

Financial Regulations

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Financial Regulations

1. Introduction

1.1 To conduct its business efficiently, Hereford & Worcester Fire & Rescue Authority ('the Authority') needs to ensure that it has sound financial management policies in place and that these are strictly observed. Part of this process is the establishment of financial regulations that set out the Authority's financial policies.

1.2 Financial regulations provide the framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf.

1.3 The regulations identify the financial responsibilities of the Authority, the Treasurer, the Chief Fire Officer and budget holders.

1.4 The financial regulations provide clarity about the financial accountabilities of the Authority, the Treasurer, the Chief Fire Officer and all budget holders.

1.5 Beyond the scope of this document, financial regulations link with other internal regulatory documents. For example, contract standing orders, schemes of delegation, Service Policy Instructions (SPIs) and employee codes of conduct.

1.6 The Treasurer and Chief Fire Officer shall maintain a written record where decision making has been delegated to members of their staff.

1.7 All staff 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, provides value for money and achieves best value.

1.8 The Treasurer, in conjunction with the Clerk, is jointly responsible for maintaining a continuous review of the financial regulations and submitting any necessary additions or changes to the Authority for approval. The Treasurer is responsible for reporting, where appropriate, breaches of the financial regulations to the Authority.

1.9 The Chief Fire Officer in consultation with the Treasurer shall issue SPIs detailing how the regulations will be implemented.

1.10 The Chief Fire Officer in consultation with the Treasurer is responsible for ensuring that all staff are aware of the existence and content of and have access to the Authority's financial regulations and other internal regulatory documents and that these are observed.

1.11 The Treasurer is responsible for issuing advice and guidance to underpin the financial regulations.

1.12 Where expenditure is being incurred in respect of the Regional Management Board, (RMB), expenditure must also comply with RMB Financial Regulations (available from Director of Finance on request).

2. Financial Management

2.1 Financial management covers all financial accountabilities in relation to the running of the Authority.

2.2 The Authority is responsible for adopting the overall framework of accountability and control and for monitoring compliance with the agreed policy.

2.3 The Authority is responsible for approving procedures for recording and reporting financial decisions taken, including key decisions taken by or delegated by the Authority and its committees.

The Statutory Officers – Treasurer

2.4 The Treasurer is responsible for promoting and maintaining high standards of financial conduct.

2.5 The Treasurer is responsible for:

- the proper administration of the Authority's financial affairs;
- setting and monitoring compliance with financial management standards;
- advising on the F&RS financial position and on the key financial controls necessary to secure sound financial management;
- providing financial information;
- preparing the revenue budget and capital programme;
- secure treasury management, including loans and investments;
- advising, in consultation with the Clerk, on the safeguarding of assets, including risk management and insurance; and
- compliance with the Prudential Capital Code.

The Treasurer is responsible for advising the Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be “contrary to the budget” include:

- initiating a new policy;
- committing expenditure in future years to above the budget level;
- incurring budgetary transfers above virement limits; and
- causing the total expenditure financed from precept, grants and corporately held reserves to increase or to increase above a level determined by the Authority for that financial year.

2.7 Section 114 of the Local Government Finance Act 1988 requires the Treasurer to report to the Authority and external auditor if the Authority 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 Authority
- is about to make an unlawful entry in the Authority's accounts.

2.8 Section 114 of the 1988 Act also requires:

- the Treasurer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.

2.9 Section 25 of the Local Government Act 2003 requires that:

- the Treasurer reports to the Authority on the robustness of the estimates made and the adequacy of proposed financial reserves.

2.10 The Treasurer has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972.
- The Local Government Finance Act 1988.
- The Accounts and Audit Regulations 2003.
- The Local Government Act 2003.

2.11 Section 113 of the Local Government Finance Act 1988 requires that the Treasurer and by virtue of Section 116 the nominated deputy, shall be a member of one or more of the bodies listed:

- The Chartered Institute of Public Finance and Accountancy.
- The Institute of Chartered Accountants in England & Wales.
- The Institute of Chartered Accountants in Scotland.
- The Association of Chartered Certified Accountants.
- The Institute of Chartered Accountants in Ireland.
- The Chartered Institute of Management Accountants.
- Any other body of accountants established in the U. K. and for the time being approved by the Secretary of State for the purposes of this section.

