

SECTION 10 – FINANCIAL REGULATIONS

FINANCIAL REGULATIONS

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APPENDIX 1 – Responsibility Matrix

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Purpose

- 10.1 The Financial Regulations (the Regulations) set out in this document define the roles and responsibilities of the officers and Members of Cheshire Fire Authority (the Authority) in relation to financial matters.
- 10.2 The basic principle which underpins these regulations is that responsibility is delegated to an appropriate officer, within systems which the Authority, the Chief Fire Officer and Chief Executive, the Treasurer (who is the Section 151 Officer) and the Head of Finance feel are suitably controlled. Internal Audit and other reports help them form their judgement on the adequacy of control mechanisms.
- 10.3 Managers must provide effective induction and training to enable staff to understand these Regulations and deal appropriately with financial matters.
- 10.4 There may be circumstances where an officer feels unable to comply with the Regulations. Before the officer proceeds with an action which does not comply with the Regulations, they must seek guidance from the Head of Finance. Member approval may be required.
- 10.5 The Regulations will be reviewed by the Chief Fire Officer and Chief Executive, the Treasurer and the Head of Finance annually and by Members at least every three years. Minor changes will be made to these Regulations to reflect new risk or changing circumstances with the agreement of the Chief Fire Officer and Chief Executive, the Treasurer and the Head of Finance.

Roles and Responsibilities

- 10.6 The respective roles and responsibilities, in relation to financial matters, of the Authority, the Chief Fire Officer and Chief Executive, the Treasurer, the Head of Finance, the Monitoring Officer, Directors and Heads of Departments are contained in the table which forms Appendix 1.
- 10.7 Members approve the revenue budget, the council tax precept, the annual capital programme and the statutory accounts, and receive quarterly reports on the Authority's budgetary position.
- 10.8 The Treasurer and the Head of Finance regularly report financial matters to the Authority's Service **Management Leadership** Team, (SMLT), which is chaired by the Chief Fire Officer and Chief Executive, and which meets every month.

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Revenue Budgets

Approval of the revenue budget

10.9 The revenue budget and council tax precept are approved by the Authority in February each year for the following financial year.

Virement of revenue budgets

10.10 Virement is the transfer of budget in order to prevent overspends or to accommodate changes in activity.

10.11 If, in the opinion of the Chief Fire Officer and Chief Executive, the Treasurer and the Head of Finance any virement would result in a significant change to Authority policy it must be approved by the Authority.

10.12 Any virement of more than £50k must be approved by the Authority.

10.13 Any virement of less than £50k must be approved by the Chief Fire Officer and Chief Executive.

10.14 ~~Performance and Overview Committee receives quarterly financial reports which include temporary virements of revenue budgets. This enables the Authority to revise its budget in year as it goes along. All such virements are reversed at year end and any necessary changes to the base budget would form part of the formal budget approval agreed by the Authority.~~

Dealing with overspending of revenue budgets

10.14 All Heads of Department must regularly scrutinise their budgets and seek to avoid overspends wherever possible. ~~A quarterly budget monitoring report is presented to the Performance and Overview Committee.~~

~~10.16 Where a revenue overspend is projected, the following process will apply. Where this process involves the virement of budget (in boxes 1 to 3 below), then the rules in paragraphs 10.12 and 10.13 will apply.~~

~~Box 1~~

~~The Head of Department will offset the overspend from within the departmental budget. If this is not possible, then~~



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Box 2

The Principal Officer will offset the overspend from within his/her function. If this is not possible, then

Box 3



SMT will offset the overspend from within the Service budget. If this is not possible, then, the Authority will offset the overspend by using reserves.

10.15 Where a revenue overspend is projected, the Head of Department will make every effort to offset the overspend from within their departmental budget. If this is not possible, then SLT will make every effort to offset the overspend from within the Service budget.

10.16 The treatment of any year end overspends and underspends will be determined by the Authority.

Reserves

10.17 The Chief Fire Officer and Chief Executive, the Treasurer and the Head of Finance will advise the Authority on prudent levels of reserves.

10.18 The Authority holds two categories of reserves as set out by the Code of Practice on Local Authority Accounting:

- Usable - these are available to meet future expenditure demands. They consist of the General Fund and earmarked reserves.
- Unusable – these are prescribed in accounting regulations and do not impact directly upon the Medium Term Financial Plan, budget, or precept setting decisions.

