

PART 8

FINANCIAL REGULATIONS

WORCESTER CITY COUNCIL

FINANCIAL REGULATIONS

1. General

- 1.1 The Policy and Resources Committee shall be responsible for the supervision and control of the Council's finances and for making recommendations for Council on any matters relating to the Council's finances which are reserved for decision by Council.
- 1.2 The Section 151 Officer shall be responsible for the overall supervision of financial arrangements and shall report to the Policy and Resources Committee on the level of financial resources available in each financial year and the state of the Council's finances.
- 1.3 The Section 151 Officer shall be the paymaster, receiver and accountant of the Council. He shall ensure that the administration of the Council's financial affairs is safe and efficient and kept under review and he/she shall report to the Policy and Resources Committee and the Council on financial matters independently or in conjunction with the Managing Director, Corporate Directors or Monitoring Officer.
- 1.4 The Section 151 Officer shall be entitled to receive a copy of any report to be submitted to the Council or one of its Committees, a copy of any minute of the Council or any of its Committees and a copy of any Government circular, order, regulation or instruction affecting the Council's financial affairs.
- 1.5 The Managing Director and each Corporate Director/Head of Service shall consult with the Head of Finance before reporting to the any of the Committees of the Council on any matter which may affect the finances of the Council.
- 1.6 Each Committee and any of its Sub-committees and the Managing Director, each Corporate Director and each Head of Service shall be responsible for the observance of these Financial Regulations in all their respective activities.
- 1.7 The Head of Finance shall be responsible for bringing to the attention of the Managing Director, Corporate Directors and Heads of Service any case of non-compliance with these Regulations and, in cases where he considers it necessary, may report the matter to the Policy and Resources Committee.

2. The Budget and Financial Planning

- 2.1 The Budget is defined in Article 4.1 of the Constitution. The detailed form of Revenue Estimates and Capital Programme shall be as determined by the Section 151 Officer.
- 2.2 Estimates of income and expenditure on Revenue Account and the Capital Programme shall be prepared by the Managing Director, Corporate Directors and Heads of Service in consultation with the Head of Finance.
- 2.3 The Head of Finance shall present a report on the Budget to the Policy and

Resources Committee prior to its approval by Council, including a report updating the compliance with the Medium Term Financial Plan previously approved by the Council and other financial implications. The Policy and Resources Committee will consult with the Council's Policy Committees on the Budget as set out in the Budget and Policy Framework Rules.

2.4 Upon the approval by the Council of a programme of capital expenditure the Managing Director, the Corporate Director or the relevant Head of Service shall, following consultation with the Head of Finance, be authorised, subject to paragraph 2.9 below, to prepare a business case and options appraisal including associated expenditure for approval by the appropriate committee/officer. All proposed expenditure on capital shall be approved before any commitment is given to incur such expenditure.

2.5 Budget Control

The Head of Finance shall furnish each delegated budget holder with periodical management accounts and such other relevant information as he/she has, and it shall be the duty of each delegated budget holder to control the revenue expenditure and income for which he/she is responsible.

2.6 Where it appears to a delegated budget holder that the amount of any estimate of approved expenditure may be exceeded or the amount of any estimate of income may not be reached, it shall be the duty of the delegated budget holder concerned to consult with the Head of Finance and, if so required by the Head of Finance, to report this to the Policy and Resources Committee .

2.7 In this Regulation the term "variation" shall include any reduction in income or increase in expenditure. There shall be no variation of an approved service budget except as provided below:-

(a) at the request of any Head of Service, the Section 151 Officer may agree virement between budget heads of a Head of Service in any estimate period provided that the overall budget for the Service Team shall not be exceeded; and the expenditure does not recur in future financial years; and for a maximum of £100,000 per event

(b) at the request of the relevant Corporate Director(s), the Section 151 Officer may agree virement between Service Team budgets in any estimate period provided that the overall budget for the Council shall not be exceeded; and the expenditure does not recur in future financial years; and for a maximum of £100,000 per event

For events greater than £100,000 then the virement should be approved by Policy and Resources Committee.

2.8 Where during the course of capital works it becomes apparent that payments are likely to exceed the approved cost by more than 2.5 per cent or £5,000, whichever is the greater, the Managing Director, Corporate Director or Head of Service concerned shall submit a report of the circumstances to the Section 151 Officer who may approve the increased expenditure if the increase does not exceed £50,000.

