

NORTH YORKSHIRE FIRE AND RESCUE AUTHORITY

FINANCIAL MANAGEMENT FRAMEWORK

SECTION A

INTRODUCTION

- 1.1 Key to the achievement of the Authority's own and other stakeholders' objectives is an effective system for financial management and administration through the adoption and maintenance of a sound financial management framework.
- 1.2 The Financial Management Framework is only part of the Authority's Governance arrangements which are set out in its Local Code of Corporate Governance. It is driven by
 - Openness
 - Integrity
 - Accountability
- 1.3 The Framework aims to facilitate service delivery and statutory compliance by setting out best practice for the management and administration of the Authority's financial affairs thus ensuring high quality financial information thereby enabling better decision making. The application of the Strategy is kept under review to ensure that it remains effective and relevant to the activities of the Authority.

SECTION B

THE STATUTORY/ COMPLIANCE FRAMEWORK

- 2.1 The Authority is a public body subject to a whole raft of legislation which requires financial services to be carried out in a certain and largely prescriptive way.
- 2.2 The bulk of the current financial framework (as opposed to financial processes e.g how bills are settled) is set out in the Authority's current financial regulations. These have been approved by the Authority with the intention of enabling the delegation of financial responsibility to the level of management nearest to service delivery.
- 2.3 The detailed arrangements are set out in Standard Operating Procedures.
- 2.4 Together, Financial Regulations and Standard Operating Procedures aim to
- facilitate service delivery by setting out best practice for the administration of finance;
 - support the production of quality financial information to enable effective decision making;
 - ensure that they remain relevant to the activities of the Authority;
 - give an operating structure to the Authority's statutory financial responsibilities
- 2.5. In essence the financial framework adapts to the operating circumstances of the Authority but always in the context of the legal framework which governs the working of the Authority.

3. **Accountability and Stewardship**

- 3.1 An underlying principle of the Framework is that of **accountability** for
- service objectives and priorities;
 - quality of service provided
 - management processes
 - proper and efficient use of public money
- 3.2 The focus of accountability is demonstrating **stewardship**. This requires a demonstration that public funds have been used economically, efficiently and effectively in the delivery of services.

- 3.3 To achieve this the Authority will put in place and maintain
- good financial systems
 - adequate training and support for budget co-ordinators and managers
 - clear reporting lines and levels of authority
 - adequate arrangements for review and audit
- 3.4 The statutory framework requires public money should only be used for defined purposes. The key framework is the **Annual Budget and Medium Term Financial Strategy**.

4. Annual Budget and Medium Term Financial Strategy

- 4.1 In order for the Authority to be able to plan the development of its services and determine priorities for the allocation of resources between those services, it needs to undertake medium term financial planning. It does this by preparing a five year financial forecast for incorporation in the Business Plan of the Authority.
- 4.2 The factors which impact upon the Budget are
- Strategic Planning (service objectives)
 - Asset management
 - Option appraisal for expenditure to ensure Value For Money
 - Achievability /deliverability
 - Realism and Affordability.
- 4.3 Assessment of whether the Budget as set is being delivered is through **Budget Monitoring** reports to each Authority and Steering Group meeting. Under current financial regulations it is the responsibility of budget co-ordinators and managers initially to ensure that expenditure is contained within approved estimates and for its stated purpose.
- 4.4 Expenditure for which no Authority approval, including delegated authority approval, has been sought either by type or extent falls into two types. Either it is contingent expenditure arising from events not anticipated over which the Authority has no control or it is ultra vires (illegal, broadly speaking).
- 4.5 Clearly there needs to be some flexibility in expenditure plans and for this reason the regulations allow for virements and supplementations for intra vires expenditure. Any expenditure proposal not included in the estimates must be financed by identified savings elsewhere.
- 4.6 The final monitoring report for the year is the **Statement of Accounts** which sets out the Authority's position at 31 March each year.

- 4.7 Although it is the responsibility of budget co-ordinators and managers to advise on the outturn position on their budgets, the Accounts are prepared by the finance team.
- 4.8 External Scrutiny is provided through **Internal Audit** and **External Audit**, both of which are statutory requirements.

5. Resource Allocation Framework

- 5.1 Resources are ever scarce and in the context of economy, efficiency and effectiveness, a resource allocation process must apply based on the business case for each expenditure/ investment proposal.
- 5.2 The issues which need to be addressed are
- The priority of the business case and its contribution to achieving overall Authority policy objectives set out in the Corporate Plan
 - Consultation outcomes
 - Stakeholder priority
 - The shared service/partnership content of any project
 - The level of funds available from external sources
 - The relative priority of change issues vis a vis core intervention /protection /compliance demands.
 - Potential for re-direction of current expenditure
 - Savings from improved efficiency
 - Corporate Risk Management Perspective and Risk Rating.

6. Financial Risk Assessment

- 6.1 Financial Risk Management is a key part of the Framework. Risk is defined as the threat of an event or action that can affect the Authority's ability to operate, to achieve its vision and strategic objectives, to deliver its services to the required standards or discharge its statutory responsibilities. Appendix B sets out the current assessment criteria.
- 6.2 Detailed financial risk analysis and its management is incorporated in the Authority's Corporate Risk Register.

7. INTERNAL FINANCIAL CONTROL FRAMEWORK OF THE AUTHORITY

7.1 The financial control framework can be seen as a hierarchy established as follows

Standing Orders	approved by the Authority
Financial Regulations	approved by the Authority
Financial Instructions	issued by the Treasurer
Standard Operating Procedure	prepared and maintained by the Treasurer

7.2 Standing Orders

7.2.1 The Authority publishes its Standing Orders in the Authority Handbook. The Standing Orders are effectively the rules that govern the procedures of the Authority and how it conducts its business. Standing Orders are approved by the Authority and can only be changed by the Authority. Standing Orders 32 and 33, however, allow for the maintenance of the Contract and Financial Procedure Rules.

7.3 Scheme of Delegation

7.3.1 The essence of the Scheme is to ensure that wherever possible powers to make decisions, take action etc are delegated to the appropriate level in the organisation. The overriding principle, however, is that all policy making must be the responsibility of Members, rather than officers, and the Scheme repeatedly makes this clear.

7.3.2 The powers delegated to officers are to carry out the operational functions of the Authority.

7.4 Financial Regulations

7.4.1 The Financial Procedure Rules set out best practice for the administration of all financial matters throughout the Authority. A full copy of the Financial Regulations is set out in Section D.

7.5 Financial Instructions

7.5.1 Financial Instructions are issued, as and when necessary, to address particular issues of financial administration. They derive their authority from the Financial Regulations.

7.6 Contract Regulations

7.6.1 The Contract Regulations are made by the Authority on the advice of the Treasurer in consultation with the Head of Legal Services. The Contract Regulations outline the correct procedures to be followed when the Authority enters into contractual agreements. A full copy of the Contract Regulations is set out in Section E.

7.7 Standard Operating Procedures

7.7.1 **Standard Operating Procedures** are documents detailing systems and procedures that are designed for use on a day to day basis by staff involved in any aspects of financial administration.

7.7.2 They detail aspects of financial systems and procedures in a greater level of detail than is found in the Financial Regulations. They are on the intranet under SOP's and SEOP's, and in Financial Services where Staff will provide assistance regarding financial management, administration or budgetary control issues.

8. Management and Monitoring of the FMF

8.1 Appendix A sets out the Authority's assessment criteria for effective financial performance.

8.2 Progress towards and achievement of the specific targets will form part of the Authority's own internal reporting requirements supported by external scrutiny and annual evaluation as part of the Authority's Local Code of Corporate Governance.

