Financial Regulation Rules

Scope

Financial regulations provide the framework for managing the Council's financial affairs. These financial regulations have been compiled in accordance with the CIPFA Good Practice Guide for Financial Regulations.

They apply to every member and officer of the Council and anyone acting on its behalf. The regulations identify the financial responsibilities of the Council, the Chief Executive and Directors.

All members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

The Director of Corporate Services is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the Council for approval. The Director of Corporate Services is also responsible for reporting, where appropriate, breaches of the financial regulations to the Council.

The Council's detailed financial procedures, setting out how the regulations will be implemented, are contained in the Accounting Manual.

Directors are responsible for ensuring that all staff in their departments are aware of the existence and content of the Council's financial regulations and other internal regulatory documents (including the Accounting Manual) and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.

The Director of Corporate Services is responsible for issuing advice and guidance to underpin the financial regulations that members, officers and others acting on behalf of the Council are required to follow.

FINANCIAL REGULATION A: FINANCIAL MANAGEMENT

INTRODUCTION

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

THE COUNCIL

The Council is responsible for adopting the Council's constitution and members' code of conduct for approving the policy framework and budget within which it operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in its constitution.

The Council is also responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.

AUDIT COMMITTEE

The Audit Committee is an advisory body and reports to the Council. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The committee is responsible for reviewing the external auditor's reports and the annual audit letter along with Internal Audit Report and annual report. It also carries out an exercise on the effectiveness of Internal Audit.

THE STATUTORY OFFICERS

*Chief Executive*

The Chief Executive is responsible for the corporate and overall strategic management of the Council as a whole. He or she must report to and provide information for the Council, and other standing committees with regard to Governance and Risk Management. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible for the system of record keeping in relation to all the Council's decisions.

*Chief Financial Officer*

The Chief Financial Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The Chief Financial Officer is responsible through the Director of Corporate Services for:

* the proper administration of the Council's financial affairs;
* setting and monitoring compliance with financial management standards;
* advising on the corporate financial position and on the key financial controls; necessary to secure sound financial management;
* providing timely and accurate financial information;
* preparing the annual revenue budget and capital programme;
* treasury management.

The Chief Executive is the Chief Financial Officer of the Council and undertakes the above responsibilities accordingly.

*Directors*

Directors are responsible for:

Ensuring that members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Financial Officer.

It is the responsibility of Directors to consult with the Chief Financial Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

*OTHER FINANCIAL ACCOUNTABILITIES*

*Virement*

The Council is responsible for agreeing procedures for virement of expenditure within expenditure codes. The Policy for Budgetary Control is attached at Appendix 1.

Directors are responsible for agreeing in year virements within delegated limits, in consultation with the Chief Financial Officer, where required.

*Treatment of year-end balances*

The Council is responsible for agreeing procedures for carrying forward under overspendings on budget headings. The Policy is attached at Appendix 1.

*Accounting policies*

The Head of Service (Finance and IT) is responsible for selecting accounting policies and ensuring that they are applied consistently across the Council.

*Accounting records and returns*

The Chief Financial Officer, through the Director of Corporate Services, is responsible for determining the accounting procedures and records for the Council.

*The annual statement of accounts*

The Chief Financial Officer through the Director of Corporate Services, is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practices* (CIPFA/LASAAC). The Council is responsible for approving the annual statement of accounts.

FINANCIAL RETGULATION B: FINANCIAL PLANNING

INTRODUCTION

The Council is responsible for agreeing the Council's policy framework and budget.

In terms of financial planning, the key elements are:

* the corporate plan
* the budget
* the capital programme.

POLICY FRAMEWORK

The Council is responsible for approving the policy framework and budget. The policy framework comprises the following statutory financial plans and strategies:

* corporate plan
* capital programme
* treasury management policy statement
* Minimum Revenue Provision Policy

PREPARATION OF THE CORPORATE PLAN

The Chief Executive is responsible for recommending the corporate plan to the Council for approval.

BUDGETING

Budget format

The general format of the budget will be approved by the Council and recommended by the Chief Financial Officer.

