

## **FINANCIAL REGULATIONS AND PROCEDURES**

### Financial Regulations for Lincolnshire County Council

#### Background

- A: Roles in Financial Management
- B: Financial Planning and Management
- C: Risk Management and Internal Control
- D: Accounting Records and Financial Systems
- E: Control of Resources and Assets
- F: Income and Expenditure
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## 1. BACKGROUND

- 1.1 Lincolnshire County Council is one of the largest local authorities in England. It provides a diverse range of services to its residents. It works in partnership with district, parish and town councils, police, probation and health providers and a number of other organisations.
- 1.2 Lincolnshire County Council's governance structure is laid down in its Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed. This document forms part of the Constitution.
- 1.3 These Financial Regulations form part 4 of the Council's Constitution and when applying the regulations must be read alongside the Council's Contract Regulations (part 4 of the Constitution) and other approved policy documents and scheme of delegation.
- 1.4 The Authority has adopted a Leader and cabinet form of Executive.
- 1.5 For the purposes of this document the term Chief Officer includes the Head of Paid Service, Chief Officers and the Chief Fire Officer.

## 2. FINANCIAL REGULATIONS

- 2.1 Financial Regulations provide the framework for managing the financial affairs of Lincolnshire County Council. They apply to every Councillor and Officer of the Council and anyone acting on its behalf. Financial Regulations must be adhered to at all times. All Chief Officers are accountable to the Council's **Section 151 Officer** for compliance with these rules. The **Section 151 Officer** is accountable to the Council. All Officers with delegated responsibility for undertaking financial responsibility are accountable to their **Chief Officer** for compliance with the Financial Regulations.
- 2.2 The regulations identify the financial responsibilities of the full Council, Executive and Overview and Scrutiny Councillors, **the Head of Paid Service** (Chief Executive), **the Monitoring Officer**, **the Section 151 Officer**, other **Chief Officers** and other Officers. Executive Councillors and Chief Officers should maintain a written record where decision making has been delegated to Members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible Officers, such as school governors, references to the Chief Officer in the regulations should be read as referring to them.
- 2.3 All Councillors and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised and provides value for money.

- 2.4 Should a material breach of the Financial Regulations come to light then it must be reported immediately to the **Section 151 Officer**. The **Section 151 Officer** is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the full Council for approval. The **Section 151 Officer** is also responsible for reporting material breaches of the Financial Regulations to Chief Officers, the Executive or the full Council as appropriate according to the severity of the breach.
- 2.5 The **Section 151 Officer** is responsible for maintaining Lincolnshire County Council's Financial Procedures which set out in detail how the Financial Regulations will be implemented. The **Section 151 Officer** may amend the Financial Procedures so long as the Financial Procedures remain consistent with the Financial Regulations. A full index of Financial Procedures is contained as Appendix A to the Financial Regulations alongside an overview of their structure, content and purpose.
- 2.6 **Chief Officers** are responsible for ensuring that all staff in their directorates are aware of the existence and content of these Financial Regulations, Financial Procedures and other internal regulatory documents and that they comply with them. They must also ensure that there is adequate access to the current version of these documents.
- 2.7 The **Section 151 Officer** is responsible for issuing advice and guidance to underpin the Financial Regulations that Councillors, Officers and others acting on behalf of the Council are required to follow.

## FINANCIAL REGULATION A: ROLES IN FINANCIAL MANAGEMENT

### INTRODUCTION

- A.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the Budget and Policy Framework.

### THE FULL COUNCIL

- A.2 The full **Council** is responsible for adopting the Council's Constitution and Members' Code of Conduct and for approving the Budget and Policy Framework within which the Executive operates. It is also responsible for ensuring compliance with the Budget and Policy Framework. The full **Council** may make decisions outside the Budget and Policy Framework in accordance with paragraph 5 of the Budget and Policy Framework Procedure Rules at part 4 of the Constitution.
- A.3 By approving the Constitution the full Council has identified the responsibility for decision making. Details of who has responsibility for which decisions are set out in the Constitution.

### THE EXECUTIVE

- A.4 The **Executive** is responsible for proposing the Budget and Policy Framework to the full Council and for discharging executive functions in accordance with the Budget and Policy Framework.
- A.5 Executive decisions can be delegated to, an individual **Executive Councillor, or a Chief Officer**.
- A.6 The **Executive** is responsible for establishing protocols to ensure that individual Executive Councillors consult with relevant Officers before taking a decision within their delegated authority. In doing so, the individual Executive Councillor must take account of legal and financial liabilities and risk management issues that may arise from the decision.

