board (CSAB) is in place to review and scrutinise the Capital Programme and to recommend business cases for inclusion in the Capital Programme. The membership of the CSAB includes senior officers

from each service department, as well as Property, Finance and Procurement. The Chair of the CSAB is the Chief Operating Officer.

- A.5.3.4 Capital projects shall be incorporated in a Capital Programme for consideration by Full Council, in conjunction with the annual revenue budget process detailing the phasing of expenditure on such projects and the full year revenue cost associated with each project, and having regard to the level of available resources.
- A.5.3.5 The programme will be managed through governance processes agreed annually, and the need to prioritise projects for inclusion in the Capital Programme, should resources allow. Prior to the approval by the Council of a Capital Programme each year, Chief Officers, jointly with the Chief Finance Officer, shall prepare financial appraisals of all projects to be put forward for inclusion in the Capital Programme, supported by justification and including appropriate documents. This will be based on recommendations from the CSAB.
- A.5.3.6 The Chief Finance Officer, will determine the resources available for the Capital Programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing.
- A.5.3.7 Subject to paragraphs A.5.3.8, A.5.3.10 and A.5.3.11 below, no expenditure shall be incurred on capital projects which is not included in the approved Capital Programme and no contracts entered into or tender accepted unless any necessary government approvals and borrowing powers have been received, and resources approved in accordance with these Regulations.
- A.5.3.8 The Capital Programme may be varied with the agreement of the Chief Finance Officer, if no additional commitments for future years are incurred, in the following circumstances:
- (a) where budget provision is transferred to capital expenditure financed from revenue account (CERA) in accordance with Regulation A.13 (Financial Limits) below or the recommended use of the capital risk provision by CSAB.
  - (b) where earmarked capital receipts and grants or other specific funding are spent for the purpose they were received, provided that capital resources are enhanced by the amount received and that the capital receipts are received either before the payments are made, or within the same financial year.

For all other proposals that vary the Capital Programme, the approval of the Cabinet must be obtained subject to A.5.3.11 below.

- A.5.3.9 The scope of capital schemes shall not be changed without the approval of the Cabinet unless under 10% variation to cost. Any significant alteration to the size, content or specification of a scheme which increases the cost by 10% or more, must be reported in a timely manner to the Cabinet. Variations within 10% of a project's total current budget can be agreed by the Chief Finance Officer, where funding has been identified (as outlined in A.5.3.8 above). This

should be done in line with CSAB working processes and with current variation policy and guidance.

A.5.3.10 A capital risk provision is held to mitigate the risks associated with having a Capital Programme. These include inflationary pressures on construction costs, uncertainty regarding delivery of projects, still unknown requirements, the uncertainty regarding the level of Government grants and risks associated with Brexit. The level of the capital risk provision is to be determined annually by the Chief Finance Officer after considering financial risk. The Chief Finance Officer, in consultation with the CSAB, can approve use of this provision on individual projects, the use of which will be reported to Cabinet as part of the RPPR process.

A.5.3.11 Capital payments must be contained within the individual provisions in the approved Capital Programme. Where there is a variation prior to CSAB, the Chief Finance Officer should review and agree the proposal for dealing with the variation with the relevant CSAB representative.

A.5.3.12 Where slippage into future years occurs on a project and there is no effect on the availability of capital resources, these should be reported to CSAB at the earliest available opportunity as part of quarterly monitoring and equivalent adjustments will be made to the following year's programme as part of the wider RPPR process.

A.5.3.13 Where overspends compared to the annual provisions in the Capital Programme arise, departments must report the figures to the CSAB, together with proposals for funding the overspend in line with A.5.3.11.

A.5.3.14 Where underspends occur these must be reported to the CSAB who again will make recommendations on the use of the underspend to the Chief Finance Officer for approval.

A.5.3.15 If a tender price exceeds the Capital Programme provision, then this should be raised at CSAB in line with A.5.3.11.

A.5.3.16 The final cost of each capital scheme chargeable against the Capital Programme shall be reported by the appropriate Chief Officer to the Cabinet if the cost exceeds the provision in the Capital Programme by 10% or more, as soon as possible after completion together with explanations for variances from the estimated cost.

A.5.3.17 The Chief Finance Officer will report on the outturn of capital expenditure to the Cabinet as soon as practicable after the end of the financial year.

## A.6 **CONTROL OF STAFFING BUDGET**

A.6.1 Within the total financial estimate provision approved by the Council, Chief Officers shall be entitled to vary the numbers and composition of their workforce in order to meet service requirements provided such variations do not commit the Council to increased expenditure in future years.