The Clerk

2.12 The Clerk is responsible for:

- reporting any actual or potential breaches of the law or maladministration to the Authority;
- ensuring that procedures for recording and reporting key decisions are operating effectively;
- advising all Authority Members and Officers about who has the authority to take a particular decision;
- advising the Authority whether a decision is likely to be considered contrary to or not wholly in accordance with the policy framework;
- the general administration of the Authority;
- ensuring the legality of the actions of the Authority and its Officers; and
- Signing contracts on behalf of the Authority.

Other Officers – Chief Fire Officer

2.13 The Chief Fire Officer in consultation with the Treasurer, is responsible for proposing the budget to the Authority and for discharging executive functions in accordance with the policy framework and budget, this comprises:

- corporate and overall strategic management;
- reporting to and providing information for the Authority;
- establishing a framework for management direction, style, standards and delegation for monitoring the performance of the organisation;
- ensuring that Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Treasurer;
- signing contracts or making other financial commitments, within the limits of the delegated budget, on behalf of the Authority; and
- consulting with the Treasurer and seeking approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

Other Financial Accountabilities

Virement

2.14 The Authority is responsible for agreeing procedures for virement of expenditure between budget headings. The current approved limits are shown in Appendix 1.

Accounting Policies

2.15 The Treasurer is responsible for selecting and consistently applying accounting policies.

Accounting Records and Returns

2.16 The Treasurer is responsible for determining the accounting procedures and records for the Authority.

The Annual Statement of Accounts

2.17 The Treasurer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC). The Authority has delegated responsibility for approving the annual statement of accounts, to the Audit & Budget Committee.

3. Financial Planning

Policy Framework

3.1 The Authority is responsible for approving the financial policy framework and budget. The framework includes the following statutory plans and strategies:

- three year strategic plan;
- revenue budget;
- three year revenue forecast;
- capital programme; and
- Best Value Performance Plan.

Preparation of the Best Value Performance Plan

3.2 The Chief Fire Officer in consultation with the Treasurer is responsible for preparing the Best Value Performance Plan for submission to the Authority for approval.

Budgeting – Budget Format

3.3 The general format of the budget will be approved by the Treasurer subject to any directions by the Authority. The draft budget should include allocation to different services and projects, proposed precept levels and contingency funds.

Revenue Budget Preparation

3.4 The Treasurer, in conjunction with the Chief Fire Officer, is responsible for:

- ensuring that a revenue budget is prepared on an annual basis for consideration by the Authority; and
- ensuring that budget estimates reflect agreed service plans and that these estimates are prepared in line with any guidance issued by the Authority.

Preparation of the Three Year Revenue Forecast

3.5 The Treasurer in conjunction with the Chief Fire Officer, is responsible for preparing the three year revenue forecast for submission to the Authority. This must contain:

- plans for the development of services and the priorities for the allocation of resources between services;
- the financial effects of all known commitments together with any other proposals for changes to levels of existing services or the introduction of new services; and
- The implications of efficiency measures and efficiency gains identified.

Budget Monitoring and Control

3.6 The Treasurer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. Performance against budget should be reported to the Authority on a basis as determined by the Authority.

3.7 The Chief Fire Officer in consultation with the Treasurer, is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Authority.

3.8 The Chief Fire Officer in consultation with the Treasurer, may delegate budgets at any of her/his Officers as appropriate. Such designated budget holders:

- will be recorded in writing;
- may only incur expenditure on approved policy;
- will contain such expenditure within approved budgets; and
- may vire resources within budgets as outlined in Appendix 1.

3.9 Subject to any statutory provision, the Chief Fire Officer may make ex-gratia payments:

- up to £1000 on her/his own authority;
- between £1000 and £2000 in consultation with the Treasurer; and
- exceeding £2000 after approval by the Chair and Vice Chair of the Authority.

3.10 The Chief Fire Officer in consultation with the Treasurer, should also take any action necessary to avoid exceeding the budget allocation.

Variations to Approved Budgets

3.11 The Authority is responsible for approving procedures for agreeing increases or reductions to overall approved budgets and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework (Section 2.6).