### SCRUTINY COMMITTEES AND PANELS

- A.7 The **Scrutiny Committees** are responsible for scrutinising Executive decisions before or after they have been implemented and for holding the **Executive** to account.
- A.8 The scope of **Scrutiny Committees** are set out in Article 6 of the Constitution.

### Audit Committee

- A.9 The functions of the **Audit Committee** are set out in full in the Council's [Constitution](#). However, in summary, the Committee's responsibilities around the financial management of the Council include:

- i. Approving the Council's Annual Statement of Accounts and consider the effectiveness of the Council's arrangements to secure value for money.
- ii. Considering the Council's arrangements for governance and risk management and the internal control environment. Ensuring that its assurance framework adequately addresses the risks and priorities of the Council.
- iii. Approve an annual governance statement, prepared in accordance with proper practices in internal control.
- iv. Considering and commenting on the External Auditor's Annual Audit Letter and reports about the effectiveness of the Council's financial and operational arrangements.
- v. Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit is actively promoted.
- vi. Approving the annual Internal Audit plan, and receiving reports from the Council's Internal Auditor, including the annual report of the **Head of Internal Audit**.
- vii. Monitoring the effectiveness of the Council's Financial Regulations, Procurement Policy and Procedures and other strategies for counter fraud and anti-bribery, whistle blowing and anti-money laundering.

## **THE STATUTORY OFFICERS**

The Statutory Officers have responsibilities that lie within the Financial Regulations. These are set out below. The full scope of responsibilities for these Officers are contained within Article 10 of the Constitution.

### **Head of Paid Service (Chief Executive)**

A.10 The **Head of Paid Service** is responsible for the corporate and overall strategic management of the Council as a whole. He/she must report to and provide information for the **Executive**, the full Council, the **Scrutiny Committees** and Panels, other Committees and Groups and is responsible for supporting all Councillors and non-elected members of the Council. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The **Head of Paid Service** is also responsible, together with the **Monitoring Officer**, for the system of record keeping in relation to all the full Council's decisions.

## Monitoring Officer

- A.11 The **Monitoring Officer** is responsible for advising all Councillors and non-elected members and Officers about who has authority to take a particular decision.
- A.12 The **Monitoring Officer** together with the **Section 151 Officer** is responsible for advising the **Executive** or full **Council** about whether a decision is likely to be considered contrary to or not wholly in accordance with the Budget and Policy Framework. Actions that may be contrary include:
- Initiating a new policy.
  - Committing expenditure above the budget level.
  - Causing the total expenditure financed from Council Tax, grants, borrowing and general reserves to increase.

## Section 151 Officer

- A.13 The **Section 151 Officer** has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

### Section 151 of the Local Government Act 1972

- A.14 Requires that Authorities “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”

### The Local Government Finance Act 1988

- A.15 Section 114 of the Local Government Finance Act 1988 requires the **Section 151 Officer** to make a report if the Council or one of its Officers:
- Has made, or is about to make, a decision which involves incurring unlawful expenditure.
  - Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council.
  - Is about to make an unlawful entry in the authority’s accounts.

The **Section 151 Officer** must send a copy of that report to the external auditor and to each Councillor.

Section 114 of the 1988 Act also requires:

- The **Section 151 Officer** to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally.
- The **Council** to provide the **Section 151 Officer** with sufficient staff, accommodation and other resources - including legal advice where this is necessary - to carry out the duties under section 114.

## The Accounts and Audit Regulations 2015

A.16 Specify that a relevant body (Lincolnshire County Council) must:

- Prepare a statement of accounts in accordance with the Accounts and Audit regulations 2019 and proper practice.
- Undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.
- Conduct a review each financial year of the effectiveness of its system of internal control and prepare an Annual Governance Statement. Following the review, the **Audit Committee**, must approve an annual governance statement, prepared in accordance with proper practices in internal control. The annual governance statement must accompany the statement of accounts.

## The Local Government Act 2003

A.17 This identifies the **Section 151 Officer** responsibilities in relation to:

- the level of the Authorities reserves and protocols for their use
- reporting on the robustness of the budget and the adequacy of reserves.
- taking into account matters as specified in the prudential code.
- reporting to Councillors on performance against budget and the impact on reserves.