10.19 The Authority will hold usable reserves for the following three main purposes:

- As a contingency to cushion the impact of unexpected events or emergencies (the General Fund)
- As a means of meeting known or predicted liabilities (earmarked reserves)
- As a means of smoothing expenditure as part of the Medium Term Financial Plan (earmarked reserves).

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10.20 The need for any new reserve and the movement on existing reserves will be reported to Performance and Overview Committee as part of the regular quarterly reporting process.

10.21 For each reserve the Authority will set out:

- The purpose of the reserve;
- How and when the reserve can be used;
- A process and timescale for review of the reserve to ensure its continuing relevance and adequacy.

10.22 The Treasurer will provide the Authority with an annual statement on the adequacy of reserves at the meeting at which the annual budget is approved.

Capital

10.23 Capital expenditure will be identified as such during the budget building process, and if additional expenditure is approved during the year. The capital programme will be approved annually by the Authority. In order to qualify as capital, expenditure must satisfy the following criteria:

- Be in excess of £10k
- Create an asset which has benefits which last for more than one year
- Comply with guidance in the appropriate CIPFA code

~~10.25 Where a capital scheme is estimated to be overspent, if the overspend is estimated to be 10% or more than £100k, whichever is the lower (with a de minimus of £10k), then approval to fund the overspend must be sought from the Authority.~~

~~10.26 Where the overspend is estimated to be less than 10% and less than £100k, SMT will consider the overspend in the context of the overall programme, and if the overspend is unavoidable will either utilise any capital contingency, vire budget from an existing scheme or fund the overspend by contribution from the revenue budget or from reserves.~~

10.24 Progress on the capital programme will be reported quarterly to the Performance and Overview Committee. The impact of any estimated overspends on the funding of the programme will be considered and every effort will be made to accommodate the impact within the existing funding package. If the overall impact cannot be accommodated, then the Chief Fire Officer and Chief Executive and Treasurer jointly may approve an increase in funding of up to £50k. For funding above this level, approval must be sought from the Authority.

10.25 Income which is the result of the disposal of an asset and which is greater than £10k will be considered as a capital receipt. All other income will be

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treated as revenue. Paragraph 10.40 deals with the procedure for disposing of assets.

~~10.28 The Chief Fire Officer and Chief Executive, Treasurer and Head of Finance may jointly increase the amount of the Capital Programme by a maximum of £100k per annum, providing that any increase is for a new scheme(s), and the Treasurer and Head of Finance are satisfied with the funding arrangements.~~

~~10.29 An increase approved by the Chief Fire Officer and Chief Executive and the Treasurer and the Head of Finance will be reported to Performance and Overview Committee at the earliest opportunity.~~

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Assets

Land and Buildings

- 10.26 Proposals for the acquisition or sale of land or buildings must be fully appraised and may only be approved by the Authority. Proposals to enter into a lease with a term of 5 years or more will also require Authority approval.
- 10.27 Sales of land and/or buildings and the surrender of a lease with a term of five years or more will require Authority approval.

Management of assets

- 10.28 The ~~Joint~~ Head of Estates will maintain an Asset Management Strategy.
- 10.29 Any manager who has responsibility for managing and/or operating Authority assets will make proper arrangements to ensure that assets are held securely and are properly maintained.
- 10.30 Assets may only be used in accordance with relevant service policy, and any procedures relating to the use of assets must be followed.
- 10.31 Managers with responsibility for managing assets must ensure that where necessary assets have the appropriate licence and are covered by insurance.
- 10.32 All assets (as defined within the Asset Management Strategy) must be included on an inventory, in a form determined by ~~the Head of Operational Policy and Assurance~~ the Service Leadership Team.

Stock

- 10.33 Stock is defined as a supply of items which are constantly required ~~and held in stores~~.
- 10.34 The Authority maintains a central stores, and, wherever possible, all stock should be held in the stores.
- 10.35 Where small amounts of stock are held locally they will be subject to procedures agreed by the Head of Service Delivery ~~and the Head of Finance and the Head of Procurement~~.
- 10.36 Stock checks will be carried out wherever stock is held in a form determined by the ~~Head of Procurement~~ Head of Service Delivery and the Head of Finance, in accordance with timescales agreed by them.

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Write off of assets

- 10.37 Assets, including stock, up to the value of £5k may only be written off with the approval of the Head of Finance.
- 10.38 Assets, including stock, with a value between £5k and £10k may only be written off with the approval of the Chief Fire Officer and Chief Executive and the Treasurer.
- 10.39 Assets, including stock, with a value greater than £10k may only be written off with the approval of the Performance and Overview Committee.