9. ROLES AND RESPONSIBILITIES IN THE FRAMEWORK

9.1 Treasurer to the Authority

9.1.1 The Authority has designated the Director of Finance and Service Development (Treasurer) as Treasurer to the Authority. The Treasurer is responsible for the accounting, budgeting, payment and income collection arrangements of the Authority.

9.1.2 The Treasurer has a specific statutory responsibility, under Section 112 of the Local Government Finance Act 1988, to ensure "the proper administration of the financial affairs of the Authority". These include:

- providing financial advice to the Authority, its Committees, individual Members, Directors, Section Heads, Budget Managers and officers on all relevant matters

- making the overall arrangements for and co-ordinating the preparation of the Budget
- keeping the Authority's accounts
- ensuring there is effective budgetary control and sound financial management throughout the Authority
- ensuring that effective procedures are in place for paying employees and suppliers and for collecting income
- arranging the Authority's insurances and undertaking all aspects of cash flow and treasury management

9.1.3 The emphasis within the Authority on financial delegation means that a much greater proportion of activities, for which the Treasurer is ultimately responsible, will increasingly be carried out within Directorates within and away from Headquarters.

9.1.4 In these circumstances the Treasurer looks directly to Directors, Function Heads, Budget Co-Ordinators and other relevant staff to carry out their responsibilities for financial matters.

9.2 Directors /Function Heads and Budget Co-Ordinators

9.2.1 All Directors, Function Heads and Budget Co-Ordinators are individually responsible for the proper financial management of resources allocated to them through the budget-making process and for the identification of income arising from activities within their operational areas.

9.2.2 In line with the Authority's Corporate Governance Policy this proper financial management includes

- Good stewardship of resources with strong financial controls;
- Commitment to, and implementation of, clear financial reporting and monitoring;
- Planning, allocating and reviewing resources;
- Proactive financial risk management analysis;

9.2.3 In addition to the control of staff this includes the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores relating to their area(s) of responsibility.

9.3 All Employees

9.3.1 The public is entitled to expect the highest standards of conduct from all employees of the Authority. A number of documents have therefore been produced in order to provide guidance to staff and enable them to achieve these standards.

9.3.2 The areas covered are:-

- a) Code of Conduct - Staff
- b) Anti fraud and Corruption Policy
- c) Whistleblowers' Policy
- d) Financial Regulations/Contract Regulations

9.3 Code of Conduct – Staff

9.3.1 The Code of Conduct can be found on the Intranet. Although the Code covers all aspects of Conduct, the following sections are relevant to sound financial management:-

- a) Standards
- b) Disclosure of Information
- c) Relationships – Contractors
- d) Appointment and Other Employment Matters
- e) Outside Commitments
- f) Personal Interests
- g) Separation of Roles during Tendering
- h) Corruption
- i) Gifts and Bequests
- j) Use of Financial Resources
- k) Hospitality and
- l) Sponsorship - Giving and Receiving

9.4 Anti fraud and Corruption Policy

9.4.1 A copy of the current Anti Fraud and Corruption Policy can be found on the Intranet under Corporate Governance.

9.5 Whistleblowers' Policy

9.5.1 A copy of the current Whistleblower's Policy can be found on the Intranet under Corporate Governance.

9.6 Financial Regulations/Contract Regulations

9.6.1 The Authority's approved Financial Regulations are set out in Section D whilst the approved Contract Regulations are set out in Section E.

SECTION C

MEDIUM TERM FINANCIAL STRATEGY

1. The achievement of the vision, objectives and targets set out in the Performance Plan requires the efficient, effective and economic use of resources. The aim of the Authority's Medium Term Financial Strategy is to match available resources against likely expenditure requirements over the next four years.
2. Those expenditure requirements will be driven by the Corporate Plan with the principal costs derived from the Integrated Risk Management Plan (IRMP). The detailed resource implications are currently only available for the short term. Future requirements can only be outlined at this stage as each successive annual IRMP needs to be prepared, and consulted upon, before the resource implications can be accurately assessed.
3. Although the principal aim of the Authority is to reduce the loss of life and injury sustained through Fire and other emergencies through better prevention, there is the clear need to maintain a robust and sustainable intervention service. In addition, the Authority continues to face wider demands as regards consultation, audit and inspection, information technology and systems, assessment and control of corporate risk.
4. In determining its expenditure requirements, the Authority recognises that a reasonable balance has to be struck between risk, service delivery plans and the burden those plans place on Council Tax payers.
5. A key part of the strategy is the analysis and management of events or actions that could prejudice the delivery of Corporate Objectives.
6. Thus the strategy must take into account so far as it can the effect of assumed Government Grant changes, the likely impact of spending plans on future levels of Council Tax, any limitations which may be imposed on those levels, changes in the demand for services and the external change environment in which all public authorities operate. In addition, an allowance needs to be made for the normal variability of estimates and contingent events.
7. The Authority has taken into account the expectation in Government that fire authorities will be able to demonstrate annual efficiency gains measured by a combination of cash releasing measures and increases in productivity to meet the reductions in Government Financial support following its Comprehensive Spending Review.

8. Some limited management of Reserves will be undertaken as part of the management of the Authority's finances so as to assist in avoiding where possible large year on year variations in Council Tax.
9. The Authority's aims over the planning period are to:
 - ensure community safety services develop to reflect the differing needs of North Yorkshire's diverse communities
 - continue to provide an emergency response to calls for assistance that is effective, resilient and safe
 - maintain and develop the Service's capacity to handle major and prolonged incidents in particular any required response to terrorist incidents
10. In the context of the MTFs, the aims are to
 - continue to secure value for money in all its activities
 - keep increases in Precepts to a reasonable level
 - to reduce volatility in expenditure plans to ensure that actual total annual expenditure is on budget
 - maintain and provide assets that are adequate and fit for purpose
 - maintain an adequate reserve as protection against Contingent events and set at no more than 2% of Net Revenue Expenditure
11. To achieve these aims the Authority needs to invest in its people and assets. Consequently, the expenditure plans will be constructed within the Authority's approved Resource Allocation Framework. This requires an assessment of
 - The priority of the business case and its contribution to achieving overall Authority policy objectives set out in the Corporate Plan
 - Consultation outcomes
 - Stakeholder priority
 - The shared service/partnership content of any project
 - The level of funds available from external sources

- The relative priority of change issues vis a vis core intervention /protection /compliance demands
 - Potential for re-direction of current expenditure
 - Savings from improved efficiency
 - Corporate Risk Management Perspective and Risk Rating.
12. The figures derived from this assessment are set out in the annual budget reports to the Authority. They show current expenditure plans and current assumptions on how those plans will be financed including the overall level of targeted expenditure reductions which the Authority has set itself so as to deliver what it believes to be reasonable increases in Precepts, and hence Council Tax, over the planning period.
13. These figures will be reviewed and updated as part of the Authority's budget monitoring policy, any future Government decisions and any changes in approved policy and operational priorities.