A.18 The **Section 151 Officer** is responsible for:

- the proper administration of the Council's financial affairs.
- setting and monitoring compliance with financial management standards and accounting policies.
- determining and agreeing the accounting procedures and records for the Council.
- maintaining the Council's Financial Strategy.
- maintaining the Council's Capital Strategy.
- financial advice to the Council including advice on the corporate financial position and on the key financial controls necessary to secure sound financial management.
- ensuring the provision of financial information.
- preparing the revenue budget (in conjunction with Chief Officers) and capital programme.
- ensuring that the Annual Statement of Accounts is prepared in accordance with International Financial Reporting Standards and statutory regulations as set out in the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom*.
- treasury management.

- maintaining an adequate, effective and continuous audit service of the control systems of the Council
- insurance and risk management

## **CHIEF OFFICERS**

- A.19 **Chief Officers** are responsible for ensuring that Executive Councillors and the relevant Scrutiny Committees and Panels are fully advised of the financial implications of all proposals and that the financial implications have been agreed where required by the **Section 151 Officer**.
- A.20 **Chief Officers** are responsible for consulting with the **Section 151 Officer** and seeking approval on any matter liable to affect the Council's finances materially before any commitments are incurred.
- A.21 Notifying the Council in conjunction with the **Section 151 Officer** of the annual outturn against planned budget.

## **The Annual Financial Statements**

- A.22 The **Section 151 Officer** is responsible for signing the Annual Financial Statements confirming that they present fairly the financial position of the Council. The **Audit Committee** is then responsible for approving the Annual Financial Statements. And where there are any concerns arising from the financial statements or from the audit bring these to the attention of the Council.

## **MAINTENANCE OF RESERVES**

- A.23 It is the responsibility of the **Section 151 Officer** to advise the **Executive** and the full **Council** on prudent levels of reserves for Lincolnshire County Council.

## FINANCIAL REGULATION B:

### FINANCIAL PLANNING AND MANAGEMENT

#### INTRODUCTION

- B.1 The Councils' budget consists of the Revenue Budget and Capital Programme which is approved by the Council in February each year.

#### Preparation of the Performance and Budget Plan

- B.2 The **Head of Paid Service** and the **Section 151 Officer** are responsible for proposing the Performance and Budget Plan to the **Executive** for consideration before its submission to the full Council for approval. This will be prepared in consultation with other Chief Officers.

#### BUDGETING

##### Resource allocation

- B.3 The **Section 151 Officer** is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's Budget and Policy Framework.

##### Budget format

- B.4 The general format of the budget will be determined by the **Section 151 Officer** in consultation with **Chief Officers** and the relevant **Executive Councillor**.

##### Budget preparation

- B.5 The **Section 151 Officer** is responsible for ensuring that the revenue budget and capital programme is prepared typically on a three-yearly basis and with close regard to the current programme of comprehensive spending reviews undertaken by the incumbent Government. These will be updated annually for consideration by the **Executive**, before submission to the full **Council** in accordance with the Budget and Policy Framework Procedure Rules. The full **Council** may amend the Budget or ask the **Executive** to reconsider it before approving it.
- B.6 The **Executive** is responsible for issuing the guidelines within which the Budget should be prepared.
- B.7 It is the responsibility of Chief Officers to prepare budget estimates reflecting the Council's Financial Strategy, Capital Strategy and agreed service plans for the **Executive** and that these estimates are prepared in line with the guidelines determined by the **Executive** in B6 above.

## Capital programme and schemes

- B.8 The **Section 151 Officer** is responsible for ensuring that the capital programme is updated annually for consideration by the Executive before submission to full Council for approval. The **Section 151 Officer** is also responsible for ensuring regular monitoring reports are received by the **Executive** and the **Overview and Scrutiny Management Board** in relation to the delivery of the capital programme.
- B.9 Scheme business cases are required where a scheme is over £500k in value and forms part of the already approved capital programme. The decision to approve the business case will be taken by the relevant Executive Councillor with responsibility for financial matters, who may also refer significant schemes to the relevant Scrutiny Committee for pre-decision scrutiny.
- B.10 The **Overview and Scrutiny Management Board** will monitor the delivery and outcomes of the overall capital programme. The relevant **Scrutiny Committee** may also review or scrutinise specific schemes including the achievement of value for money and utilisation of best practice.

## Budget monitoring and control

- B.11 The **Section 151 Officer** is responsible for ensuring the provision of appropriate financial information to enable budgets to be monitored effectively. **Chief Officers** must monitor and control expenditure against budget allocations and report to the **Executive** and the **Overview and Scrutiny Management Board** on the overall position in line with the agreed budget monitoring timetable issued by the **Section 151 Officer**.
- B.12 It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the **Section 151 Officer**. They should report on variances within their own areas in accordance with the Financial Management, Financial Planning and Financial Systems financial procedure (FP1). They should also take any action necessary to avoid exceeding their budget allocation and alert the **Section 151 Officer** to any potential or anticipated problems.
- B.13 Monitoring of capital schemes is in accordance with the terms of reference set for the **Overview and Scrutiny Management Board** in Article 6 of the Constitution.