Budget preparation

The Head of Service (Finance and IT) is responsible for ensuring that a revenue budget is prepared on an annual basis and a general revenue plan on a three-yearly basis for consideration by the Council. The Council may amend the budget.

It is the responsibility of Directors to ensure that budget estimates reflecting agreed service plans are submitted to the Council and that these estimates are prepared in line with guidance issued by the Council.

Budget monitoring and control

The Head of Service (Finance and IT) is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Council on the overall financial position on a regular basis.

It is the responsibility of Directors to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Financial Services Unit. They should report on variances within their own areas. They should also take any corrective action necessary to avoid exceeding their budget allocation and alert the Director of Corporate Services accordingly.

PREPARATION OF THE CAPITAL PROGRAMME

The Director of Corporate Services is responsible for ensuring that a capital programme is prepared on annual basis for consideration by the Corporate Management Team before submission to the Corporate Services Committee and then ratified by the full Council.

MAINTENANCE OF RESERVES

It is the responsibility of the Chief Financial Officer to advise the Council on prudent levels of reserves for the Council.

FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

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

RISK MANAGEMENT

The Audit and Governance Committee is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management.

The Corporate Services Committee is responsible for ensuring that proper insurance exists where appropriate.

The Chief Executive is responsible for preparing the Council's risk management policy statement, for promoting it throughout the Council and for advising the Council on proper insurance cover where appropriate.

INTERNAL CONTROL

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.

The Head of Audit is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

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

AUDIT REQUIREMENTS

The Northern Ireland Audit Office is responsible for appointing external auditors to each local Authority.

The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access to Council records.

PREVENTING FRAUD AND CORRUPTION

The Chief Financial Officer, through the Head of Audit, is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

ASSETS

Directors should ensure that 5records of assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

TREASURY MANAGEMENT

The Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities*. The Council is responsible for approving the treasury management policy statement setting out the matters detailed in paragraph 15 of CIPFA's *Code of Practice for Treasury Management in Local Authorities*. The policy statement is recommended to the Council by the Chief Executive. The Corporate Services Director has delegated responsibility for implementing and monitoring the statement.

The Chief Financial Officer is responsible for reporting to the Council a recommended treasury management strategy for the coming financial year at or before the start of each financial year.

All Council decisions on borrowing, investment or financing shall be delegated to the Chief Financial Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management in Local Authorities*.

STAFFING

The Chief Executive, through the Corporate Management Team is responsible for providing overall management of staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

Directors are responsible for controlling total staff numbers by:

* advising the Council on the budget necessary in any given year to cover estimated staffing levels
* adjusting the staffing to a level that can be funded within approved budget provision varying the provision as necessary within that constraint in order to meet changing operational needs
* the proper use of appointment procedures.

FINANCIAL REGULATION D: SYSTEMS AND PROCEDURES

INTRODUCTION

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

GENERAL

The Chief Financial Officer, through the Director of Corporate Services is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Directors to the existing financial systems or the establishment of new systems must be approved by the Head of Service for Finance and IT.

Any changes to agreed procedures by Directors to meet their own specific service needs should be agreed with the Chief Financial Officer.

Directors should ensure that their staff receive relevant financial training that has been approved by the Chief Financial Officer.

Directors must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Directors must ensure that staff are aware of their responsibilities under freedom of information legislation.

INCOME AND EXPENDITURE

The Council's Acco7unting Manual must be compiled with in respect of payments, income collection and placing orders, together with the limits of the Council.

PAYMENTS TO EMPLOYEES AND MEMBERS

The Chief Financial Officer, through the Director of Corporate Services, is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

TAXATION

The Head of Service for Finance and IT is responsible for advising Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.

The Head of Service Finance and IT 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.

FINANCIAL REGULATION E: EXTERNAL ARRANGEMENTS

INTRODUCTION

The local Authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

PARTNERSHIPS

The Council is responsible for approving delegations, including frameworks for partnerships The Council is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

The Council can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council's constitution. The Chief Executive may represent the Council on partnership and external bodies, in accordance with the scheme of delegation.

