

Report to: Executive Board – 10th January 2005

FINANCIAL REGULATIONS

Report of:	Strategic Director, Finance and Corporate Services	WARDS AFFECTED: ALL
Report Author:	Mike Baish, Business Manager, Financial & Asset Management mbaish@oxford.gov.uk	
Lead Member Responsible:	Councillor Hollingsworth	
Overview and Scrutiny Committee Responsibility:	Finance	
Key Decision:	No	
SUMMARY AND RECOMMENDATIONS		
That the Executive Board RECOMMENDS Council to approve and implement the attached financial regulations.		

1. Attached to this report are draft Financial Regulations. These have been drawn up in consultation with Business Managers and form part of the review of the Council's Constitution.
2. Sound financial management is one of the Council's key strategic objectives and the draft regulations underpin this.
3. There are a number of areas in which the draft regulations differ from those currently in place:

They are shorter, backed up by guidance procedures where appropriate;

They have been written as clearly as possible, avoiding the use of jargon and technical terms;

Responsibility for many areas is placed upon Business Managers;

The Strategic Directors' role incorporates monitoring and overview of compliance;

Budget and project approval procedures have been simplified and clarified;

They are designed to be published electronically, to facilitate easier access and updating.

4. There are no specific financial, legal or staffing implications arising from the draft regulations.
5. Executive Board is asked to RECOMMEND to Council that the draft regulations be approved. Implementation of the approved regulations will be concurrent with the updated Constitution and Contract Procedure Rules already approved by Council.

THIS REPORT HAS BEEN SEEN AND APPROVED BY:

Portfolio Holder: Councillor Alex Hollingsworth

Strategic Director : Mark Luntley

Legal and Democratic Services:

Financial Management: Sarah Fogden/Penny Gardner

Background papers: None

Financial Regulations

1. Introduction and Purpose
 - Application and purpose
 - Individuals' Responsibilities
 - Internal Audit
 - External Audit
 - Breaches

2. Accounting and Budgeting
 - Information and records
 - VAT and Taxation issues
 - External bodies
 - Medium term financial planning
 - Budgets
 - Budgetary control
 - Virements
 - Supplementary estimates
 - Emergency expenditure
 - Capital strategy
 - Major Project Approval

3. General financial management
 - Treasury management
 - Asset Management
 - Risk Management
 - Payments
 - Salaries, wages and pensions
 - Ordering and making payments
 - Petty cash
 - Income
 - Collecting debts

- Appendix Definitions of terms

FINANCIAL REGULATIONS

1 INTRODUCTION AND PURPOSE

1.1 Application and Purpose

The Strategic Director, Finance and Corporate Services has a statutory duty to ensure that high financial standards are maintained throughout Oxford City Council. Part of the way this is achieved is through these financial regulations.

These rules make references to specific officers' responsibilities. These officers are acting under delegated powers from the Strategic Director, Finance and Corporate Services, who remains ultimately responsible for these regulations

These rules set down the standards that the Council requires from all officers throughout the council. In effect they are the finance rulebooks.

The rules cover the main areas of financial control, ranging from making payments through to receiving income. **All** officers are required to work within these rules; any exceptions are clearly set out. These rules are updated each year and officers should ensure they work from the up-to-date copy. All information is held on the intranet. Paper copies are available from both Finance and Asset Management and Legal and Democratic Services.

These Financial Regulations form part of the Oxford City Council's Constitution.

1.2 Individuals' Responsibilities

Everyone should be familiar with these rules and must clearly understand those that affect their work area. It is the responsibility of line managers¹ to make sure that their staff are aware of all relevant rules.

If an individual is unclear about some aspect of these rules they should seek advice before acting. Normally they would seek guidance from their line manager but are also free to approach finance staff or the Business Manager' Audit and Risk direct.

These rules are not a substitute for individuals' common sense and judgment. The Strategic Director, Finance and Corporate Service's approach is that **all** officers must exhibit the highest standards of probity when they deal with the Council's finances.