Any material change in the terms of the contract or a change which will result

in increased expenditure of £50,000 or more must be approved by the Policy and Resources Committee or Council as appropriate.

- 2.9 The inclusion of items in the Capital Programme shall be for the purpose of enabling the Council to control total capital payments and shall not commit the Council nor authorise the expenditure to be incurred.

2.10 Authorisation of Expenditure

Where specific provision has been included in the revenue Budget, the relevant delegated budget holder may approve expenditure of up to the limits set out in the Procurement Code and subject to any procedures to be agreed with the Section 151 Officer.

Authorisation of expenditure on capital schemes shall be subject to approval of a detailed business case by the Section 151 Officer.

2.11 Supplementary Estimates

Where no specific provision has been made in the Budget and the matter cannot be managed within the existing virement rules or through the Earmarked Reserves policy, then a supplementary estimate may be approved by the Policy and Resources Committee. Any matter outside of the Budget must be approved by Council.

3. Accounting

- 3.1 All accounting procedures and records of the Council and its Officers shall be as determined by the Head of Finance. Where such procedures and records are maintained in a service area other than that of the Head of Finance, he/she shall, before making any determination, consult the Head of Service of the service area concerned.

- 3.2 All accounts and accounting records of the Council shall be compiled by the Head of Finance or under his/her direction.

- 3.3 The following principles shall be observed in the allocation of accounting duties:-

(a) The duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them; and

(b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

4. Banking arrangements and cheques

- 4.1 The Policy and Resources Committee shall be responsible for the choice of the Council's bankers.

- 4.2 All arrangements with the Council's bankers shall be made by or under

arrangements approved by the Head of Finance who shall be authorised to operate such banking accounts, as he/she may consider necessary. All such accounts shall be in the name of the City Council.

- 4.3 All cheques shall be ordered on the authority of the Head of Finance who shall make proper arrangements for their safe custody.
- 4.4 Cheques on the Council's banking accounts shall bear the signature of the Head of Finance or be signed by other Officers authorised by him/her.
- 4.5 All BACS/CHAPS payments must be approved by the Head of Finance or an officer authorised by him/her.

5. Audit

5.1 Internal Audit

- 5.1.1 The function, responsibilities, authority and reporting lines of the Council's Internal Audit function are contained in the Council's Audit Charter. All Members and Officers of the Council should ensure they have read, understood and will act in accordance with the Audit Charter wherever it affects them in the course of performing their duties.

5.2 External Audit

- 5.2.1 The Council's finances are subject to audit by external auditors appointed by Public Sector Audit Appointments Limited (PSAA). They propose guidelines which the external auditors follow when auditing the Council's Annual Statement of Accounts. The external auditors are under a duty to satisfy themselves that:-

- The accounts are prepared in accordance with the current CIPFA/LASAAC Code of practice on Local Authority Accounting in Great Britain.
- Proper practice has been observed in the completion of accounts.
- The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 5.2.2 The Head of Finance and the Corporate Directors/ Heads of Service shall ensure that the external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

- 5.2.3 The Section 151 Officer shall ensure that there is effective liaison between external and internal audit.

- 5.2.4 The Section 151 Officer shall report to the Audit Committee on the external auditor's plan, their Annual Management Letter and on any other reports prepared by the external auditors on specific matters and the Audit Committee shall decide how these reports are to be considered.

6. Insurance

- 6.1 Each Corporate Director/ Head of Service shall give prompt notification to the Head of Finance of all new risks, property or vehicles which require to be insured and of any alteration affecting existing insurances. The Head of Finance shall effect all necessary insurance cover and shall be informed by the Corporate Director/Head of Service concerned of all substantial claims made on behalf of or against the Council and their progress.
- 6.2 Each Corporate Director/Head of Service shall give prompt notification of any loss, liability or damage or any event likely to lead to an insurance claim.
- 6.3 All appropriate posts of the Council shall be included in a suitable Fidelity guarantee insurance as determined by the Section 151 Officer.
- 6.4 The Head of Finance shall keep under review all insurances in consultation with the Corporate Directors/Heads of Service as appropriate.
- 6.5 Each Corporate Director/Head of Service shall consult the Head of Finance and the Monitoring Officer on the terms of any indemnity which the Council is requested to give.