Disposal of Assets

- 10.40 The disposal of assets other than land and buildings (see paragraph 10.27 above) will be in accordance with procedures agreed by the **Head of Procurement Treasurer** and the Head of Finance.

Procuring Goods and Services

Ordering goods and services

- 10.41 Only goods and services relating to official Authority business may be procured.
- 10.42 The Scheme of Financial Delegation will include authorised limits for individual officers in relation to the ordering of goods and services.
- 10.43 Heads of Departments must ensure that adequate separation of duties operates in all areas of procurement and purchasing. Guidance on this may be sought from the Head of Finance.
- 10.44 Official orders must be raised for all goods and services except for rent, business rates, Council Tax, public utility services and petty cash purchases, except with the prior agreement of the Head of Procurement and the Head of Finance.
- 10.45 Orders must be made using the official Authority procurement system as determined by the Head of Procurement and the Head of Finance.
- 10.46 Oral orders may only be made in cases of urgency and with the prior approval of the Head of Procurement and the Head of Finance; all such oral orders must be confirmed by hard copy, but care must be taken not to create duplicate orders.

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Quotations and tenders

General Requirements

- 10.47 Wherever possible, procuring goods or services should involve some form of competition.
- 10.48 There is an expectation that Value for Money will be achieved, which might involve consideration of quality and service as well as cost.
- 10.49 There must be sufficient appropriately approved budget to cover the cost of the goods and/or services being procured.
- 10.50 There must be some documentation, which must be retained. In most circumstances, correspondence by email exchange is sufficient.
- 10.51 No procurement exercise or purchase of any goods or services should be undertaken if there is a risk that a family member, friend or acquaintance, or any associated business/company etc. of the officer involved will quote or bid. In those circumstances the officer should ensure that someone else deals with the matter.

Procurement Approach

- 10.52 The value of the procurement determines the approach to procurement (but see also para 10.56). The table below outlines the basic requirements. In all cases a suitable record of the process followed and contractual arrangement must be kept. In some cases there is a requirement to publish the information.

Up to £5,000
Ideally, three verbal quotes should be secured, and/or research should be carried out to ensure the price is appropriate, for example on the internet, or by checking with other FRSs etc. Strategic Procurement will not normally need to be involved
£5,000 up to £10,000
Written quotes must be obtained (generally email exchanges will suffice). Strategic Procurement may need to be involved.
£10,000 and above
Strategic Procurement must be involved.

Strategic Procurement

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10.53 Strategic Procurement must be involved in the following circumstances.

- When the value of the goods or services (over the lifetime of the agreement) is greater than £10,000
- When procuring something that is business-critical, to ensure that any bespoke contract provisions to protect the Service as far as possible are included.
- When procuring something that is complex, as there might be a need to involve other departments, for example IT, and for bespoke contract provisions to be drafted.
- When procuring something that involves a higher than normal level of risk (for example the goods are unproven, or the service provider has no experience).
- When procuring something that is unusual/novel, as there might be a need for bespoke contract provisions to be drafted.
- When procuring something that is of a recurring nature, as there might be a benefit if the contractual arrangement allows regular purchases to be made.
- When procuring something that is expected to be in existence/in operation for a length of time, as there might be a need to consider guarantee/warranty requirements and/or how performance will be measured/monitored.
- When being asked to enter into a contract based upon someone else's terms and conditions.

If in doubt, Strategic Procurement must be contacted for advice.

Exclusions from these Requirements

10.54 In the circumstances below it may be possible to procure goods or services without following the requirements described above. Permission must be obtained in line with paragraph 10.55.

- Procuring something that must be compatible with an existing asset/service.
- Procuring something that is required in a genuine emergency.
- Procuring something that is genuinely unique.
- Procuring something from the only supplier able to provide the service.
- Procuring something when a bespoke arrangement has been put in place, e.g. a term contract or call-off contract.

10.55 Permission must be sought via Strategic Procurement. Decisions about exclusions are taken by the Service's Monitoring Officer and Treasurer who will receive advice from the Head of Strategic Procurement (or nominated deputy). If the Monitoring Officer is unavailable, the Chief Fire Officer will take the decision, and/or if the Treasurer is unavailable, the Head of Finance will take the decision.

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Framework Contracts

- 10.56 There are a significant number of procurements that lead to the creation of framework contracts. These are contracts that are available to a number of buyers and often the Service is included and can benefit from them. The contracts are run by the government, local authorities, fire and rescue services and other emergency services.
- 10.57 Framework contracts are often set up with comprehensive terms and conditions. They often allow purchases to be made from a kind of catalogue using an order form. Using them can cut down on the amount of work required to purchase something and wherever possible they should be considered. Strategic Procurement will provide advice about available framework contracts and the necessary process that needs to be followed.