SECTION D

FINANCIAL REGULATIONS

		Page
1	Introduction	2
2	Definitions	2
3	Powers and Duties of the Authority	3
4	General Considerations	3
5	Revenue Budget	5
	Setting a Budget	
	Expenditure against the Revenue Budget	
	Monitoring of the Revenue Budget	
	Virement	
6	Four Year Financial Forecast	8
7	Capital Programme	9
	Approving a Capital Programme	
	Monitoring of the Capital Programme	
8	Disposal of Buildings and Material Assets	11
9	Pay and Pensions	11
10	Income	11
11	Petty Cash	12
12	Inventories and Stores	12
13	Banking	12
14	Treasury Management	13
15	Voluntary Funds	14
16	Insurance	15
17	Audit	15
18	Partnerships	16
19	Revision of Financial Regulations	16a

1. INTRODUCTION

- 1.1 These Financial Regulations are a part of the overall control framework within which the North Yorkshire Fire and Rescue Authority operates. They aim to facilitate service delivery by setting out best practice for the administration of financial matters throughout the Authority, ensuring high quality financial information and thereby supporting effective decision making. They are kept under review to ensure that they remain relevant to the day to day activities of the Authority.
- 1.2 These Financial Regulations have been approved by the Authority with the intention of enabling the delegation of financial responsibility to the lowest appropriate level of management within the Authority. They set out the working arrangements by which the Authority gives effect to its statutory financial responsibilities.
- 1.3 Although staff in Financial Services primarily provide support to the Treasurer, they are also there to provide assistance to any officer regarding financial management, administration or budgetary control issues.
- 1.4 The statutory responsibility for the creation and maintenance of the financial control framework rests with the Treasurer. The Treasurer will also monitor the adherence to these Financial Regulations.

2. DEFINITIONS

- 2.1 In these Financial Regulations, unless the context otherwise requires

“Authority” means the North Yorkshire Fire and Rescue Authority

“Chair” means the Chair of the Authority

"Steering Group" means the Steering Group of the Authority

“Monitoring Officer” means the officer designated to carry out the functions of Monitoring Officer under the Local Government and Housing Act 1989

“Treasurer” means the person designated by the Authority for the purposes of Section 112 of the Local Government Finance Act 1988. Currently this is the Director of Finance and Service Development (Treasurer).

“Directors” includes Chief Fire Officer / Chief Executive

“Officer” means any other employee of the Authority

“Person” shall include a Company however constituted

3. POWERS AND DUTIES OF THE AUTHORITY

- 3.1 Any power or duty of the Authority in relation to these Financial Regulations may be exercised by a Committee or Sub-Committee to which the Authority has delegated its powers.
- 3.2 Each section of the Regulations is prefaced by an Introduction which is not part of the Regulations themselves.

4. GENERAL

Regulations

- 4.1 These Financial Regulations are made by the Authority and are subject to the relevant provisions of the Local Government Act 1972, the Local Government Finance Act 1988, the Local Government and Housing Act 1989 and the Local Government Act 2003, together with any amendments or additions thereto.
- 4.2 These Financial Regulations apply to all activities of the Authority.
- 4.3 Where appropriate, reports to the Authority, or any of its Committees or Sub Committees, must contain a financial statement or appraisal setting out the full financial implications arising from any proposals contained within the report. The financial statement or appraisal must be agreed with the Treasurer in advance of the report being distributed to Members of the Authority.

Responsibilities

- 4.4 The Treasurer will, for the purposes of Section 112 and 114 of the Local Government Finance Act 1988, be responsible for the proper administration of the Authority's financial affairs and the submission of reports to the Authority on the discharge of that responsibility.
- 4.5 The Treasurer has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure payments made on behalf of the Authority and that controls operate to protect the Authority's assets from loss, waste, fraud or other impropriety.
- 4.6 In addition to these Regulations the Treasurer may discharge that responsibility in part by the issue and maintenance of Financial Instructions and Standard Operating Procedures with which all officers of the Authority, together with any person employed by an organisation contracted to the Authority, shall comply.

- 4.7 The Treasurer shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the Accounts and Audit regulations 2003. The Treasurer shall also be responsible for all arrangements relating to the external audit of the Accounts in accordance with those regulations. This responsibility also extends to financial information contained within any statutory plan issued by the Authority.
- 4.8 The nature and format of all accounting procedures and financial records shall be determined by the Treasurer.
- 4.9 All accountancy systems and related financial procedures and records shall be in a form agreed with the Treasurer. The Treasurer shall be consulted at an early stage and his/her approval obtained regarding any proposed changes to these systems or procedures. This will include any proposals for the performance of any financial tasks covered by these Regulations by any person other than an officer of the Authority.
- 4.10 The Treasurer shall be responsible for monitoring adherence to these Regulations
- 4.11 The Treasurer shall, in compliance with section 114 of the Local Government Finance Act 1988, report to the Authority if the Authority, a Committee of the Authority, any Member or Officer of the Authority or a joint Committee on which the Authority is represented:-
- i) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful;
 - ii) has taken or is about to take a course of action which, if pursued to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the Authority or
 - iii) is about to enter an item of account, the entry of which is unlawful
- 4.12 The Treasurer shall also make report if it appears that the expenditure proposed by the Authority is likely to exceed the resources available to it to meet the expenditure.
- 4.13 Where a report is made under regulations 4.11 and 4.12 above, the Treasurer shall send a copy of it to the External Auditor and each Member of the Authority.
- 4.14 All Directors, Function Heads, Budget Co-Ordinators and Managers are individually responsible for the proper financial management of all resources allocated to them and for the identification of income arising from activities within their operational areas.
- 4.15 Each Director, Function Head, Budget Co-Ordinator and Manager shall be responsible for the observance of these Financial Regulations and any related Financial Instructions within their service area.

- 4.16 All Directors, Function Heads, Budget Co-Ordinators and Managers shall ensure that staff comply with the requirements contained in these Financial Regulations and be responsible for the training of staff under their supervision to enable them to comply with these Regulations.
- 4.17 It is a requirement of these Financial Regulations that all suspected irregularities are reported to the Director of Finance and Service Development (Treasurer)..
- 4.18 Failure to comply with these Regulations, and any related Financial Instructions, may lead to disciplinary action being taken against individual employees.
- 4.19 Any such failure will be reported to the Audit and Performance Review Committee as part of the Authority's Corporate Governance arrangements.
- 4.20 Where appropriate, breaches will be dealt with under the terms of the Authority's Anti Fraud and Corruption Policy.
- 4.21 The Authority's Disciplinary Procedures will be used where the outcome of any Audit Investigation conducted as part of that policy indicates improper behaviour.
- 4.22 Where impropriety is discovered and there is evidence that a criminal offence could have or has occurred, under the terms of the Policy the Police may be contacted.

5. REVENUE BUDGET

Introduction

The Revenue Budget is an estimate of the annual income and expenditure requirements of the Authority and thereby sets out the financial implications of the Authority's current policies. Once approved by the Authority it gives powers to incur expenditure and also provides a basis on which the financial performance of the Authority can be monitored.

Regulations

5.1 Setting a Budget

- 5.1.1 The Treasurer, in consultation with all Directors, Function Heads, Budget Co-Ordinators and Managers, shall prepare a draft Revenue Budget for the next financial year for submission to the Authority.
- 5.1.2 The Treasurer shall specify the format of the Revenue Budget and the timing of reports relating thereto, subject to any overriding requirements of the Authority.

- 5.1.3 Any draft Revenue Budget(s) presented to the Authority shall include any variations to existing budgets and policies together with any implications for future financial years.
- 5.1.4 The Treasurer is responsible for submitting any reports regarding the Revenue Budget to the Authority that will enable it to comply with its statutory responsibility to issue Precepts on the City of York Council and 7 District Councils within North Yorkshire. Once the Precepts have been determined by the Authority it shall be the responsibility of the Treasurer to notify the contributing authorities.
- 5.1.5 Once the Revenue Budget for a given financial year has been approved by the Authority the Treasurer shall define budgetary control policy and ensure it is enforced including identifying responsible Budget Managers and the limits of their budgetary authority.