The Chief Financial Officer, through the Director of Corporate Services, must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contrasts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

Directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

EXTERNAL FUNDING

The Head of Service (Finance and IT) is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

Appendix 1 – Policy regarding Budgetary Controlling

It is a key objective of Lisburn & Castlereagh City Council that actual net spend in any financial year shall not exceed the amount approved in the annual estimate for that year. The system for budgetary control is therefore an integral part of the successful delivery of the Council's Corporate Plan. In order to achieve this objective the following policy has been prepared.

General Statement of Responsibilities for Budgetary Control

It is the responsibility of the budget holder to ensure that the monthly profile of income and expenditure for all detail codes under their control is as accurate as possible. The Council has used committed reporting for several years and data held on the finance system may be used to establish trends. Alternatively budget holders may prefer to use their own experience or judgement to establish the trend. Re-profiling budget trends to make it appear as if the budget holder is on target will not be an acceptable budgetary control mechanism.

All budget transfers/re-profilings (except those within the budget holders own unit) are to be approved by the Departmental Director at the monthly budget meeting.

It is the responsibility of the budget holder (at least Head of Service) to operate within the overall budget assigned to his/her area of responsibility. Each separate code has a separate budget. Failure to comply with Budgetary Control Procedures may be treated as a breach of discipline.

Specific Overachievements/Underspends during the year

Any overachievements/underspends remaining after the monthly budget transfers/re-profilings are input will be transferred, subject to the approval of the Departmental Director, a contingency fund code created within the departmental headquarters location code. The balance in this fund will be distributed at the discretion of the Departmental Director (following consultation with Financial Services) during the year.

The reduced expenditure budget will form the basis for discussion on the level of estimates needed to operate services – any uncommitted balance in the contingency fund, as identified in the monthly budget report at the end of November each year, will therefore be no longer available for departmental purposes. Rather it is anticipated that the unspent funds from all departmental contingency funds will be aggregated into the District Fund balance and used to improve the Council's overall financial position. Similarly overachieved income will form the basis for discussion on the level of income for the next year (after also adjusting for a review of the scale of charges).

Should any specific detail budget be overspent (or income underachieved) in any particular month the budget holder will agree with the departmental director and the Financial Services Unit at the monthly budget review meeting an appropriate course of action to resolve the overspend at the earliest opportunity. As stated above re-profiling is not an option unless there is evidence that the overspend is due to action outside the Council's control (e.g. supplier delay). If the Departmental Director cannot identify any areas to redress the overspend it must be reported on a quarterly basis to a meeting of the Senior Management Team.

The preceding paragraphs should be adhered to in all normal overspend/underspend situations how3ever where the expenditure is grant aided adjustment will be needed to profiles where there is a likelihood that the net cost to the Council is affected e.g. capped expenditure type.

New projects not provided for within the approved estimates

This section should be read in conjunction with paragraph 2 above. Additional services/new projects must be funded from within the Council's revenue budget. These can be financed by diverting resources from other service areas or use of the 'departmental contingency fund'. The following approach should be followed before any additional service/new project, estimated to cost less than £30,000, is proposed:

* Cost of additional service/project must be accurately established;
* Sources of funding to be identified;
* If identified sources of funding are insufficient to meet the costs (i.e. the additional service/project can only be undertaken at additional cost over the approved net Council estimate) a report on the matter must be presented to the Senior Management Team for further consideration.

A unique code will be created for each new project and costs monitored as part of the normal monthly budget meetings with the Financial Services Unit.

A similar process should be followed before any additional service/new project, estimated to cost more than £30,000, commences but in these cases a full expenditure appraisal must also be undertaken and reported to the appropriate standing committee.

Carry forward of Revenue Budgets

In certain circumstances it may not be possible to complete projects before the end of a particular financial year e.g. due to delay in tendering procedures. The Departmental Director should report these projects to the Head of Service (Finance and IT) to enable the cost to be included within the estimate for the following year.

There will be an immediate transfer from the departmental contingency fund to the Council's district fund to offset the cost of the project.

Carry forward should be permitted for schemes that are:

* One off projects;
* which have a completion date within the next financial year;
* will not incur additional revenue recurrent expenditure;
* which have been approved by Council;
* material either by amount or impact to the Council.

Carry forward of more than £50,000 should be approved by Council.