All officers must be aware of and adhere to the rules within Oxford's 'Code of Conduct for Employees'. These set out the standards that are expected from employees.

These financial regulations place additional responsibilities on individual officers². They include the following:

¹ Business Managers should define who is a line manager, however individuals who supervise one or more staff would normally fall into this definition. All staff must have a line manager to whom they report.

² Individuals' responsibilities are set out in the "scheme of delegation" and (as appropriate) within individual's job descriptions

(a) Line managers are responsible for the day-to-day financial operation of their section or group. They need to make sure that financial rules are being adhered to within their area.

(b) Business Managers are responsible for ensuring high financial standards within their business unit. This includes applying financial rules and advising staff accordingly. Business Managers are also responsible for monitoring the overall financial state of their service and advising their Portfolio Holder on proposals that have a financial impact.

(c) Strategic Directors are responsible for overseeing and monitoring the financial management in their Business Units within their remit.

All officers have a duty to act if they believe there is a possibility of fraud; corruption or poor value-for-money taking place or the rules are being breached. In such cases they must inform their line manager (unless involved) and the Business Manager for Audit and Risk. The Council operates a whistle-blowing policy that provides guidance covering these matters.

Each year the Strategic Director, Finance and Corporate Services will review these regulations to ensure that they comply with the latest accounting policies/guidance and statutory principles. Any additions or changes must be reported to the Executive Board.

1.3 Internal Audit

The Business Manager, Audit and Risk is responsible for reviewing financial and management systems throughout the Council and has a duty to act if fraud or corrupt practices are detected. Internal Audit staff should also comment on how better value might be achieved.

Internal Audit staff have the right to access records and require officers to provide information and explanations at any reasonable time in order to carry out their audit work. Internal Audit's professional standards and operating procedures are set out in its audit manual.

1.4 External Audit

The Audit Commission appoints an auditor³ to carry out an annual Audit of the Council's Statement of Accounts and performance indicators.

The Strategic Director, Finance and Corporate Services has overall responsibility for liaising with the External Auditors.

1.5 Breaches

Any breach of the financial regulations must be reported to the Strategic Director, Finance and Corporate Services, who shall determine what action should be taken and whether the breach is significant enough to report it to the Executive Board.

³ Currently the Audit Commission's own direct arm. The Commission's local Relationship Manager is Andy Burns.

2 ACCOUNTING AND BUDGETING

2.1 Information and Records

The Strategic Director, Finance and Corporate Services is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. S/he will ensure that the accounting records are sufficient to show the Authority's transactions to ensure any statement of accounts, income and expenditure account, statement of balances or record of receipts and payments complies with the Accounts and Audit Regulations 2003.

Business Managers shall ensure that their staff receive the relevant financial training approved by the Strategic Director Finance and Corporate Services and Business Manager, Human Resources.

The Business Manager, Business Systems shall ensure, where appropriate, that computer and other systems are registered in accordance with data protection legislation and meet the requirements of freedom of information legislation.

Business Managers are responsible for ensuring that their staff retain documents in accordance with the Council's Document Retention and Destruction Policy. If any requirements are unclear, the Strategic Director Finance and Corporate Services will provide guidance.

2.2 VAT and taxation issues

The Business Manager Finance and Asset Management is responsible for advising on all taxation issues that affect the Council. Sh/e shall be 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. Further guidance is available from the VAT manual.

The Strategic Director, Finance and Corporate Services must ensure that the accounting arrangements of the Authority governing partnerships and joint ventures are satisfactory and comply with the latest accounting policies/guidance and statutory principles.

2.3 External bodies

All Business Managers must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies, and must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

The Business Manager Financial and Asset Management is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

2.4 Medium Term Financial Planning

The Strategic Director Finance and Corporate Services must prepare and submit reports to the Executive Board on the medium term budget prospects, including resource implications arising from Government support.