5.2 Expenditure against the Revenue Budget

- 5.2.1 Expenditure may be incurred within the Revenue Budget approved by the Authority in pursuance of the aims for which the Budget has been established, subject to any overriding requirements of the Authority. Expenditure can only be committed against authorised budgets and in accordance with the policies for which the budget was established
- 5.2.2 If any proposed change in policy is likely to affect the Budget, a report to the Authority shall be prepared setting out clearly the full financial implications of the proposals.

5.3 Monitoring of the Revenue Budget

- 5.3.1 Throughout the financial year each Budget Co-Ordinator and Manager shall monitor income and expenditure against those specific budgets for which they are responsible.
- 5.3.2 Where an officer orders goods or services which are to be charged against the budget(s) managed by another officer they will be required to gain the consent of that other officer before committing any expenditure against that budget.
- 5.3.3 The Treasurer shall provide financial advice to assist Directors, Function Heads, Budget Co-Ordinators and Managers to fulfil their responsibilities.
- 5.3.4 Budget Co-Ordinators shall supply the Treasurer with sufficient information, as and when required, to enable accurate budget profiling and/or financial projections to be undertaken.

5.3.5 Any variations to the approved budget, and a forecast for the full financial year, will be included in Budget monitoring reports that shall be submitted by the Treasurer to each regular meeting of the Authority and Steering Group.

5.3.6 If expenditure in excess of the approved Budget is incurred due to an emergency, this expenditure must be reported to the Treasurer as soon as practicable and to the Authority as soon as possible thereafter.

5.4 Virement

Introduction

Virement is the transfer of budget provision between individually defined budget headings. It is a necessary facility to assist the effective management of budgets.

Regulations

5.4.1 The Treasurer shall ensure that virement is undertaken as necessary to maintain the accuracy of the regular budget monitoring process.

5.4.2 Any single virement for expenditure not exceeding £20,000 may be actioned with the agreement of the appropriate Budget Managers. Budget Managers are to notify the Treasurer that such virements have taken place. Thereafter the Treasurer will be responsible for ensuring that notified virements are reflected in the financial ledger as soon as practicable.

5.4.3 Any single virement for expenditure exceeding £20,000 shall be subject to approval by the Treasurer.

5.4.4 Notwithstanding Regulations 5.4.2 and 5.4.3 above there shall be no virement to/from Staff Budgets and Non Staff Budgets. Any virements between Staff Budgets will be covered by the arrangements for Vacancy Management applying at any one time.

5.4.5 Notwithstanding Regulations 5.4.2 and 5.4.3 above there shall be no virement from the budget for 'Pensions and related costs'.

5.4.6 The Treasurer may approve any virement where the additional expenditure is directly related to, and fully offset by, fees, income or other contributions from another authority or separate organisation.

5.4.7 The Treasurer has the right to refer any virement to the Authority.

5.4.8 The approval of the Authority shall be required if the proposed virement includes one or more of the following -

- (a) a change in policy
- (b) an addition to recurring commitments in future financial years
- (c) if required by the Treasurer
- (d) subject to the delegated authority of the Chief Fire Officer/Chief Executive, is greater than £100,000

5.4.9 The approval of the Authority will be required for any virement proposed between the Revenue Budget and the Capital Programme.

5.5 Outturn

5.5.1 The Treasurer shall report to the Authority on the outturn of income and expenditure as soon as practicable after the end of the financial year.

5.5.2 The Treasurer shall be responsible for the completion and submission of any revenue claim forms to the relevant organisation and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim in question.

5.5.3 The Treasurer shall be responsible for the preparation of the Statement of Final Accounts and all arrangements relating to the audit, inspection and publication thereof in accordance with all relevant statutory requirements and/or professional standards or guidelines.

6. FOUR YEAR FINANCIAL FORECAST

Introduction

In order for the Authority to be able to plan the development of its services and determine priorities for the allocation of resources between those services it needs to undertake medium-term financial planning. It does this by preparing a four year Financial Forecast, in addition to the annual budget, for incorporation into the Authority's Corporate Plan. Taken together, the Forecast and the Budget provide for a five year planning period.

Regulations

6.1 The Treasurer shall, in consultation with Directors, Function Heads and Budget Co-Ordinators, prepare a four year Financial Forecast for submission to the Authority.

6.2 The preparation of the Forecast will be conducted in line with the Authority's approved Resource Allocation Framework, Financial Management Strategy and Financial Control framework.

- 6.3 The Treasurer shall determine the format of the Forecast and the timing of reports relating thereto, subject to any overriding requirements of the Authority.
- 6.4 The Forecast shall include the financial effects of all known commitments together with any proposals for changes to the level of existing services, or for developing new services.
- 6.5 The Forecast shall cover the implications of both revenue and capital expenditure, and their interaction, for that period.

7. CAPITAL PROGRAMME

Introduction

Capital expenditure is an important element in the development of the Authority's services since it represents a major investment in new and improved assets. These Regulations provide a framework for the preparation and appraisal of schemes proposed for inclusion in the Capital Programme and to allow the overall management of the Capital Programme within defined resource parameters.

Regulations

7.1 Approving a Capital Programme

- 7.1.1 The Treasurer, in consultation with the Steering Group, shall prepare a draft Capital Programme, for submission annually to the Authority.
- 7.1.2 The Treasurer shall determine the format of the Capital Programme and the timing of reports relating thereto, subject to any overriding requirements of the Authority.
- 7.1.3 The Capital Programme shall identify, as a minimum, any expenditure on individual schemes over a five year period together with a statement on the level of current contractual commitments.
- 7.1.4 Project appraisals, in a format determined by the Treasurer, shall be prepared for all proposed schemes and shall be submitted to the Steering Group for consideration before the inclusion of any scheme in the Capital Programme.
- 7.1.5 Project appraisals will be conducted in line with the Authority's approved Resource Allocation Framework. If a project involves building works, the project appraisal must be prepared in consultation with the Authority's Technical Services Manager.

7.1.6 Subject to any overriding requirements of the Authority, the project appraisals for those schemes in the Capital Programme that will start in subsequent financial years shall be updated and resubmitted for approval by the Authority prior to the start of the next financial year.

7.1.7 The further approval of the Authority is required if:

- (a) any increase/decrease in the Authority's previously approved Capital expenditure limit for that year is necessary as a result of either
 - (i) the cost variation on an individual scheme exceeding the sum contained in the approved Programme by more than 10% or £30,000 (whichever is the lesser);
 - (ii) the inclusion or deletion of any scheme
- (b) the committed expenditure in later years of the Authority's Capital Programme is increased for either of the reasons listed under (a) of this Regulation
- (c) a scheme requires expenditure to be committed well in advance of the year in which the actual costs will be incurred.
- (d) the Treasurer determines it is appropriate
- (e) in accordance with Regulation 5.4.9 there is a proposed virement between the Revenue Budget and the Capital Programme.

7.1.8 Once the Capital Programme has been approved by the Authority, the Treasurer shall define budgetary control policy and ensure it is enforced including identifying responsible Budget Managers for each scheme and the limits of their budgetary authority.

7.2 Monitoring of the Capital Programme

7.2.1 The Treasurer shall monitor expenditure on a scheme by scheme basis throughout the year against the approved Capital Programme.

7.2.2 The Treasurer shall report to the Authority on actual expenditure against the approved Capital Programme to each regular meeting of the Authority and Steering Group.

7.3 Outturn

7.3.1 The Treasurer shall report to the Authority on the outturn of expenditure on individual schemes within the Capital Programme as soon as practicable after the end of the financial year.