- A.6.2 Chief Officers must adhere to the mandatory aspects of the Council's HR Policies, Procedures and Practices, as well as the Scheme of Personnel Delegations. This includes the proper use of appointment procedures; the proper use of job evaluation or other agreed systems for determining remuneration; and the method used to make payments to staff and employees including those falling within locally determined and local management schemes.
- A.6.3 Chief Officers shall ensure that staffing-related information is maintained in a form required by the Chief Executive and a form necessary to comply with the Council's HR Policies, Procedures and Practices.
- A.6.4 Chief Officers shall also ensure that any systems used to process staffing/workforce data or remuneration are properly maintained in accordance with these Financial Regulations and General Data Protection Regulation.
- A.6.5 Arrangements for the payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees shall be made in accordance with Standard Financial Procedures issued by the Chief Finance Officer.
- A.7 CONTROL OF FINANCIAL INFORMATION AND COMMUNICATION SYSTEMS**
- A.7.1 All Chief Officers will conform with and follow the Council's IT and Digital Strategy and will seek the advice of the Chief Finance Officer on the introduction of information and communications systems. In particular, Chief Officers ensure that sufficient standards and procedures are in place and will also ensure the achievement of value for money in the introduction of new systems and equipment.
- A.7.2 Chief Officers shall consult with the Chief Finance Officer on the development of any financial or other systems whether computerised or manual at the earliest practicable stage and obtain the consent of the Chief Finance Officer in implementing those systems.
- A.7.3 Minimum standards of control for any new system or development of an existing system which involves a financial operation or produces output that may influence such an operation, must be agreed in advance with the Chief Finance Officer.
- A.7.4 Chief Officers shall conform to the County Council's security and control of systems' standards within their Departments. They shall also be responsible for the security and privacy of data necessary to accord with the Data Protection Act 1984 and GDPR. When accessing central or other systems, Chief Officers will be responsible for ensuring that agreed procedures are followed.
- A.7.5 Any proposal to purchase or develop a computer system (IT hardware, software or communications equipment) shall be the subject of a business

case in an approved form and in accordance with the Council's IT and Digital Strategy. In the same manner, such proposals will also be subject to post implementation review.

- A.7.6 Chief Officers shall make sound and sufficient contingency arrangements to ensure the security and continuity of services in the event of a disaster e.g. fire, flood etc. and to enable the restitution of systems and data.

**A.8 CONTROL OF CONTRACTS**

- A.8.1 All contracts and agreements entered into shall conform to the Council's Procurement Standing Orders for contracts and tenders and must be covered by an approved budget. When contracts have a duration of more than one financial year, Chief Officers must ensure that the charges stemming from such arrangements can be accommodated within the estimates for the current and future years.

- A.8.2 Chief Officers shall comply with European Commission Directives and United Kingdom Regulations relating to public procurement. Where appropriate, contracts and agreements shall be on the standard form of the Council.

- A.8.3 Chief Officers shall ensure, in consultation with the Chief Finance Officer, that they comply with the Procurement Standing Orders for all contracts and procurement below the threshold of competition required by the Council's Procurement Standing Orders.

- A.8.4 Chief Officers shall have proper regard for any Code of Conduct and Conflict of Interest Policy for Employees issued from time to time by the Chief Finance Officer. Prior to the letting of a contract above the threshold of competition required by the Council's Procurement Standing Orders, Chief Officers shall ensure that an adequate technical and financial appraisal of tenderers is undertaken. Financial appraisal of tenderers shall be undertaken in consultation with the Chief Finance Officer.

- A.8.5 The Chief Finance Officer will advise on matters relating to the maintenance of buildings, the need for repairs etc. and other such works for which he/she has budget responsibility. Also, through the Chief Property Officer, a general responsibility for advising sound procedures will be maintained.

- A.8.6 A register of formal contracts entered into and a record of payments made thereunder shall be kept by each Chief Officer in a form approved by the Chief Finance Officer for all contracts involving stage payments. Where appropriate, the record of payments will be supported by details of the final account and a certificate of completion.

- A.8.7 Where the contract requires that interim and final payments shall be made on certificate, that certificate shall be:-

- in a form approved by the Chief Finance Officer;
- signed personally by an officer authorised by the Chief Officer;

- authorised and issued in sufficient time to enable payment to be made within the time specified.

A.8.8 Such documents as may be necessary shall be made available to the Chief Finance Officer to enable him/her, or his/her appointed agents, to audit a contract. If contracts are supervised and managed by persons other than officers of the Council, the agreement with that person (or persons) shall provide that all documents relating to a contract shall be available for inspection by officers of the Council if required.