2.5 Budgets

The Council is responsible for:

- Approving the Budget and Policy Framework for the Authority
- Setting the Council Tax
- Setting housing rent levels
- Approving the Treasury Management strategy

The Executive Board is responsible for:

- Recommending the Budget and Policy Framework to the Council
- Considering the Treasury Management Strategy prior to submission to Council
- Setting the Council Tax Base
- Approving virements greater than £250,000
- Approving supplementary estimates up to the value of £250,000 in any one financial year

2.6 Virements (transfers of budgets)

Budgets may be “vired” from one budget head to another, subject to the following limits:

Virements up to £50,000 must be approved by the appropriate Business Manager and the Business Manager, Financial and Asset Management;

Virements above £50,000 and up to £100,000 must be approved by the Strategic Director, Finance and Corporate Services and the Strategic Management Board;

Virements above £100,000 and up to £250,000 must be approved by the Strategic Director, Finance and Corporate Services, the Strategic Management Board and the Executive Board Portfolio Holder for Finance;

The Executive Board must approve Virements greater than £250,000.

All virement requests must be in a form defined by the Business Manager, Finance and Asset Management. Requests must specify the proposed expenditure and the source of funding and must explain the implications in the current and future financial years if appropriate;

Virements that cross funds e.g. between the General Fund and the HRA must be approved by Council

2.7 Supplementary Estimates

A supplementary estimate is any change to the framework budget or budgets.

The Executive Board can approve requests for supplementary estimates up to a cumulative value of £250,000 in any one financial year. When a request is received that would lead to this threshold being exceeded, then the approval of the Council is required.

2.8 Emergency Expenditure

The Chief Executive may approve additional expenditure in the event of an emergency or a disaster, provided it is reported to the Leader and Chair of the relevant Area Committee as soon as is reasonably practicable.

2.9 Budgetary Control

The Strategic Director, Finance and Corporate Services shall ensure that:

- A revenue budget showing both revenue expenditure and income for the forthcoming financial year
- A general revenue plan on a rolling three yearly basis, and
- A capital programme for the forthcoming and future years

are submitted for consideration by the Executive Board before the end of February preceding the start of the financial year.

It is a statutory requirement for the Council to maintain adequate levels of reserves. The Strategic Director, Finance and Corporate Services must advise the Council on prudent levels.

The Business Manager, Finance and Asset Management shall provide appropriate financial information to enable budgets to be monitored effectively.

The Strategic Director, Finance and Corporate Services has the responsibility to:

- Submit regular monitoring reports, highlighting any areas of concern and identifying the appropriate remedial action where necessary;
- Advise Members where additional expenditure has been identified or where budgetary approval has yet to be requested;
- Advise on the medium-term implications of spending decisions;
- Ensure that each capital scheme includes a project plan, progress targets and provides forecasts of associated revenue expenditure,
- Administer a scheme of carry forwards within the guidelines approved by the Executive Board

Business Managers are responsible for:

- Controlling income and expenditure and monitoring performance,
- Taking necessary actions to avoid exceeding their budget allocation and promptly alerting the Business Manager Finance and Asset Management to any problems.
- Ensuring all financial records are retained particularly where Grant claims require adequate supporting documentation

2.10 Capital Strategy

The Strategic Director, Finance and Corporate Services is responsible for preparing a capital strategy. This document sets out the principles of good capital planning and management and how schemes are added into the capital programme.

Spending is only allowed on capital projects that:

Are in the approved capital programme;
Have been through the appropriate procedure within the Contract Regulations;
Have been through the appropriate project approval procedure.

2.11 Major Project Approval

A major project is any scheme (including the acquisition of any interest in land or buildings) which involving expenditure or income of over £100,000 *over the lifetime of that project*. Budget provision for any major project must already have been approved by Council.

A Business Manager seeking major project approval must prepare a report that includes the following:

Objectives and alternative ways of achieving that objective.

Any responses to consultation and how they have been addressed.

Staffing consequences and contract/legal implications.

The amount and phasing of estimated capital and revenue expenditure and any on-going revenue consequences.