## APPROVAL OF BUDGET CHANGES

### In year changes to Budget

- B.14 **Outside of the criteria** set out in paragraphs B16-19 below, all changes to the Budget must be made by full Council except for urgent changes to which paragraph 6 of the Budget and Policy Framework Procedure Rules applies.

B.15 Changes to the Budget which increase the Council's total expenditure and require either the use of the Council's general reserves or increased borrowing must be referred by the **Section 151 Officer** to the **Executive** for consideration before being referred to the full Council for decision.

B. 16 Subject to B12 money can be reallocated between service headings, (a service heading is defined as all services under an individual Assistant Director). Budget will only be reallocated if the purpose for which the budget was originally allocated has changed and in accordance with the following rules:

- reallocations of up to £250,000 and involves revenue to revenue movements only shall be approved by the relevant Chief Officer/s and should be notified to the **Section 151 Officer** . All reallocations will be recorded and held by the **Section 151 Officer** and reported to the Executive on a quarterly basis.
- reallocations of between £250,001-£500,000 and involves revenue to revenue movements only shall be approved by decision by the relevant Executive Councillors. The approval report will be prepared by the **Section 151 Officer** in consultation with other relevant Chief Officers. All reallocations will be recorded and held by the **Section 151 Officer** and reported to the **Executive** on a quarterly basis.
- reallocations over £500,000 and involves revenue to revenue movements only shall be approved by the **Executive**. The approval report will be written by the **Section 151 Officer** in consultation with other relevant Chief Officers. . All reallocations will be recorded and held by the **Section 151 Officer** and reported to the **Executive** on a quarterly basis.
- Any reallocation that involves a revenue to capital movement must also comply with the approval criteria contained in this paragraph (B16) however, in addition, must also gain approval in writing from the **Section 151 Officer**.

B.17 External funding will be secured in accordance with the constitution, the approved Financial Strategy and the approval limits set out in this paragraph.

Budget changes will be made to the Council's income and expenditure budgets to ensure the appropriate financial governance arrangements are in place.

B.18 In deciding whether or not to make a bid for external funding or enter into a pooled funding arrangements Chief Officers, Executive Councillors or the Executive must ensure that:

- The project or fund contributes to the Council's corporate objectives;
- Matched funding is available within existing budgets;
- Partner contributions are confirmed;
- Risks are assessed and minimised including:

- Where funding is linked to the achievement of specific outcomes or identified performance measures.
- Where success relies on others.
- The Council has the capacity to deliver the outcomes and timescales required; and
- Have an agreed and clear Exit Strategy. This will minimise the risk to the Council following the conclusion of the grant.

And **must consider**:

- The probability of success in obtaining funding, particularly in relation to the resource costs of preparing bids;
- Co-ordination of bids and initiatives within the Council and with partners; and
- Whether the project represents value for money.

**B.19** To make a bid for or accept a gift of external funding, officers must be eligible to do so under the terms of the respective service Scheme of Authorisation. In addition, for larger bids as detailed below officers should consult :

- The appropriate Executive Councillor or the Executive and S151 Officer – for projects where the external funding bid is more than £250,000.
- The appropriate Chief Officer and S151 Officer – for projects where the external funding bid is between £50,000 -£250,000.

The above criteria are applied to the making of a bid for external funding and do not constitute approval to spend on the project itself. Regulations B8-B10 on capital spend also apply.

The Section 151 Officer must ensure that:

- Costs, benefits and risks are assessed fully before partnership agreements are made;
- Governance, accountability and reporting arrangements are appropriate and clear; and
- Financial arrangements are appropriate and safeguard the Council's interests.

**B.20** In cases of urgency, applications for external funding may be provisionally made following email approval to do so by the appropriate Chief Officer or Executive Councillor depending on the value of the external funding bid outlined above. The appropriate consultation must be carried out retrospectively and before the funding is formally accepted.

### **Approval of carry forward**

B. 21 All under and overspendings on service revenue budgets of up to 1% will be carried forward without exception ,however, the use of this carry forward will be reported to the **Executive** and full **Council** for noting. The use of all under-

spending on service budgets in excess of 1% will be considered by the **Executive** and decided by full **Council**. The means of funding all overspendings on service budgets in excess of 1% will be considered by the **Executive** and decided by the full **Council**. All 1% calculations will be made at Chief Officer level.