A.8.9 Any variation to a contract for building or civil engineering work will be authorised in line with Procurement Standing Orders.

A.8.10 When the final certificate of completion of any contract is issued by the appropriate officer, private architect, engineer or consultant a copy shall be produced to the relevant Chief Officer together, if required, with a detailed statement of account and other relevant documents.

A.8.11 Where expenditure on a contract exceeds the contract value, the Chief Officer will report if Regulation A.13 (Financial Limits) is exceeded. Where a contract period is likely to be exceeded, so as to significantly affect service provision, a report shall be submitted to the Cabinet by the Chief Officer giving reasons for the delay, and making any recommendations as to claims after consultation with the Assistant Chief Executive.

A.8.12 Operational leasing or contract hire arrangements for vehicles, plant or equipment may be undertaken by Chief Officers provided the Chief Finance Officer is satisfied that the method of finance is appropriate for the asset concerned and that the best terms available have been secured.

#### A.9 **BANKING ARRANGEMENTS**

A.9.1 The Cabinet shall approve all banking contract terms and conditions. All other arrangements with the Council's bankers shall be made by or approved by the Chief Finance Officer who shall be authorised to operate such accounts, including National Giro accounts, as he/she deems necessary. Bank accounts for imprest holders, procurement card holders and delegated financial management schemes and shall be subject to the same arrangements.

A.9.2 With the exception of imprest accounts all cheques, including National Giro payment forms, shall be ordered on the authority of the Chief Finance Officer who shall make proper arrangements for their safe custody. Credit cards may only be issued to Chief Officers or other officers with delegated authority with the consent of the Chief Finance Officer and only on terms approved by the Chief Finance Officer.

A.9.3 Cheques drawn on the Council's main banking accounts, including National Giro accounts, shall bear the facsimile signature of the Chief Finance Officer or be signed by him/her or officers authorised by the

Cabinet. The manual pre-signing of cheques is not permitted on any cheque drawn on a County Council bank account.

- A.9.4 Where payments are to be transmitted either electronically or automatically, the Chief Finance Officer shall approve the necessary arrangements made to safeguard the interests of the Council.
- A.9.5 All County Council funds shall be banked to the corporate accounts of the County Council, appropriate subsidiary accounts or other accounts in the name of the County Council and approved by the Chief Finance Officer. No other account shall be used for transacting or transferring County Council funds.

**A.10 TREASURY MANAGEMENT, INVESTMENTS AND TRUST FUNDS**

- A.10.1 All monies in the hands of the Council shall be aggregated for the purposes of Treasury Management and shall be under control of the Chief Finance Officer as delegated by the County Council.
- A.10.2 The County Council has adopted the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice*.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

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

The content of the Policy and Strategy statement and TMPs will follow~~ing~~ the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key recommendations.

The County Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet, and responsibility for the execution and administration of treasury management decisions to the Chief Finance Officer who will act in accordance with the Policy and Strategy statement and TMPs and CIPFA's *Standard of Professional Practice on Treasury Management*.

- A.10.3 The Chief Finance Officer shall report to the County Council at the beginning of the financial year and make recommendations on the following:-
- a) the overall borrowing limit;

- b) the short term borrowing limit;
- c) the maximum proportion of borrowing which may be at variable interest rates.

Once approved by the County Council, these limits may only be varied by the County Council itself.

- A.10.4 The Chief Finance Officer is authorised to borrow all monies and to arrange the temporary investment of funds within the approved borrowing limit and in accordance with the County Council's Treasury Management Policy and Strategy Statement. Borrowing or lending or investing of monies not within the Chief Finance Officer delegated powers will not be permitted without the approval of the County Council.
- A.10.5 Subject to Financial Regulation A.10.3, the Chief Finance Officer shall be authorised to borrow in respect of projects provided the necessary Government Credit Approvals have been received or provided financing is contained within the County Council's "aggregate credit ceiling" (as statutorily defined) and in accordance with the approved Capital Programme.
- A.10.6 All loans and investments, other than those belonging to the East Sussex Pension Fund and bearer securities, shall be made in the name of the Council. Investments in the East Sussex Pension Fund, other than bearer securities, shall be held in the name of the Council or the Council's nominees.
- A.10.7 All securities the property of or in the name of the Council or its nominees, and the title deeds of all property in its ownership shall be held in the custody of the Assistant Chief Executive, the Chief Finance Officer, or the Council's bankers as appropriate or under such other arrangements as are approved by the Chief Finance Officer.
- A.10.8 The Chief Finance Officer or the Council's bankers shall be the Council's registrar of stocks, bonds and mortgages as appropriate. The Chief Finance Officer shall maintain records of all borrowing of money by the Council. Stocks, bonds and mortgages held by the East Sussex Pension Fund may be registered in the name of the Fund's nominees.
- A.10.9 All trust funds shall, wherever possible, be in the name of the Council or approved nominees. All officers acting as trustees by virtue of their official position shall deposit all securities, etc. relating to the trust with the Assistant Chief Executive unless the deed otherwise provides.
- A.11 **ESTATES**
  - A.11.1 The Chief Finance Officer shall, in consultation with the Assistant Chief Executive, maintain a terrier of all properties owned by the Council, recording the holding department, location, extent, plan reference, purchase details, nature of the interest, tenancies granted, rents payable, and purpose for which the property is held.