7.3.2 The Treasurer shall be responsible for the completion and submission of any capital claim forms to the relevant organisation and, if necessary, the External Auditor, in accordance with any guidelines applicable to the claim in question.

7.3.3 To the extent that details of capital expenditure form part of the final accounts of the Authority, the terms of Regulation 5.5.3 shall also apply to capital.

8. DISPOSAL OF BUILDINGS AND MATERIAL ASSETS

8.1 The procedures defined in Section 8 of the Contract Regulations should apply to the disposal of any assets of the service.

9. PAY AND PENSIONS

9.1 The Treasurer shall make arrangements for the payment of all officers and pensioners of the Authority.

9.2 The Chief Fire Officer/ Chief Executive shall be responsible for the certification of all amounts properly payable for pay and pensions in accordance with the arrangements approved by the Treasurer.

9.3 The Treasurer shall be authorised to implement national or local pay awards forthwith, subject to the cost of such awards being reported to the Authority. The Authority will, where necessary, consider authorising additional budget provision subject to the terms of Regulations 5.4.4 and 5.4.5.

10. INCOME

10.1 The Treasurer will set policy for Income handling. This policy will determine the management arrangements for all monies, including Grants, due to the Authority.

10.2 All money received on behalf of the Authority shall, as soon as practicable, be either banked for the credit of the Authority's account or deposited with the Treasurer. Income may not be used to directly offset payments due.

10.3 Fees and charges within the control of the Authority shall be subject to review at least annually by the Treasurer in consultation with Budget Managers except as provided in any specific agreements between the Authority and third parties.

10.4 Proposals to write off individual debts shall be agreed by the Treasurer up to a limit of £10,000, or by the Authority in excess of that amount.

11. PETTY CASH

Introduction

To assist designated officers to purchase minor expenses the Treasurer may grant petty cash advances.

Regulations

- 11.1 The Treasurer may make cash advances to designated officers to meet minor expenses, subject to any conditions deemed necessary.
- 11.2 All petty cash advances in excess of £300 shall have an Imprest Bank Account.
- 11.3 Petty Cash purchases must not exceed £50 per item and will be supported where possible by authenticated receipts.
- 11.4 No income received, other than reimbursement of approved expenditure, may be paid into a petty cash imprest account.

12. INVENTORIES AND STORES

- 12.1 The Chief Fire Officer/ Chief Executive shall maintain a written inventory of all items of moveable property used in the Service which belong to the Authority and whose individual cost or value exceeds £100.
- 12.2 The Chief Fire Officer/ Chief Executive shall be responsible for the custody of all stores and financial documents related thereto.
- 12.3 The Chief Fire Officer/ Chief Executive may, with the approval of the Treasurer arrange for the disposal of unrequired stock or inventory items, up to a limit of estimated value of £5,000 in each case. Above that figure, disposals shall require Authority approval. (See Regulation 8)
- 12.4 The Chief Fire Officer/ Chief Executive and Treasurer shall be authorised jointly to write off stock and inventory deficiencies up to a limit of £5,000. Above that figure, Authority approval shall be required.

13. BANKING

- 13.1 All arrangements for the operation and supervision of the Authority's bank account(s) shall be made by the Treasurer.

13.2 All bank accounts shall stand in the name of North Yorkshire Fire and Rescue Authority.

13.3 No bank account shall be opened until a memorandum of authorisation is jointly signed and agreed by the Chief Fire Officer/ Chief Executive and the Treasurer. The memorandum shall justify the purpose of the account and identify the name of the bank and its head office. This memorandum must then be retained on an appropriate file by the Treasurer together with copies of the application to the bank.

13.4 There shall be safe and efficient arrangements for the control of access to blank cheques and the preparation, signing and despatch of cheques. There will also be a monthly reconciliation of cash books with bank statements.

13.5 All cheques on the Authority's bank account shall be signed either manually or in facsimile by the Treasurer, or by an officer nominated by him.

13.6 A current Bank Mandate shall be maintained

14. TREASURY MANAGEMENT

14.1 Treasury Management is regulated by the *CIPFA Code of Practice on Treasury Management 2011*. The primary requirements of the Code are the:

- (a) creation and maintenance of a Treasury Management Policy Statement which sets out the policies, objectives and approach to risk management of the Authority's Treasury Management activities
- (b) creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives and prescribing how it will manage and control these activities
- (c) receipt by the Authority of details of Treasury Management policies, practices and activities including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after the year end
- (d) delegation by the Authority of responsibilities for implementing and monitoring Treasury Management policies and practices and for the execution and administration of Treasury Management decisions
- (e) the nomination of a Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies (Audit Performance and Review Committee).

- 14.2 The Authority delegates responsibility for the implementation, monitoring, execution and administration of treasury management decisions to the Treasurer who will act in accordance with the Code of Practice.
- 14.3 All money in the possession of the Authority shall be under the control of the officer designated for the purposes of Section 112 of the Local Government Finance Act 1988 (i.e. the Treasurer).
- 14.4 The Treasurer shall periodically review the Treasury Management Policy Statement and associated documentation and report to the Authority on any necessary changes.
- 14.5 The Treasurer shall be responsible for the arrangements whereby the financial contributions payable by the District Councils and City of York Council together with all properly due grants, income and donations are received by the Authority.
- 14.6 Notwithstanding the other Regulations relating to Treasury Management, the specific named posts shown below shall carry out the following responsibilities:

Monitoring Officer

- ensure compliance by the Treasurer with the terms of the Treasury Management Policy Statement and that that Statement complies with the law and/or any relevant Code of Practice.
- satisfy himself/herself that any proposal to vary Treasury Policy or practice complies with the law and/or any relevant Code of Practice.
- advise the Treasurer where such advice is sought.

15. VOLUNTARY FUNDS

Introduction

A voluntary fund is any fund which, although not officially owned by the Authority, is controlled or administered solely, or in part, by an officer by reason of his or her employment with the Authority.

Regulations

- 15.1 The Treasurer shall be informed of the purpose and nature of all voluntary funds maintained by officers in the course of their duties with the Authority.

- 15.2 Formal accounts shall be prepared and shall be audited annually by a competent, independent person and shall be submitted with an audit report to the appropriate body within 6 months of the accounting year end.
- 15.3 A copy of the accounts and audit report shall be supplied to the Treasurer immediately after the meeting of the body. The Treasurer shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he/she considers appropriate.
- 15.4 Voluntary Funds shall be operated in accordance with any Financial Instructions issued by the Treasurer.

16. INSURANCE

- 16.1 The Treasurer shall effect all insurance cover on behalf of the Authority.
- 16.2 The relevant Principal Officer or Section Head shall promptly notify the Treasurer of:
- (i) any event which may result in a claim against the Authority and/or its insurers;
 - (ii) the terms of any indemnity which the Authority is required to give;
 - (iii) any new risks which might require to be insured, together with changed circumstances affecting existing risks.

17. AUDIT

Introduction

The Accounts and Audit Regulations 2011, issued under the provisions of the Local Government Finance Act 1988, apply to the Authority. Under the terms of these Regulations the Authority has specified the Director of Finance and Service Development (Treasurer) as Treasurer and the Responsible Finance Officer to maintain continuous, adequate and effective internal audit of the Authority's accounts. The following Regulations provide the framework for this statutory duty to be discharged.