B.22 All under and overspendings on the following budgets will be carried forward without exception

- Capital budgets;
- The Dedicated Schools Budget;
- Specific grants; and
- Revenue budgets related to formally constituted shared services

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## FINANCIAL REGULATION C: RISK MANAGEMENT AND INTERNAL CONTROL INTRODUCTION

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant risks to the Council.
- C.2 Sound systems of internal control are essential to the proper economic, efficient and effective use of resources, the achievement of objectives and safeguarding public funds.
- C.3 There is a basic expectation that members and officers will act with integrity and with due regard to matters of probity and propriety, and comply with all relevant rules, regulations, procedures and codes of conduct.
- C.4 Risk management is an integral part of effective management. This should include the proactive participation of all those associated with planning and delivering services.

## GOOD GOVERNANCE

- C.5 Good governance can mean different things to people – in the public sector it means:

*"Achieving the intended outcomes while acting in the public interest at all times"*

- C.6 Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.
- C.7 The Council's governance framework aims to ensure that in conducting its business it:
- operates in a lawful, open, inclusive and honest manner.
  - makes sure public money is safeguarded, properly accounted for and spent wisely.
  - has effective arrangements in place to manage risk.
  - meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.
- C.8 Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.
- C.9 The Council is required to undertake an annual review of its governance and assurance arrangements – identifying any significant governance issues. The **Section 151 Officer** will compile an Annual Governance Statement (in consultation with the Corporate Leadership Team) in accordance with good practice.

## RISK MANAGEMENT

- C.10 The **Corporate Leadership Team** and the **Executive** are accountable for the risk and related control environment. They are also responsible for approving the [Councils Risk Management Strategy](#) and corporate risk policies and setting the level of risk the Council is prepared to accept (the risk appetite).
- C.11 The **Audit Committee** is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the **Corporate Leadership Team** and the **Executive** where appropriate.
- C.12 The **Section 151 Officer** is responsible for preparing the risk management policy statement (strategy), for promoting it throughout the Council and for advising the **Executive** on the proper management of risk, for example, the appropriate placement of insurance cover, through external insurance or internal funding and the negotiation of **all** claims.
- C.13 The Senior Information Risk Owner is responsible for strategic information risks and leads and fosters a culture that values, protects and uses information in a manner that benefits the council and the services it delivers. The role ensures an appropriate governance framework is in place to support the council in meeting its statutory, regulatory, and third-party information obligations, and ensures risk from internal and external threats is appropriately mitigated.
- C.14 **Chief Officers** must have regard to the advice of the **Section 151 Officer** and adhere to the Council's Risk Management Strategy. Specifically, **Chief Officers** must:
- Take full ownership of all risks within their areas of responsibility, including those related to partnerships in which their service participates.
  - Ensure compliance with the Council's risk management framework – working within the Council's risk appetite.
  - Promote a culture of risk management awareness – ensuring risk management is the planned and systematic approach to the identification, evaluation and control of risk.
  - Notify the **Section 151 Officer** promptly of all new or increased risks, activities, properties or vehicles which require insurance and of any alterations that may affect existing insurances.

## INTERNAL CONTROL

- C.15 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.16 It is the responsibility of the **Section 151 Officer** to assist the **Council** to put in place an appropriate control environment and effective internal controls that adhere with proper practices – providing reasonable assurance of compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.17 The system of internal control plays a key part of the Council's governance framework.
- C.18 It is the responsibility of **Chief Officers** to establish sound arrangements for planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

## AUDIT REQUIREMENTS

### Internal Audit

- C.19 The Accounts and Audit Regulations 2015 require the Council to maintain an effective internal audit service to evaluate the effectiveness of its risk management, control and governance processes.
- C.20 The internal audit service should operate in conformance with the Public Sector Internal Audit Standards and CIPFA's local government application note relating to these standards.
- C.21 There is a requirement for an external quality assessment to be carried out at least once every 5 years to assess conformance with the Public Sector Internal Audit Standards. The **Audit Committee** should oversee and review the outcome of the external assessment.
- C.22 **Internal Auditors** have the authority to:
- Access any Council premises, assets, records, documents and correspondence.
  - Receive any information and explanations related to any matter under consideration.
  - Require any employee of the Council or school maintained by the Council to account for cash, income, payments or any other asset under their control.

- Access records belonging to third parties (eg Contractors) when required.
- Directly access the **Head of Paid Service**, the **Executive**, the **Audit Committee** and other Chief Officers & Scrutiny Committees as required.