A.11.2 The Chief Finance Officer shall maintain an asset register in such a form to record sufficient details to meet the requirements of the Code of Practice on Local Authority Accounting in respect of capital accounting.

A.11.3 The Assistant Chief Executive shall have custody of all title deeds under secure arrangements agreed with the Chief Finance Officer.

## **A.12 INSURANCE**

A.12.1 The Chief Finance Officer shall effect all necessary insurance cover and negotiate all claims, in consultation with other officers where necessary. In respect of direct service organisations, adequate insurance cover shall be maintained by each organisation for employers and third party liability, buildings and contents and such other risks as are deemed necessary.

A.12.2 Chief Officers shall notify the Chief Finance Officer immediately of:-

- (a) all new risks and liabilities which may require to be insured;
- (b) any alteration which may affect existing insurance;
- (c) any loss, damage, claim or event which might give rise to a claim by or against the Council;
- (d) any acquisition or disposal of interests in property which involves an amendment to insurance cover.

A.12.3 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

A.12.4 The Chief Finance Officer shall, at least annually, review all insurance in consultation with other Chief Officers.

A.12.5 Chief Officers shall consult with the Chief Finance Officer and the Assistant Chief Executive in respect of the terms of any indemnity which the Council is requested to give.

## **A.13 FINANCIAL LIMITS**

- Budget Limits
- Control of Contracts
- Ex-Gratia Payments
- Write Off of Debts
- Write Off of Stocks and Stores
- Payment of Accounts

A.13.1 Budget Limits

**- Revenue Budget Transfers**

A.13.1.1 The following levels of approval apply to budget transfers and journals:

<i>Action</i>	<i>Approval required</i>
<i>General Budget Transfers (across departmental budgets)</i>	<i>Up to £1m between departments should be agreed by the Head of Finance). Between £1m and £5m between departments should be authorised by the Chief Finance Officer and relevant Chief Officer(s). Over £5m should be authorised by Cabinet.</i>
<i>General Budget Transfers (within departmental budgets)</i>	<i>With agreement of the budget manager(s)</i>
<i>Technical Budget Transfers (e.g. budget transfers to comply with proper accounting practices)</i>	<i>Chief Finance Officer.</i>
<i>Administrative budget transfers (e.g. already approved by Full Council or Schools Forum)</i>	<i>Chief Finance Officer.</i>
<i>Journals</i>	<i>Journals over £1m must be authorised by a Finance Manager or above.  Exceptions: Pension Management, Capital Finance and Treasury Management where the regular reconciliation of borrowing and investment codes indicate that there is adequate control over the detailed transactions.</i>
<i>Capital Expenditure financed from Revenue Account (CERA)</i>	<i>In line with the capital variation process (see A.5.3.8 and A.5.3.9 above).</i>

A.13.1.2 If the Council is committed to additional expenditure in future years, no budget transfer over £5m will be permitted unless approved by the Cabinet. All other transfers should be in line with the table above.

A.13.1.3 If there is a significant change to an existing policy, or the development of a new policy the approval of Cabinet/ County Council will be required.

A.13.1.4 Where the budget is delegated to budget managers, transfers may be made from one head to another as approved by the appropriate scheme of delegation.

**- Revenue Budget Under/ Overspends**

A.13.1.5 Unless ring-fenced for a specific purpose, requests for underspends to be used for a particular purpose will be considered by the Chief Executive in consultation with the Chief Finance Officer and Chief Officers as part of the Pressures Protocol during the RPPR process.

A.13.1.6 Where overspends occur, these must first be offset against underspends unless another course of action has been approved by the Cabinet.