Executive Board or Area Committee approval is required before a major project can be started.

3 General Financial Management

3.1 Treasury Management

The Strategic Director, Finance and Corporate Services is responsible for the producing the Council's Treasury Management Strategy. This strategy sets out the treasury plans for the coming 12 months (including any prudential borrowing plans). The strategy includes a list of organisations the Council is prepared to borrow from and lend to, as well as the maximum individual amounts that will be borrowed/lent. The strategy must be approved by Council.

Day to day Treasury Management operations will be carried out in line with the Finance Business Unit's Treasury Management operating manual. The manual is based on best practice and ensures:

The Authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the Council's Management Strategy;
All borrowing and lending is effected in the name of Oxford City Council;
All securities that are the property of the Council or its nominees are held in the custody of the appropriate Strategic Director or Business Manager.

Only the Strategic Director, Finance and Corporate Services can open a bank or building society account on behalf of the Council. The Business Manager, Financial and Asset Management is responsible for the management of these accounts.

3.2 Asset Management

The Business Manager, Finance and Asset Management must produce an Asset Management Plan in line with best professional practice and government guidelines. Council is responsible for approving the plan.

The Business Manager, Finance and Asset Management will;

Issue guidelines setting out best practice for the acquisition, management and disposal of assets.

Ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.

The Business Manager, Finance and Asset Management is responsible for ensuring that an asset register is maintained. All fixed assets worth more than £10,000 must be included on this list. All Business Managers must ensure that relevant new assets are added to this list and disposed assets deleted. Every year the Business Manager, Finance and Asset Management must check his/her records to ensure that properties are still shown at the right value, show an appropriate asset life and have been properly depreciated.

Business Managers may dispose of assets with a sale value of up to £10,000 with the agreement of the Business Manager, Finance and Asset Management.

All other asset disposals must follow the guidelines established by Finance and Asset Management.

Only the Business Manager, Finance and Asset Management can enter into any leasing arrangements on behalf of the Council.

The Business Manager, Business Systems is ultimately responsible for all Council computer systems. Sh/e is responsible for making sure staff are aware of their responsibilities in regard of Council computer systems. These are set out in the Council's Computer and Internet Security Policies.

3.3 Risk Management

The Council's risk management strategy must be agreed by Executive Board. The Strategic Management Board is responsible for identifying corporate key risks and promoting a risk management culture within the Council. The Chief Executive will report to Executive Board about how risk is being managed.

The Audit and Risk Business Manager will prepare and update the Council's Risk Management Strategy and related policies (including anti-fraud and anti-corruption policies).

Business Managers are responsible for identifying and managing risks in their own business units. They must ensure that there are contingency plans in place for major identified risks and must tell the Business Manager, Audit and Risk of any losses, or risks that may give rise to claims against the Council.

3.4 Payments

3.4.1 Wages, salaries and pensions

The Business Manager, Finance and Asset Management is responsible for all payments of salaries and wages and expenses to all staff, including payments for overtime, and allowances to Members.

Business Managers must notify the Business Manager, Human Resources of any changes that affect their employees' pay or deductions.

3.4.2 Ordering and making payments

The Strategic Director, Finance and Corporate Services is responsible for ensuring that there are proper controls and procedures in place governing orders and purchases of goods and services.

No other order or payment system can be established without the explicit prior agreement of the Strategic Director, Finance and Corporate Services.

Business Managers are responsible for orders raised and payments made from within their Business Unit. They must ensure that officers raising orders and making payments have been properly trained and that appropriate separation of duties is in place.

Oral orders are not normally acceptable⁴, except in emergencies. In those cases orders must be confirmed in writing as soon as possible.

All Officers should check with the Business Manager, Legal and Democratic Services before accepting unusual terms and conditions as part of any order.

The Business Manager, Facility Management is responsible for the broader procurement principles in the Council's emerging procurement strategy. The final strategy must be approved by Executive Board.