C.23 The nature, role, responsibilities and authority of Internal Audit for the Authority are set out in the [Internal Audit Charter](#)

## External Audit

C.24 Through delegation by the **Council**, the **Audit Committee** is responsible for appointing the Council's external auditors. The Council has opted into the national scheme for External Auditor appointments under the Local Audit and Accountability Act 2014 and Regulation 3 of the Local Audit (appointing persons) Regulations 2015.

C.25 The **Audit Committee** considers all matters related to the Council's external auditor, including the annual audit letter and specific reports to those charge with governance.

The External Auditor has the authority:

- To have free and unfettered access to any records, documents and correspondence required to conduct their statutory audit.
- Receive any information and explanations related to any matter under consideration.

C.26 The **Council** may, from time to time, be subject to audit, inspection or investigation by external regulators, inspectors or agents such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

## PREVENTING FRAUD AND CORRUPTION

C.27 The **Section 151 Officer** is responsible for the development and maintenance of a [Counter Fraud Policy](#) and [Whistleblowing Policy](#) which should be endorsed and approved by the **Audit Committee**.

C.28 The **Head of Paid Service (Chief Executive)** is ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption. The Council promotes a culture that will not tolerate fraud or corruption.

C.29 **Chief Officers** should ensure that this policy is adhered to and that they assess the risk of fraud, corruption and theft in their service areas - reducing these risks by implementing strong internal controls.

Specifically they must report all suspected fraud or financial irregularity in their service areas to the **Head of Internal Audit**. The **Head of Internal Audit** will report significant matters to the Section 151 Officer, **Head of Paid Service (Chief Executive)**, the **Executive** and the **Audit Committee**.

- C.29 Public bodies, such as this Council, are required to have a Whistleblowing policy and to ensure that employees are not victimised or dismissed for raising their concerns internally.

The **Section 151 Officer** is responsible for overseeing the effectiveness of the Council's governance arrangements – this includes the Council's whistleblowing arrangements. The Counter Fraud function is responsible for maintaining the whistleblowing reporting arrangements.

- C.30 The **Audit Committee** will scrutinise the effectiveness of the Council's Counter Fraud and Whistleblowing arrangements.

- C.31 The associated guidance on Risk Management and Internal Control can be found in [Financial Procedure 2 – Risk Management and Internal Control](#).

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## FINANCIAL REGULATION D: ACCOUNTING RECORDS AND FINANCIAL SYSTEMS

### INTRODUCTION

- D.1 Sound systems and procedures are essential to ensure an effective framework of accountability and control.

### GENERAL

- D.2 The **Section 151 Officer** is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to the existing financial systems or the establishment of new systems must be approved in advance by the **Section 151 Officer**. However, **Chief Officers** are responsible for the proper operation of financial processes in their own directorates.
- D.3 Any changes to agreed procedures by **Chief Officers** to meet their own specific service needs should be agreed in advance with the **Section 151 Officer**.
- D.4 **Chief Officers** should ensure that their staff receives relevant financial training that has been approved by the **Section 151 Officer**.
- D.5 **Chief Officers** must ensure that accounting records and financial systems are operated in line with the council's information assurance framework to ensure security of information/information systems is maintained. Chief Officers must ensure records are managed appropriately and obligations set out in applicable information legislation met.

### PAYMENTS TO EMPLOYEES AND MEMBERS

- D.6 The **Section 151 Officer** is responsible for payment of remuneration to all staff and for payment of allowances to Councillors.

### TAXATION

- D.7 The **Section 151 Officer** is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- D.8 The **Section 151 Officer** is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits, submitting tax returns by their due date as appropriate and maintaining dispensations from the tax office.
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## FINANCIAL REGULATION E: CONTROL OF RESOURCES AND OTHER ASSETS

### INTRODUCTION

- E.1 The **Council** recognises that effective control of its resources and other assets is required. These have been identified as people, information and data, ICT hardware and software, consumables, cash, and intellectual property.