Payments to creditors

- 10.58 The Head of Finance is responsible for the payment of creditors.
- 10.59 Heads of Departments must ensure that adequate separation of duties operates in respect of creditor payments. Guidance on this may be sought from the Head of Finance
- 10.60 The workflow for approving payment will be in accordance with systems approved by the Head of Finance.

Imprest accounts

- 10.61 Imprest accounts are sums made available in the form of bank current accounts and petty cash from which officers may make purchases of less than £50.
- 10.62 All expenditure paid through imprest accounts must be supported by receipts, except with the prior approval of the Head of Finance, and records must be maintained in a form agreed by the Head of Finance.
- 10.63 Imprest accounts are Authority funds and must only be used for official business.
- 10.64 Imprest accounts may only be opened with the approval of the Head of Finance.
- 10.65 Each imprest account will have a nominated holder.
- 10.66 All imprest accounts must be reconciled monthly and certified by the imprest account holder.

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- 10.67 Imprest accounts will be for minor items of expenditure only, and no salaries, wages, allowances or mileage expenses may be paid out of imprest accounts.
- 10.68 No income may be paid into imprest accounts.
- 10.69 Claims for reimbursement of imprest accounts must be completed in accordance with guidelines and in a form agreed by the Head of Finance.

Payroll and pensions

- 10.70 The ~~Director of Transformation~~ **Head of People and Development** is responsible for instructing the payroll and pension contractors and for providing accurate and timely information to enable the contractors to pay salaries, wages, mileage, other expenses and pensions. They will ensure that the amounts deducted from employees' salaries are paid to the appropriate body within agreed timescales.
- 10.71 The ~~Director of Transformation~~ **Head of People and Development** will determine the format in which information is transmitted to the payroll and pension contractors.
- 10.72 The ~~Director of Transformation~~ **Head of People and Development** is responsible for ensuring that all information transmitted to the payroll and pension contractors is suitably authorised and reconciled.

Cash and bank

- 10.73 The Authority will appoint bankers and approve the terms under which banking services are delivered.
- 10.74 All bank accounts will include "Cheshire Fire Authority" in the title.
- 10.75 No arrangement of any kind with any banking service may be made without the approval of the Treasurer and Head of Finance.
- 10.76 All payments or transfers from any Authority bank account will be approved by an appropriate officer in accordance with the Financial Scheme of Delegation.
- 10.77 All income will be received, stored, banked and accounted for in accordance with procedures approved by the Treasurer and Head of Finance.
- 10.78 Cash kept at any Authority premises will be held securely, and the amount held must not exceed limits agreed by the Treasurer and Head of Finance.

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Income collection

- 10.79 Any officer of the Authority who is arranging for receipt of payment for any Authority service must inform the Finance Team, in a form to be agreed by the Head of Finance, to ensure that all income is properly recognised and collected.
- 10.80 Only official receipts will be issued.
- 10.81 Cash will be stored separate from any personal monies and be banked as soon as reasonably possible.
- 10.82 No payment for any purpose may be made out of income received.

Debtors

- 10.83 The Head of Finance will maintain a debtor's policy, and every effort should be made to collect income due in line with this policy. Where this proves not to be possible, debts up to £5k may be written off with the approval of the Head of Finance, those between £5 and £10k with the approval of the Chief Fire Officer and Chief Executive and Treasurer and those above £10k with the approval of the Fire Authority.

Insurance

- 10.84 The Authority will have in place protection policies commensurate with risk, as agreed by the Chief Fire Officer and Chief Executive.
- 10.85 Any excesses on policies will be agreed by the Chief Fire Officer and Chief Executive and the Treasurer.

Third Party Funds

- 10.86 Third Party Funds are funds controlled by Fire Authority staff but which belong to other organisations.
- 10.87 In general, the Authority should seek not to hold Third Party Funds due to the obligations and resourcing implications they bring.
- 10.88 The approval of the Chief Fire Officer and Chief Executive and the Treasurer must be obtained before the Authority assumes any responsibility for Third Party Funds.
- 10.89 The Treasurer will make suitable banking arrangements for Third Party Funds.
- 10.90 Officers managing Third Party Funds must keep records in a format agreed by the Treasurer and Head of Finance.