7. Investments, Borrowings and Trust Funds

- 7.1 All investments of money under the control of the Council shall be made in the name of the Council or in the name of its nominees approved by the Policy and Resources Committee.
- 7.2 The Head of Finance shall be responsible for borrowing such money, within the approved borrowing limits, as is required pending the receipt of revenue or to finance capital expenditure which has been approved by the Council and to the extent that loan sanction has been given.
- 7.3 All borrowings shall be effected in the name of the Council.
- 7.4 The Head of Finance shall be the Council's Registrar of stocks, bonds and mortgages and shall maintain records of all borrowings of money by the Council.
- 7.5.1 The Council has adopted the key recommendations of CIPFA's "Treasury Management in the Public Services: Code of Practice" (the Code) as described in Section 4 of that Code.
- 7.5.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
 - a treasury management policy statement, stating the policies and objectives of its treasury management activities;
 - a suitable treasury management priorities (TMPs) setting out the manner in which the organisation will seek to achieve these policies and objectives and prescribing how it will manage and control these activities.

The content of the policy statement and TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's

key recommendations.

- 7.5.3 The Policy and Resources Committee will receive reports on the Council's treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.
- 7.5.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Policy and Resources Committee and for the execution and administration of treasury management decisions to the Head of Finance who will act in accordance with the Council's policy statement and TMPs and CIPFA's Statement of Professional Practice on Treasury Management.
- 7.6 All trust funds shall wherever possible name the Council as its trustee.
- 7.7 Where officers or members are required by virtue of their official position to act as a trustee, they shall deposit all securities etc., relating to the trust with the Head of Finance unless the deed otherwise provides.

8. Leasing

- 8.1 The financial limits provided for in these Regulations and in the Procurement Code shall apply to the capital value of any vehicle or item of equipment or plant to be leased.
- 8.2 The Head of Finance shall maintain a register showing details of all vehicles or items of equipment or plant leased by the Council.

9. Contracts for building, construction or engineering work

- 9.1 No contracts shall be entered into until all necessary approvals have been received. Tenders may be conditionally accepted subject to any outstanding approvals.
- 9.2 Where a contract provides for interim payments, the Head of Finance shall arrange for the keeping of a contract register to show the state of account of the contract, together with other payments and the related professional fees. The Corporate Director/Head of Service shall notify the Head of Finance immediately a formal contract is completed and make the contract and accepted tender available to him for inspection as and when required.
- 9.3 Interim payments to a contractor shall be made only on a certificate signed by the appropriate Corporate Director/Head of Service in a form approved by the Head of Finance and as appropriate to the form of contract in use as recommended by the appropriate professional body.
- 9.4 Every variation, addition to or omission from a contract shall be authorised in writing at the appropriate time by the Corporate Director/Head of Service responsible or his/her authorised representative, in accordance with the provisions of the form of contract in use where applicable.
- 9.5 The final certificate for a contract shall not be issued until the Corporate Director/Head of Service concerned has produced to the Head of Finance a

detailed statement of account and all relevant documents if required.

- 9.6 The Head of Finance shall, to the extent he considers necessary, examine final accounts for contracts and he/she shall be entitled to make all such enquiries and receive such information and explanations as he/she may require in order to satisfy himself/herself as to the accuracy of the accounts.
- 9.7 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Monitoring Officer for consideration of the Authority's legal liability and, where necessary, to the Head of Finance for financial consideration before a settlement is reached.
- 9.8 If completion of a contract is delayed it shall be the duty of the Corporate Director/Head of Service concerned, subject to consultation with the Monitoring Officer on legal matters, to take appropriate action to safeguard the Council's position and to report his/her action to the Policy and Resources Committee as appropriate.
- 9.9 In any case where the total cost of any work carried out under a contract exceeds by more than 2.5 per cent of the approved contract sum or £5,000 whichever is the greater, a report of such cost shall, after agreement of the final account, be prepared in accordance with Financial Regulation 2.8.