### ASSETS

- E.2 **Chief Officers** should ensure that assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- E.3 Responsibilities for disposal of unwanted and obsolete items rests with the **Section 151 Officer, Chief Officers** and the appropriate **Executive Councillor** as described below:
- Items, at the point of disposal, less than £20,000 in value can be disposed of by the appropriate Chief Officer.
  - Items, at the point of disposal, between £20,000 and £100,000 in value can be disposed of by the appropriate Chief Officer in consultation with the S151 Officer.
  - Items, at the point of disposal, greater than £100,000 in value can be disposed of by the appropriate Chief Officer in consultation with the S151 Officer and appropriate Executive Councillor.
- E.4 The **Executive Director of Commercial** is responsible for the estate management, including all property acquisition and disposal, of the County Council and the overall objectives for this are contained in the Property Management Strategy held in the **Executive Director of Commercial's** Office. Where such acquisition and disposal forms part of a wider project or initiative then that wider project or initiative will still require approval in accordance with the Constitution.
- E.5 For all acquisitions including lease or rent renewals the approval requirements at B9 of these regulations apply. (For rent or leases, costs should be calculated as the basic rent or lease multiplied by the term).
- E.6 The County Council may not lease property at less than full market rent without Secretary of State consent unless certain criteria are met. Approval for the grant of a lease at an undervalue must be obtained either through an appropriate decision based on a report to the **Executive Councillor** or by the exercise of authority delegated for the purpose. Early advice must be sought from or via Corporate Property as to the full market rental value for inclusion in

that report or delegated decision process, to demonstrate the scale of the benefit in kind embodied in a lower rent. Even where there is general consent from the Secretary of State issues may arise concerning state aid; therefore legal advice should be sought.

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## TREASURY AND INVESTMENT MANAGEMENT

- E.7 Lincolnshire County Council adheres to the requirements of the CIPFA Code of Practice in Treasury Management in Public Services 2017 and associated updates and in doing so has adopted the following clauses within these financial regulations.
- E.8 The **Council** will create and maintain, as the cornerstones for effective treasury management:
- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
  - Suitable treasury management practices (TMPs) setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- E.9 The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the **Council** materially deviating from the Code's key principles.
- E.10 The **Executive Councillor for Resources** will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual treasury management strategy and annual investment strategy in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- E.11 The **Council** delegates responsibility for the approval and regular monitoring of its treasury management policies and practices to the **Executive Councillor for Resources** , and for the execution and administration of treasury management decisions to the **Section 151 Officer**, who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- E.12 The Council nominates the **Overview and Scrutiny Management Board** to be responsible for ensuring effective scrutiny of the treasury management strategy and policies, including the consideration of all reports as detailed in C.19 above and in addition, quarterly treasury monitoring reports.

## STAFFING

- E.13 The full **Council** is responsible for determining how Officer support for Executive and non-Executive roles within the Council will be structured and funded.
- E.14 The **Head of Paid Service** is responsible for providing overall management to staff. They are also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration of a job.

E.15 **Chief Officers** are responsible for controlling total staff numbers by:

- Providing the **Executive** with a forecast of the budget necessary in any given year to cover estimated staffing levels.
- Adjusting the staffing to a level that can be funded within approved budget provision.
- Varying the provision of service as necessary within that constraint in order to meet changing operational needs.
- The proper use of appointment procedures.

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## FINANCIAL REGULATION F: INCOME AND EXPENDITURE

- F.1 It is the responsibility of **Chief Officers** to ensure that a proper scheme of authorisation has been established within their area and is operating effectively. The scheme of authorisation should identify staff authorised to act on the **Chief Officer's** behalf, or on behalf of the **Executive**, in respect of payments, income collection and placing orders, together within the limits of their authority.
- F.2 As part of its anti-money laundering procedures the Council will not accept any cash payments in excess of £1,000.
- F.3 The **Executive** is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.
- F.4 Responsibility for the write off of bad debts rests with **Section 151 Officer, Executive Councillor or Executive** as described below:
- Write off of debt less than £100,000 can be approved by the S151 Officer.
  - Write off of debt between £100,000 - £500,000 must be approved by formal decision by the appropriate Executive Councillor in consultation with the S151 Officer.
  - Write off of debt greater than £500,000 must be approved by formal decision by the Executive in consultation with the S151 Officer.

## FINANCIAL REGULATION G. EXTERNAL ARRANGEMENTS

### INTRODUCTION

- G.1 The **Council** provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It may also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.
- G.2 The **Executive** is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- G.3 The **Monitoring Officer** is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- G.4 The **Section 151 Officer** must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and that appropriate arrangements are in place for fulfilling any responsibilities of the Council in respect of any pooled fund arrangements or as lead authority or accountable body in respect of any external funding. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- G.5 **Chief Officers** are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### EXTERNAL FUNDING

- G.6 The **Section 151 Officer** is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts. Paragraphs B17-20 also apply.