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Internal Audit

- 10.91 The Chief Fire Officer and Chief Executive must ensure that an independent internal audit service operates within the Authority, carrying out audits in accordance with a risk based programme.
- 10.92 Internal audit will have full access to all premises, assets and records and Authority staff will provide internal audit with all information, explanations and records which they require.

Fraud and irregularity

- 10.93 If any officer has suspicion that there has been any fraud or irregularity of any sort, including bribery, within the Authority, they must inform their line manager immediately (or grandparent line manager if necessary). If they do not feel able to do this, the Authority's Code of Conduct includes a Whistle Blowing Policy, which they may utilise.
- 10.94 The Chief Fire Officer and Chief Executive and the Treasurer must be informed immediately of any allegation of fraud or irregularity.
- 10.95 Senior officers are required to be familiar with the Anti-Fraud and Bribery Policies. They should make other staff aware of the existence of the policies and who to contact if they have concerns relating to fraud or irregularity.

Joint arrangements and partnerships

- 10.96 Formal joint arrangements and partnerships of any kind must (at the very least) be approved by the Chief Fire Officer and Chief Executive, Monitoring Officer and Treasurer, and will be the subject of a business case.
- 10.97 Significant joint arrangements and partnerships must be approved by the Fire Authority. In determining what is and is not significant, consideration must be given to risks attached to the joint arrangement or partnership, for example the period of commitment and any reputational risk.
- 10.98 In all cases, it is the responsibility of the Chief Fire Officer and Chief Executive, Monitoring Officer and Treasurer to ensure that any arrangement is subject to appropriate levels of governance and stewardship.

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Donations, grants to other bodies, and contributions

10.99 Any donation, grant to another body or contribution must be approved by the Chief Fire Officer and Chief Executive, Monitoring Officer and Treasurer.

10.100 If any donation, grant or contribution exceeds £20k it must be approved by the Authority.

Sponsorship

10.101 Sponsorship is defined as the voluntary provision or donation of funds, goods or services to the Authority by an external body.

10.102 All offers of sponsorship must be considered in the context of the integrity of the Service, and must not involve, or imply, any warranty or guarantee of a sponsor's products or reputation.

10.103 All offers of sponsorship must be considered by the Chief Fire Officer and Chief Executive, Monitoring Officer and Treasurer. They may wish to refer any offer to the Authority if they feel the nature of the sponsorship warrants it, and must do so where the offer is judged to exceed £20,000.

Risk Management

10.104 The Chief Fire Officer and Chief Executive will ensure that a suitable process is in place for the management of risk in the Authority.

The attached Appendix outlines the responsibilities contained in these regulations in tabular form.

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Activity	FA	P&O	CFO	T	HOF	MO	HOPD	HOD
Statutory Accounts								
Prepare the statutory accounts of the Authority (including certifying the draft accounts by the end of the June following the year end)				x	x			
Approve the statutory accounts by the end of September following the year end	x							
Treasury Management								
Appoint the Authority's bankers	x							
Ensure that adequate Treasury Management practices are in place, including arranging any necessary loans or investments in accordance with Cash Flow forecasts				x	x			
Prepare and manage the annual Treasury Management Strategy including approval of and monitoring of Prudential Indicators				x	x			
Approve the annual Treasury Management Strategy	x							
Financial management and control								
Ensure that SLT consider all appropriate financial matters.			x	x				
Offer advice on all financial matters				x	x			
Ensure the provision of financial services including the payment of invoices, financial information, imprest accounts, and the collection of income				x	x			
Ensure the provision a payroll and pensions service							x	
Ensure suitable financial and control systems are in place, including financial procedures			x	x	x			

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Activity	FA	P&O	CFO	T	HOF	MO	HOPD	HOD
Statutory functions								
Ensure that the Authority meets its statutory and regulatory requirements (which includes the Accounts and Audit regulations; the Local Authority Accounting Code of Practice; the Code of Practice for Treasury Management; and the Internal Audit Code of Practice)	x		x (advisory)					
Fulfil the responsibilities of a Chief Finance Officer under Section 151 of the Local Government Act 1972, and act as Treasurer to the Authority				x				
Fulfil the duties of a Chief Finance Officer under Section 114 of the Local Government Act 1988				x				
Appoint a deputy Section 151 Officer			x	x				
Maintain an effective internal audit function			x					

KEY	FA	Fire Authority
	P&O	Performance and Overview Committee
	CFO	Chief Fire Officer and Chief Executive
	T	Treasurer (Section 151 Officer)
	HOF	Head of Finance
	MO	Monitoring Officer
	HOPD	Head of People and Development
	HOD	Head of Department