10. Income

- 10.1 The Head of Finance shall ensure that adequate arrangements are made for -
 - (a) the prompt recording, collection and deposit of all sums due to the Council; and
 - (b) the custody, control and recording of cash received in all divisions
- 10.2 Each Corporate Director/Head of Service shall ensure that the Head of Finance is notified promptly of all money due to the Council and of Contracts, Leases and other Agreements and arrangements entered into which involve the receipt of money by the Council and the Head of Finance shall have the right to inspect any documents or other evidence in this connection as he/she may decide.
- 10.3 All monies received by an Officer on behalf of the Council shall without delay be paid to the Head of Finance, or as he/she may direct, to the Council's bank account. No deduction may be made from such money save to the extent that the Head of Finance may specifically authorise.
- 10.4 Personal cheques shall not be cashed out of the money held on behalf of the Council.
- 10.5 No locally determined scale of charges or fees shall be varied except following a report to the Policy and Resources Committee by the Head of Finance in conjunction with the Corporate Director/Head of Service concerned other than where the variation is not estimated to result in an increase or decrease in income of more or less than £10,000. The Corporate Director - Finance and Resources to approve any variation to fees and charges which is not estimated

to result in an increase or decrease in income of more or less than £10,000.

- 10.6 No sum due to the Council shall be written off in the books of account except by the Head of Finance after following the due recovery process and if the sum involved does not exceed £10,000 (£15,000 in respect of the Revenues and Benefits Service) and in any other case with the approval of the Policy and Resources Committee.
- 10.7 Each Corporate Director/Head of Service shall, as soon as possible after 31st March and not later than a date specified by the Head of Finance in each year, notify him/her of all outstanding income due to the Council and relating to the previous financial year.

11. Payment of Accounts

- 11.1 Payment of money due from the Council shall be made by BACS, CHAPS, cheque or other instrument drawn on the Council's banking account by the Head of Finance.
- 11.2 Each Corporate Director/Head of Service shall ensure that all orders originating in his division and all payments, vouchers and accounts are examined and certified for payment only by authorised Officer(s).

The names of Officers authorised to sign such documents shall be sent to the Head of Finance by each Corporate Director/Head of Service, together with specimen signatures as they arise.

- 11.3 Every account submitted to the Head of Finance for payment shall have thereon:-
- (a) the head of expenditure to be charged;
 - (b) reference to the purchase order number and authority where necessary; and
 - (c) the certification by an authorised Officer which shall mean that:-
 - (i) the work, goods or service to which the account relates have been satisfactorily carried out;
 - (ii) the prices, extensions, calculations, discounts, other allowances, credits and tax are correct and in accordance with any quotation or contract;
 - (iii) the expenditure has been properly incurred and is within the relevant estimate provision;
 - (iv) appropriate entries have been made in inventory stores, records or stock books required; and
 - (v) the account has not been previously passed for payment and is a proper liability of the Council.

- 11.4 Certified accounts shall be passed without delay to the Head of Finance who shall examine them to the extent he/she considers necessary, before making payment, for which purpose he shall be entitled to make such enquiries and to receive such information and explanations as he/she may require.
- 11.5 Any amendment to an account shall only be made by the Head of Finance or an Officer authorised by him/her, stating briefly the reasons where they are not self-evident.
- 11.6 Each Corporate Director/Head of Service shall, as soon as possible after 31st March and not later than a date specified by the Head of Finance in each year, notify him/her of all outstanding expenditure relating to the previous financial year.

12. Travelling, Subsistence and Attendance Allowances

- 12.1 All claims by employees for payment of subsistence allowances, travelling and incidental expenses shall be certified by an authorised Officer and be supported by appropriate receipts including the supplier's VAT number.
- 12.2 The certification of the authorised Officer shall be taken to mean that he/she is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the Council.
- 12.3 Claims submitted more than two months after the expenses were incurred will be paid only with the approval of the Head of Finance.
- 12.4 Payments to Members of the Council who are entitled to claim travelling, subsistence or other allowances will be authorised by the Democratic and Civic Services Manager upon receipt of the prescribed form duly completed.
- 12.5 All claims for a financial year are to be submitted within one month of 31st March.