### WORK FOR THIRD PARTIES

- G.7 The **Executive** is responsible for approving the contractual arrangements for any significant work for third parties or external bodies. For this purpose, significant is deemed to be contracted annual income from a body that is greater than £100,000. Approval will be made after appropriate professional (including but not restricted to legal advice) has been obtained.
- G.8 The Councils Contract Regulations provide the primary source of guidance on the Councils involvement relating to all trading activity and must be read in conjunction with paragraphs G10-G14 below.

### TRADING ACCOUNTS /BUSINESS UNITS /SHARED SERVICES

- G.9 It is the responsibility of the **Section 151 Officer** to advise on the financial aspects relating to the establishment and operation of trading accounts,

business units, and shared services.

- G.10 The **Section 151 Officer** will be responsible for the set up and maintenance of the financial affairs of the trading account, business unit or shared service and ensure all the necessary accountancy information is available and reported.
- G.11 The Council has power to charge for discretionary services. A discretionary service is one that the authority is authorised, but not required, to provide. The income generated from such charges should not exceed the cost of service provision. The rates set for such services, and the manner in which the income is collected, will be in line with the Financial Procedure for Income and Expenditure (FP5). Where consideration is being given to the introduction of charges for discretionary services the relevant **Chief Officer** must consult the, **Section 151 Officer** and the **Chief Legal Officer** on all aspects of the proposal (i.e. financial, legal and personnel related) prior to seeking approval from the **Executive**.

### **POWERS TO TRADE**

- G.12 The authority has power to perform, for commercial purposes; anything it is normally authorised to do for the purpose of carrying out its normal functions but only if it does so through a company. The authority cannot perform, for commercial reasons, its ordinary functions that it is already required to carry out. Where consideration is being given to performing functions for a commercial purpose the relevant **Chief Officer** must consult the **Section 151 Officer** and the **Chief Legal Officer** on all aspects of the proposal (i.e. financial, legal and personnel related) prior to seeking approval from the **Executive**.

### **LOCAL AUTHORITY COMPANIES**

- G.13 Where consideration is being given to the establishment of a local authority company or involvement in other companies, even where they are not regulated under the Local Government and Housing Act 1989 the relevant Chief Officer must consult the **Section 151 Officer** and the **Chief Legal Officer** on all aspects of the proposal (i.e. financial, legal and personnel related) prior to seeking approval from the **Executive**.

## **FINANCIAL REGULATION H: REVISIONS AND AMENDMENTS INFLATION**

- H.1 Where in these regulations specific financial limits apply, the **Section 151 Officer** shall review those limits at least triennially in the light of inflation and shall be authorised to vary them in the light of changes in their real value without further approval.

## **CONSTRUCTION AND INTERPRETATION**

- H.2 The Financial Regulations, including the more detailed Financial Procedures shall be read and construed in conjunction with and in addition to the Contract Regulations of the Council and its Scheme of Delegation to Chief Officers.

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## APPENDIX A – FINANCIAL PROCEDURES OVERVIEW & INDEX

### FINANCIAL PROCEDURES – AN OVERVIEW

Financial Procedures provide the detailed mechanism to underpin the principles enshrined in the Regulations.

The procedures are an integral part of the control framework and carry the same force as the regulations from which they emanate.

The **Section 151 Officer** has responsibility for maintenance and review of these regulations.

Each regulation sets out:

- the area covered;
- the purpose of the procedure (why it is important);
- the key controls;
- responsibility of Statutory Officers;
- responsibility of Chief Officers;
- responsibility of Members;
- related documents;
- contacts for assistance and advice
- procedural requirements;

## FINANCIAL PROCEDURES

1. **Financial Management, Financial Planning and Financial Systems**  
(Including policies and standards, system and records, virement, year-end procedures and accounts, budget management, monitoring and control, reserves and balances, )
2. **Risk Management and Internal Control**  
(Including Risk profiling and responsibility, counter fraud, insurance, information and information systems, provision of adequate audit, relationships with external audit and other inspection regimes)
3. **Accounting Records**  
(Including accounting records, accounting policies, year-end procedures, capital accounting, VAT, CITDS, Income Tax and National Insurance)
4. **Control of Resources and Assets**  
(Including information security, inventories, stores, disposals, intellectual property, management of data and information, retention and disposal of records staffing, treasury management, loans to third parties, bank accounts, imprest accounts, cash management, trust funds.)
5. **Income and Expenditure**  
(Including goods and services ordering, payment; leasing, staff and Member payments, income monitoring, receipting, banking)
6. **External Arrangements**  
(Including partnership arrangements, external funding, provision of services to other bodies, other funds, commercialisation)

*These documents are available on the LCC website.*

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