**A.13.2 Control of Contracts**

A.13.2.1 Where during the currency of a contract valued at £500,000 or more, it becomes apparent that expenditure against the contract will exceed the contract value by 10% or more, other than as a result of a price fluctuation clause, the Chief Officer, in consultation with the Chief Finance Officer, shall present a full report to the next practicable meeting of Cabinet.

**A.13.3 Ex-Gratia Payments**

A.13.3.1 Chief Officers may authorise ex-gratia payments up to £1,000. Ex-gratia payments in excess of £10,000 shall only be authorised by Lead Member Resources.

A.13.3.2 Ex-gratia payments falling between these limits may only be authorised by the Chief Officer after consultation with the Chief Finance Officer and Assistant Chief Executive.

A.13.3.3 A complete record of ex-gratia payments made by Chief Officers shall be maintained and shall be available to the Chief Finance Officer on request and retained in accordance with Standard Financial Procedures.

**A.13.4 Write Off of Debts**

A.13.4.1 The write-off of debts below £5,000 may be authorised by the Chief Officer. The write-off of debts in excess of £10,000 shall only be authorised by the Lead Member for Resources.

A.13.4.2 All other debts falling between these limits may only be written off by a Chief Officer after consultation with the Chief Finance Officer and Assistant Chief Executive.

A.13.4.3 A complete record of debts written off shall be maintained by the appropriate Chief Officer and retained in accordance with Standard Financial Procedures.

**A.13.5 Write Off of Stocks and Stores**

A.13.5.1 No deficiency which occurs in excess of £10,000 shall be written off by a Chief Officer without the prior approval of the Lead Member Resources.

A.13.5.2 Variations below this figure may be written off by the Chief Officer following consultation with the Chief Finance Officer and Assistant Chief Executive.

A.13.5.3 A complete record of stocks and stores written off shall be maintained by the appropriate Chief Officer and retained in accordance with Standard Financial Procedures.

#### **A.13.6 Payment of Accounts**

A.13.6.1 For non Schools: All payments in advance over £25,000 can only be made with prior approval of the Chief Finance Officer.

Payments in advance between £15,000 and £25,000 shall be authorised by a Head of Finance or above.

Payments in advance of less than £15,000 shall be authorised by Finance Manager or above.

A.13.6.2 For Schools:

Payments in advance under £500 shall be authorised by the Chair of Governors and a record kept at the school.

Payments in advance between £500 and £4,999 shall be authorised by a Schools Finance Principal Finance Officer.

Payments in advance between £5,000 and £14,999 shall be authorised by the Schools Accountant.

Payments in advance greater than £15,000 shall be authorised by the Head of Finance for Children's Services and Schools Finance or above.

#### **A.14 Fees and Charges**

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A.14.1 The Chief Finance Officer has delegated authority to set all fees and charges and to report on those set at a level above inflation as part of the quarterly monitoring to Cabinet and as part of Reconciling Policy, Performance and Resources.

#### **A.15 Reserves**

A.15.1 It is the responsibility of the Chief Finance Officer to advise the Cabinet and/or the Council on prudent levels of reserves for the Authority, having regard to assessment of the financial risks facing the Authority. This duty is set out in Section 25 of the Local Government Act 2003.

A.15.2 As stated in the Council's Reserves Policy, in reviewing medium-term financial plans and preparing annual budgets, the Council will consider the establishment and maintenance of reserves for the general fund. The nature and level of reserves will be determined formally by the Council, informed by the judgement and advice of the Chief Finance Officer (CFO).

A.15.3 The Council's Reserves Policy will be reviewed annually and reported and approved.

**A.16 VALUE ADDED TAX (VAT) AND INCOME TAX**

A.16.1 Chief Officers are responsible ensuring the correct financial management of VAT and Income Tax, in respect of both income and expenditure, following guidance issued by the Chief Finance Officer. The Chief Finance Officer is responsible for providing advice to Chief Officers on the potential tax implications of any new initiatives for the delivery of Council activity and Services, including those that could impact on the partial exemption position.

A.16.2 The Chief Finance Officer is responsible for the Council's VAT returns and Income Tax to HM Revenue and Customs. All communication with HM Revenue and Customs for the Council shall be co-ordinated through the Chief Finance Officer or delegated officer.

A.16.3 Chief Officers should seek financial advice from the Chief Finance Officer on any VAT or Income Tax issues. If, following this advice, there is misdirection, or other penalty, this will be the responsibility of the relevant Chief Officer and it will be charged to the relevant budget, unless it results from incorrect guidance from the Chief Finance Officer. Chief Officers are responsible for obtaining necessary VAT receipts.