13. Salaries and Wages

- 13.1 The payment of salaries, wages, compensation and other emoluments to all employees of the Council shall be made by the Head of Finance or under arrangements approved and controlled by him.
- 13.2 The Head of People Services shall be notified as soon as possible and in the form prescribed by him of all matters affecting the payment of such emoluments and, in particular -
 - (a) appointments, resignations, dismissals, suspensions, secondments and transfers;
 - (b) absences from duty for sickness or other reason apart from approved leave;
 - (c) changes in remuneration, other than normal increments and pay awards and agreements of general application; and

(d) information necessary to maintain records for pension, income tax, national insurance and the like purposes.

13.3 Appointments of all employees shall be made within approved establishment, grades and rates of pay agreed by the Council and in accordance with any regulations of the Council.

13.4 Salaries and wages shall be paid at such time as shall be determined by the Head of Finance.

13.5 All time records or other pay documents shall be in a form approved by the Head of People Services and shall be certified by an authorised Officer. The names of Officers authorised to sign such records shall be sent by each Corporate Director/Head of Service to the Head of People Services together with specimen signatures. Details of any changes shall be notified to the Head of People Services as they arise.

14. Security

14.1 Each Corporate Director/Head of Service shall be responsible for maintaining proper security at all times for all buildings, assets, stock, furniture, equipment, cash, records and documents under his control.

14.2 The Corporate Director (Resources) shall be responsible for maintaining proper security and privacy as regards information held in the computer system or for its use.

14.3 Keys to safes and similar receptacles are to be carried on the person of those responsible at all times; the loss of any such keys must be reported to the Head of Finance forthwith.

15. Stocks and Stores

15.1 Each Corporate Director/Head of Service shall be responsible for the care and custody of the stocks and stores in his/her service area and for ensuring that stocks are not in excess of normal requirements except in special circumstances approved by the Head of Finance.

15.2 Each Corporate Director/Head of Service shall arrange for periodical test checks of stocks at intervals approved by the Head of Finance. Such checks shall be carried out by persons other than the storekeepers who have day to day control of such stocks.

15.3 Surpluses or deficiencies revealed by stock taking shall be reported to the Corporate Director/Head of Service concerned who shall if he/she is satisfied that no malpractice is involved, make the necessary adjustments in the financial records. If the Corporate Director/Head of Service concerned suspects malpractice he/she shall report the matter forthwith to the Head of Finance.

15.4 No stock of value up to £500 shall be written off except with the approval of the Head of Finance.

15.5 No stock of value over £500 shall be written off except with the approval of the Policy and Resources Committee.

15.6 The Head of Finance shall be entitled to receive from each Corporate Director/Head of Service such information as he/she requires in relation to stores for preparing and maintaining accounting, costing and financial records. Surplus materials, stores or equipment shall be disposed of by competitive tender or public auction or otherwise in a manner previously approved by the Head of Finance in order to achieve best value.

16. Land and Buildings

16.1 The Corporate Director (Resources) shall make arrangements for the preparation and maintenance of a record of all land (including buildings) (excluding dwellings provided under the Housing Acts) owned, leased or occupied by the Council containing the following details:-

- (a) the nature of the interest and the terms of purchase;
- (b) the location and extent and plan reference (if any) of the land;
- (c) the purpose for which the land is held;
- (d) any tenancies or other interests granted to or by the Council and any rents payable or receivable in respect of the land.

16.2 The Corporate Director (Resources) shall be responsible for the safe custody of all title deeds.

17. Fixed Assets

17.1 The Head of Finance shall maintain a fixed asset register.

17.2 The Head of Finance shall undertake a periodic check of the fixed assets register.

17.3 Disposal of fixed assets should comply with the Procurement code and if above the EU limit require the approval of the Policy and Resources Committee.

18. Inventories

18.1 Each Corporate Director/Head of Service shall be responsible for the safe custody and control of Council property within his/her service area.

18.2 Up-to-date inventories shall be prepared and maintained by each Corporate Director in a form agreed between the Corporate Director/Head of Service and the Head of Finance.

18.3 Each Corporate Director/Head of Service shall be responsible for maintaining an annual check of all items on the inventory, for taking action in relation to surpluses or deficiencies and noting the inventory accordingly.

18.4 No Council property shall be removed from stores or used otherwise than in the ordinary course of the Council's business except in accordance with specific instructions issued by the Corporate Director/Head of Service concerned.