Regulations

- 17.1 The Treasurer is responsible for the implementation and maintenance of all internal control procedures relating to financial systems. All Directors, Section Heads and Budget Managers are jointly responsible for securing the economic, effective and efficient use of resources.
- 17.2 The Treasurer shall maintain an adequate and effective internal audit of the activities of the Authority. In addition the Authority delegates

responsibility for the implementation, monitoring, execution and administration of its Anti Fraud and Corruption and Whistleblowing policies to the Treasurer who will act in accordance with those policies.

- 17.3 The Treasurer shall be notified immediately of all financial irregularities or suspected irregularities, or any circumstances which may suggest the possibility of irregularities in the exercise of any of the Authority's functions. Such communications may be oral initially but must be confirmed promptly in writing.
- 17.4 The Treasurer or his/her representative, shall have authority to enter at all times on any premises or land used by the Authority and to have access to all correspondence, documents, books or other records of any officer of the Authority and relevant in anyway to the activities of the Authority.
- 17.5 The Treasurer shall be entitled to require such explanation as he/she considers necessary to establish the correctness of any matter under examination. The Treasurer shall have the authority to require any officer of the Authority to produce cash, stores, or other Authority property under his/her control for inspection.
- 17.6 The Treasurer shall have regard to any relevant professional guidelines and any audit standards issued by the Auditing Practices Board of the Consultative Committee of Accountancy Bodies (or successor body).
- 17.7 The Treasurer shall determine the scope of any internal enquiries or investigations, subject to consultation with the Legal Adviser to the Authority and the Chief Fire Officer/ Chief Executive.
- 17.8 The Treasurer and the Legal Adviser to the Authority, in consultation with the Chief Fire Officer/ Chief Executive shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
- 17.9 The Treasurer or his/her representative, shall at all times preserve the confidentiality of information received in discharging tasks under this section of the Financial Regulations.

18. PARTNERSHIPS

Introduction

The aim of the Authority in its approach to Partnerships is to create safer communities by supporting mutually beneficial activities. The Authority will support Partnerships with direct funding where specific activities can be directly linked to the Authority's own Vision and Corporate Objectives.

Regulations

- 18.1 The Authority will create and maintain

- a. a Partnership Engagement Policy Statement setting out the Authority's policies and objectives;
 - b. suitable Partnership engagement practices setting out the manner in which the Authority will seek to achieve those policies and objectives and prescribing how it will manage and control those activities;
- 18.2 The Authority delegates the responsibility for the monitoring and evaluation of its Partnership arrangements to the Director of Community Safety and Service Delivery.
- 18.3 The Director of Community Safety and Service Delivery shall
- i) maintain a register of all contracts/agreements entered into with partners;
 - ii) report annually to the Authority with an evaluation of its Partnerships.
- 18.4 To allow the Director of Community Safety and Service Delivery to discharge his/her responsibilities under these Regulations, the Treasurer shall
- i) advise on necessary controls that will ensure that resources are used effectively;
 - ii) advise on any financial or funding elements of the partnership or project;
 - iii) ensure that the accounting arrangements are satisfactory;
- 18.5 To allow the Director of Finance and Service Development (Treasurer) to discharge his/her responsibilities under these Regulations, Principal Officers shall
- i) notify the Director of Finance and Service Development (Treasurer) of any proposal to enter into any Partnership arrangement/agreement;
 - ii) ensure that before entering into any partnership arrangement/agreement, a risk assessment has been carried out in line with the Authority's Risk Management Policy;
 - iii) ensure that all agreements/arrangements are properly documented;
 - iv) ensure that any agreements/arrangements do not impact adversely on services provided by or to the Authority.

19. REVISION OF FINANCIAL REGULATIONS

19.1 These Regulations can only be altered by the agreement of the Authority, or as a result of changes in statutory arrangements.

SECTION E

CONTRACT REGULATIONS

INDEX	PAGE
1 General Regulations	2
2 Exceptions to Procurement Procedures	3
3 Quotation Procedures	3
4 Tender Procedures	4
5 Contract Procedures	6
6 Leasing Contracts	6
7 Joint procurement	7
8 Disposal of Buildings and Material Assets	7
9 Revision of Contract Regulations	7

These Regulations set out the arrangements under which Directors, Section Heads and Budget Managers will procure goods and services.

1. General Regulations

- 1.1 Goods and services may only be procured if there is approved budgetary provision to cover the costs.
- 1.2 The Chief Fire Officer shall be responsible for
- the procurement of all goods and services;
 - ensuring that goods and services ordered are received and are of the correct quality;
 - the certification of invoices in accordance with arrangements approved by the Treasurer. The Treasurer will arrange the payment of all invoices which are certified duly payable by the Authority.
- 1.3 With the exception of the items referred to in Regulation 2 the following procedures shall be adhered to for the procurement of all goods and services:-
- (i) for all items between £10,000 and £50,000 written price quotations shall be obtained (see Regulations 3.3 to 3.4 for detailed procedures.)
 - (ii) all items exceeding £50,000 shall be obtained by tender (see Regulation 4 for detailed procedures).
 - (iii) for all items up to £10,000 an official order signed by the Chief Fire Officer, or an officer approved by the Chief Fire Officer, shall be issued.
 - (iv) for all items exceeding £10,000 a written contract with the supplier must be entered into (see Regulation 5 for detailed procedures)
- 1.4 The financial limits and procedures specified in these Regulations for the procurement of goods and services shall also apply to the disposal of any assets of the service. (See Regulation 8).

2. Exceptions to Procurement Procedures

2.1 In the following circumstances quotations or tenders will NOT be required, provided value for money is obtained;

- (i) purchases through the Yorkshire Purchasing Organisation;
- (ii) purchases through HMSO;
- (iii) purchases through a Government contract, or contract of another Local Authority which has been negotiated in accordance with that organisation's own Standing Orders and is available to this Authority;
- (iv) purchases at public auction;
- (v) purchases of goods or services of a special nature which can only be obtained from one supplier;
- (vi) if the Chief Fire Officer after consultation with the Chairman (or Vice-Chair in his/her absence), considers that the work is of an emergency nature required to preserve the Authority's assets or to enable the Service to be maintained. In such circumstances the action taken will be reported to the Authority.

2.2 For the following items an order will NOT be issued;

- (i) public utility services, rents and rates;
- (ii) petty cash purchases which must not exceed £50 per purchase;
- (iii) any other items agreed by the Treasurer

3. Quotation Procedures

3.1 For those items for which quotations are required (see Regulation 1.3(i)) a minimum of three written quotations should be obtained. Every invitation to quote should state that no quotation will be accepted except in a sealed envelope bearing the word "quotation" followed by the subject to which it relates.

3.2 The quotations shall be opened at the same time by two officers authorised by the Chief Fire Officer who shall maintain a permanent record of the quotations received.

3.3 If the lowest quotation for expenditure, (or the highest quotation for income), is not recommended for acceptance, the Chief Fire Officer shall report this to the Chair of the Authority and to the Secretary prior to awarding the work.

3.4 No quotation shall be accepted unless three persons have submitted quotations or the agreement of the Chief Fire Officer, after consultation with the Chair, is first obtained.

4. Tender Procedures

4.1 For those items for which tenders are required (see Regulation 1.3 (ii)) a Notice shall be given in at least one newspaper circulating in the Authority's area or in technical journals circulating among such persons as undertake such contracts (and in the European Journal if required by European legislation), setting out brief details of the contract into which the Authority wishes to enter and inviting persons to apply for permission to tender within a minimum of 14 days after the date specified.