3.4.3 Petty Cash

The Business Manager, Finance and Asset Management oversees the system of Petty Cash Floats. Floats will only be reimbursed on submission of properly submitted claims supported by receipts for all items. Finance will provide detailed guidance in this area.

3.5 Income

The Strategic Director, Finance and Corporate Services is responsible for ensuring that systems are in place to enable all income received is identified, collected, receipted and promptly banked. S/he will issue detailed guidance in this area.

Business Managers must not operate independent debtor systems unless the Strategic Director, Finance and Corporate Services has given his/her explicit agreement.

Business Managers must ensure that a proper scheme of delegation for dealing with income and expenditure has been established within their area and is operating

⁴ There are some exceptions, the Business Manager Finance and Asset Management can advise.

effectively. They must put additional controls if any of that income is collected as cash. These arrangements must provide that:

Officers are appropriately trained.

Official receipts are always given and proper records kept.

Money is banked as soon as possible.

VAT is properly accounted for.

Business Units collecting income may only use forms that have been specifically approved by the Business Manager, Finance and Asset Management. All invoices must clearly state that payment is due to “Oxford City Council”.

Business Managers are responsible for ensuring that there are effective systems to monitoring of income due to their Business Unit. Significant unexplained shortfalls in income must be reported to the Business Manager, Audit and Risk.

3.6 Collecting debts

Officers raising debts must observe the following guidelines:

Invoices should be accurate and should be raised promptly

Recovery action should be speedy.

Disputes should be resolved as soon as possible.

Executive Board has agreed debt management procedures. These give detail about how officers should approach collection of debts.

Irrecoverable debts may only be written off in accordance with the following approvals.

Amount to be written off “Non-business debt”	Amount to be written off “Business debt”	Approval by
Up to £1,000	Up to £2,000	Business Managers
Over £1,000 up to £5,000	Over £2,000 up to £10,000	Strategic Director, Finance and Corporate Services
Over £5,000	Over £10,000	Executive Board

Only debts which have been raised in error can be cancelled. All debt cancellations over £5,000 must be authorised by the Business Manager, Finance and Asset Management.

Definitions

Within the financial regulations and attached appendices the following apply:

“Area Committee” means a committee set up to discharge the duties given to that particular group of wards.

“Area Co-ordinator” means the person appointed to be responsible for co-ordinating the duties and responsibilities of their allocated Area Committee.

“Audit & Risk Business Manager” means the officer responsible to the Strategic Director, Finance and Corporate Services for the internal audit function.

“Audit Committee” means the committee set up by statute to consider and approve the draft Annual Statement of Accounts.

“Authority” means the Oxford City Council.

“Budget framework” means:

in relation to the General Fund, the amount to be met from government grants and local taxpayers, and the amount to be transferred to/from general reserves

in relation to the Housing revenue Account means the net surplus/deficit for the year

in relation to the capital programme means the total planned expenditure.

“Business Unit Manager” means a person appointed by the Authority for the overall management of services within the Business Unit. He or she reports to Strategic Directors.

“Strategic Director, Finance and Corporate Services” means the officer responsible for financial affairs of the Council under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988. It includes the officer nominated by the Strategic Director, Finance and Corporate Services to act in his or her absence.

“Executive Board” means the body appointed by the Council to exercise executive functions in accordance with Article 7 of the Constitution.

“Head of Paid Service” means the person appointed by the Council as the Chief Executive.

“Monitoring Officer” means the person designated by the Council for the purposes of Section 5 of the Local Government & Housing Act 1989, or the person nominated to act in his or her absence.

“Scrutiny Committees” means any of the Committees set up under Article 6 of the Constitution.

“Strategic Director” means a person appointed by the Council to a post of Strategic Director within the Council’s Strategic Management Team. This heading also embraces the Head of Paid Service who also has Directorate responsibilities.

“Strategic Management Team” means the body comprising the Chief Executive, the Strategic Directors and those other officers whom from time to time are invited by the Chief Executive to join the Strategic Management Team.