4.2 After the expiry of the period specified in the Public Notice, invitations to tender shall be sent to -

(i) not less than 4 persons who applied to tender selected by the Chief Fire Officer after consultation with the Steering Group of the Authority

or (ii) where fewer than four persons applied, or are considered suitable, those persons whom the Chief Fire Officer, after consultation with the Steering Group of the Authority, considers suitable

4.3 Where the Chief Fire Officer and the Treasurer agree that it is inadvisable or inexpedient to advertise, tenders may be invited from not less than three persons capable of fulfilling the contract, subject to such action being reported to the Authority (see also Regulation 4.11).

4.4 Where invitation to tender is required, every notice of such invitation shall state that no tender will be received except in a sealed envelope which shall bear the word "Tender", followed by the subject to which it relates, but shall not bear any identification of the tenderer. Such envelopes shall remain in the custody of the Secretary until the stated time for opening.

4.5 Tenders shall be opened at one time by a Member of the Authority in the presence of the Secretary or an officer designated by him/her, who shall maintain a record of such tenders.

4.6 No tender other than the lowest in price (or the highest for income) shall be accepted until the Authority has considered a report from the Chief Fire Officer outlining why the lowest price (or highest for income) should not be accepted. Express note that the tender accepted was not the lowest (or the highest for income) shall be recorded in the minutes of the Authority.

4.7 No tender shall be accepted unless three persons have tendered for the contract or the agreement of the Chief Fire Officer, after consultation with the Chairman, is first obtained.

- 4.8 Any tenders not received on time shall be returned to the tenderer by the Secretary unless he/she is satisfied there is adequate evidence of posting in time for delivery by the due date in the normal course of post delivery and the other tenders have not been opened. Notwithstanding the provisions of Regulation 4.4 the tender may be opened to ascertain the name and address of the tenderer but no details of the tender shall be disclosed.
- 4.9 Persons tendering may only submit a revised offer when invited to do so following post-tender negotiation. Such post tender negotiation may only happen when permitted by law and where the Chief Fire Officer, after consultation with the Treasurer, considers added financial or other benefits may be obtained. The post tender negotiation shall only be conducted by a team of officers approved by the Chief Fire Officer, the Legal Adviser and the Treasurer.
- 4.10 Authority approval shall be required where the preferred tender price exceeds the original budget provision by 10% or £10,000 whichever is the greater.
- 4.11 Except in the case of schemes included in the Capital Programme, where the Chief Fire Officer and the Treasurer agree that:-
- (i) market conditions make genuine competition impossible, or
 - (ii) the proposed contractor is on site, there is financial benefit in negotiating an extension for further work and subject to the cost of the further work not exceeding 10% of the value of the original work or £3,000 whichever is the greater; or
 - (iii) demonstrable benefits in service or value for money are likely to be obtainable; or
 - (iv) the expenditure is to be reimbursed by a third party,
- then a single tender may be sought for works, supplies or services, subject to such action being reported to the Authority.
- 4.12 For schemes included in the Capital Programme, the thresholds are 10% or £30,000 whichever is the lesser.

5. Contract Procedures

- 5.1 For all items over £10,000 a contract in writing is required. Such a contract should be signed on behalf of the Authority by a Principal Officer or his/her designated representative and shall include details regarding:
- (i) the work to be done;

- (ii) the price to be paid, with a statement of discounts or other deductions;
- (iii) the period within which the contract is to be performed;
- (iv) liquidated damages on contracts which exceed £50,000 for all building works to be paid by the contractor where they fail to complete the contract on time;
- (v) a performance bond must be required for every contract exceeding £1,000,000 except where the Chief Fire Officer considers it unnecessary, after consultation with the Treasurer;
- (vii) recompense where the contractor fails to deliver goods or services specified in the contract for the Authority to make good the default or replace the purchase from another contractor and recover the cost from the contractor;
- (viii) insurance cover to the limit specified by the Treasurer for public liability purposes.

5.2 Every contract, and the procedure for letting it shall comply with relevant European Legislation

6. Leasing Contracts

6.1 Notwithstanding the requirements of Regulations 1 to 5 the Treasurer shall undertake the negotiation of terms for, and authorise the leasing of, any assets where the sole purpose of the designated lease is to finance the transaction.

7. Joint Procurement

7.1 In some circumstances it may be appropriate for the Authority to purchase services under a joint arrangement with another local authority. In these circumstances the approval of the Authority shall be required and the Chief Fire Officer and Treasurer satisfied that the procurement arrangements that the partner authority is adopting are no less rigorous than those of this Authority.

8. Disposal of Buildings and Material Assets

8.1 All disposals of buildings and material assets shall be agreed by the Authority. For this purpose a "material asset" should be defined as any single asset that, at the time of its proposed disposal, has an estimated disposal value exceeding £10,000.

8.2 The procedures defined in Section 8 of the Regulations for the procurement of goods and services should apply to the disposal of any assets of the service. (Regulation 1.4 specifically refers).

8.3 No quotations or tenders for other than the highest price shall be accepted without reference to the Chairman of the Authority and to the Secretary to the Authority.

9. Revision of Contract Regulations

9.1 These Regulations can only be altered by the agreement of the Authority, or as a result of changes in statutory arrangements.

SECTION F

OTHER RELEVANT DOCUMENTS

Title

Whistleblowing Policy
Anti Fraud and Corruption
Policy
Local Code of Corporate
Governance

Members' Code of Conduct

Corporate Plan

Annual Audit and Inspection
Letter

Statement of Final Accounts

Budget Leaflet

Budget Book

Staff Code of Conduct

Disciplinary Procedure

FINANCIAL MANAGEMENT CHECKLIST

1 Financial standing

1.1 Setting a balanced budget

- Revenue and capital budget assumptions are based on projections about pay, inflation and the challenges facing the authority
- **all cost** savings are identified, assessed for achievability and planned in advance.
- Known developments are anticipated.
- The revenue and capital budgets are integrated
- There is evidence of a risk assessment of material items of income and expenditure.
- The risks are reported to members as part of the budget setting process.

1.2 Setting a capital programme

- The capital programme is based on the needs across all services set out in the asset management plan.
- How the capital programme will be financed is agreed and is affordable.
- The authority is planning to maximize the availability of capital resources by seeking funding from external agencies and/or partners.
- The authority has complied with the processes required under the prudential regime.
- The financing of the capital programme is agreed and monitored by members and in their judgment is prudent, affordable and sustainable as defined by CIPFA's Prudential Code
- The revenue consequences of the capital programme are realistically modelled, evaluated and reported on.
- The authority has put in place effective risk identification and management arrangements, which take into consideration the risks that may occur over the lifetime of each capital project.

- The capital programme is based on the needs across all services as set out in the authority's capital strategy (which links capital investment to service priorities and the asset management plan) and is consistent with its medium term financial strategy.
- Revenue consequences of the capital programme are evaluated and reflected in revenue budgets
- The authority has considered how it can maximize the availability of capital resources required [subject to the constraints of prudence, affordability and sustainability] by using the new prudential code freedom to borrow and/or seeking funding from external agencies/partners.

1.3 Financial monitoring and reporting

- Revenue and capital budgets are assigned to individual managers and form part of their performance assessment.
- Revenue and capital budgets are monitored at least monthly by individual managers, with formal summaries prepared with input from relevant finance staff.
- Members receive financial information which is relevant, understandable and consistent with underlying financial records. The frequency of reports to members is determined by the risk assessment of the budget. Members have the option of assessing financial monitoring information on-line.
- Expenditure and income are monitored and reported separately
- Where needed, action plans to deal with variances from budget are prepared and progress is monitored at departmental level and, in summary form, by members.

1.4 Meeting financial targets

- In at least two of the last three years the authority performed to or under all of its original gross budgets, with no evidence of reductions in range of services and/or evidence of improvements in the range of services
- Planned contribution to reserves achieved.
- There is no history of underspending which could imply too generous budgets being set.

- There are targets set for income collection and arrears, which are monitored, reported to managers and members and action taken when needed.
- The reasons for, and consequences of, over/under spending are taken into account when setting subsequent budgets.

1.5 Financial Reserves:

- a) There is a financial risk management process operating (which is subject to review at least annually by Members) which the authority uses:
 - to justify its level of reserves;
 - to determine its minimum level of reserves and
 - to adhere to this level.
- b) There are plans agreed by members on how to use these reserves, which link to the Authority's medium term financial strategy and funding of the capital programme.

2. Systems of Internal Financial Control

2.1 Monitoring of financial systems

Those who manage the system monitor the operation of financial systems through:

- key controls;
- performance measures;
- validating information against data from other sources/systems; and
- takes corrective action where necessary.

2.2 An adequate internal audit function is maintained

- Internal audit reviews all high risk financial systems each year and medium risk financial systems on a cyclical basis.
- The authority has an internal audit section. There is an internal audit plan which is based on an annual evidenced assessment of the financial and operational risks facing the authority.
- Internal audit complies with relevant professional standards: CIPFA Code or IIA Standards
- Internal audit does have the resources to deliver its work programme.

- Internal audit reports formally to members.
- At least 90% of the annual internal audit plan is expected to be completed. The divergence from the plan is due to legitimate operational factors such as special investigations, and the plan is reappraised.
- An annual assessment of the need to review all key financial systems is carried out.
- There is a process to ensure that accepted recommendations by internal audit are implemented, which is reviewed by senior management/members.
- There are no limitations on internal audit's access to records or scope of activities.
- The external auditor is able to use the work of internal audit.
- Internal audit has access to non-finance specialists to provide advice and support to service managers.
- There is mechanism for obtaining client feedback.
- Departments request internal audit services.
- Internal audit has a role in and provides advice about risk management.

2.3 Risk identification and management

There are arrangements for risk identification, assessment and management in place for all key financial and operational risks which include:

- Formal identification and assessment of risks.
- Mapping of risks to internal controls and to budgets and resource allocations.
- Changing behaviour and resources allocation in response to clarifying risks.
- Monitoring the effectiveness of the internal controls through key indicators.
- Comparison with other authorities and/or organisations
- Involvement of members in determining key risks and response.
- Risk register in place which is reviewed and updated.

3. STANDARDS OF FINANCIAL CONDUCT, AND THE PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

3.1 Ethical Framework

- The Authority has established a standards committee; and adopted a code of conduct for members incorporating the mandatory requirements of the model code.
- Members have signed a formal declaration accepting the terms of the code
- Arrangements are in place for members to monitor and test the operation of the new framework.
- Information about the implications of new arrangements has been/is disseminated to the public, partners, members and staff.

3.2 Governance Arrangements

The following documents and policies are in place and the need to review them has been considered within the last 12 months:

- Arrangements for discharging the **functions** of an Audit Committee
- Standing Orders
- Standing Financial Instructions
- Scheme of delegation
- Arrangements for whistle-blowing
- Anti-fraud and corruption policy (including procedures for investigating frauds)
- Complaints procedures
- Employee code of conduct
- The documents are made available to the public (if requested) partners, staff and members.
- Arrangements are in place for members to monitor and test the operation of the CIPFA/SOLACE framework.
- Staff and members receive training and guidance on what these documents and arrangements mean for their behaviour.

3.3 Treasury Management Arrangements

The Authority has all of the following in place.

- The operation of treasury management arrangements have been evaluated and agreed recommendations arising implemented.
- The adoption of the four clauses on treasury management (part 5 of the Code) as part of standing orders, financial regulations or other formal policy documents.
- The adoption of a treasury management policy statement (part 6 of the Code)
- The adoption of treasury management practices in the following areas based on part 7 of the Code:
 - i. Risk management
 - ii. Best value and performance measurement
 - iii. Decision making and analysis
 - iv. Approved instruments, methods and techniques
 - v. Organisation issues
 - vi. Reporting and management information
 - vii. Budget, accounting and audit arrangements
 - viii. Cash flow management
 - ix. Money laundering
 - x. Staff training and qualification
 - xi. Use of external service providers
 - xii. Corporate governance

3.4 Prevention and detection of fraud and corruption

- Dedicated staff are in place for anti-fraud and corruption work whose work programmes are determined by a formal risk assessment.
- All allegations of fraud and corruption are pursued, and decisions recorded at key stages until the investigation is complete.
- Processes are in place to promote awareness of anti fraud and corruption issues in the governance framework which are reinforced by training and publicity.
- Processes are in place for the systematic investigation of data from a range of sources including NFI matches.

4. Financial Statements

4.1 Timeliness

- For the last three years the accounts were prepared and approved by members by 30 June.
- Draft accounts prepared when planned.

4.2 Quality

- Accounts presented for audit contained only trifling errors (SAS 610 revised).
- Extant accounting guidance and professional guidance followed.

4.3 Supporting records

- All working papers requested by the auditor were provided, and helped the auditor to maintain previous reductions or reduce further the level of resources needed for the final accounts audit.

5. Legality of Significant Financial Transactions

5.1 Roles and responsibilities

- The roles and responsibilities of the monitoring officer and section 151 officer are set out in internal documents which are actively made available to staff and Members.
- These roles are understood by staff and Members.
- The officers have the status in the senior management structure to ensure that the legality of significant financial transactions is addressed as part of a structured decision making process.
- Members and other staff seek their advice when developing novel or potentially unlawful courses of action.

5.2 Consideration of the legality of significant financial transactions

- The monitoring/ s 151 officers are in a position to become aware of and challenge potential unlawful decisions. They are proactive and act before concerns are brought to their attention by others.
- The legality of financial transactions is considered as part of the decision making process in a formal and structured way.
- Legal advice is followed.
- The impact of new legislation is considered in a formal and structured way.
- Relevant guidance is issued to Chief Officers and arrangements to monitor implementation of changes necessitated by new legislation are in place.

APPENDIX B

FINANCIAL RISK MATRIX



	CATEGORY	FREQUENCY
5	Very Likely >80%	At least once in the next 12 months
4	Likely 51 –80%	Once every 1 to 2 years
3	Probable 26-50%	Once every 2 to 5 years
2	Very unlikely 10-25%	Once every 5 to 10 years
1	Remote <10%	Less than once every 10 years

WEIGHTING SCORE	CATEGORY	SEVERITY
5	Catastrophic	Total annual financial loss greater than £750,000
4	Severe	Total annual financial loss >£500,000 - £750,000
3	Material	Total annual financial loss >£100,000 - £500,000
2	Moderate	Total annual financial loss £50,000 - £100,000
1	Manageable	Total annual financial loss less than £50,000

RISK = Likelihood x Severity

	5 Catastrophic	4 Severe	3 Material	2 Moderate	1 Manageable
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Very Likely	5	25	20	15	10	5
Likely	4	20	16	12	8	4
Probable	3	15	12	9	6	3
Very Unlikely	2	10	8	6	4	2
Remote	1	5	4	3	2	1

RISK RATING

20 – 25	Risk Control Action must be taken immediately
15 – 20	Risk Control Action must be a Priority
10 – 15	Risk Control Action to be taken as a matter of routine
5 – 10	No Risk Control Action required but will need to be monitored
1 – 5	No Action to be taken, but will need to be reviewed in future.