Preparation of the Capital Programme

3.12 The Treasurer and Chief Fire Officer will prepare a capital programme on an annual basis, together with a three-year capital programme, for consideration by the Authority (Appendix B).

Maintenance of Reserves

3.13 The Treasurer will calculate an appropriate level of reserves on a risk-assessment basis.

3.14 Under Section 25 of the Local Government Act 2003, it is the responsibility of the Treasurer to report to the Authority on its planned level of reserves.

3.15 The Authority will be responsible for deciding on the actual level of balances, taking into account the advice under Sections 3.13 and 3.14.

4. Risk Management and Control of Resources

Introduction

4.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

4.2 The Authority is responsible for approving arrangements for insurance and risk management and for reviewing the effectiveness of risk management.

4.3 The Treasurer will advise the Authority on appropriate arrangements for insurance.

Internal Control

4.4 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.

4.5 The Treasurer is responsible for advising on and implementing effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes regulations and other relevant statements of best practice. The systems 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.

4.6 It is the responsibility of the Treasurer to establish sound arrangements for planning, appraising, authorising and controlling financial operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving financial performance targets.

Audit Requirements

4.7 The Accounts and Audit Regulations 2003 require the Authority to maintain a continuous, adequate and effective internal audit of their accounts to ensure that financial systems and internal controls are effective and that budgets are managed to satisfy the tenets of economy, efficiency and effectiveness.

4.8 The Audit Commission is responsible for appointing external auditors to each Authority. External auditors shall work closely with the Treasurer and Chief Fire Officer and have full access to internal audit reports. The Authority should use the reports from external auditors to assist it in monitoring performance, including the operation of these Regulations.

4.9 An audit committee (the Audit and Budget Committee) shall be established under the chairmanship of an Authority member other than the Chairman of the Authority. As approved by the Authority the Terms of Reference of the Committee include:

- Agreeing the internal audit plan.
- Agreeing the external audit plan.
- Monitoring and reporting on the performance of internal audit.

Internal Audit

4.10 The Authority is responsible for maintaining or procuring an adequate and effective internal audit of the activities of the Authority. This duty has been delegated to the Treasurer.

4.11 Internal Audit will have authority to:

- enter at all times on any premises or land used by the Authority;
- have access to all correspondence, documents, books or other records of any employee of the Authority and appertaining in any way to the activities of the Authority;
- be entitled to require any explanation, from Members or Employees of the Authority, considered necessary to establish the correctness of any matter under examination;
- have the authority to require any employee of the Authority to produce cash, stores or other Authority property under her/his control, and
- to report independently of the Treasurer, to the Audit and Budget Committee and/or the Fire and Rescue Authority if deemed appropriate.

4.12 In procuring internal audit, the Authority shall have regard to any relevant professional guidelines and any audit standards issued by the Auditing Practices Board of the Consultative Committee of Accounting Bodies.

4.13 The Treasurer and Internal Audit shall be notified immediately by the Chief Fire Officer 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 and should be notified in writing of the results of any police investigation.

4.14 The Treasurer, in consultation with the Chief Fire Officer, will determine the action to be taken, on receipt of a report from Internal Audit.

4.15 Each budget holder shall take steps to minimise the risk of financial irregularities occurring.

Preventing Fraud and Corruption

4.16 The Chief Fire Officer in consultation with the Treasurer, is responsible for the development and maintenance of an anti-fraud and anti-corruption policy. All staff are required to observe the policy and to bring to the attention of senior management any beaches which they observe (refer to Service Policy/Instruction No.1 – Management and Administration/Section D – Personnel/Part 1 – Employment and Employees Information/Part 1.9 – Anti-Fraud and Corruption Policy) [Anti-Fraud and Corruption Policy](#) .

Assets

4.17 The Chief Fire Officer in consultation with the Treasurer, should ensure that assets (including records) are properly maintained and securely held and should ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Treasury Management

4.18 The Authority has adopted CIPFA's *Code of Practice for Treasury Management in Public Services*.

4.19 The Treasurer will make arrangements to invest surplus cash balances.

4.20 All money in the hands of the Authority is controlled by the Treasurer.

4.21 No bank account shall be opened or closed without the authority of Treasurer.

4.22 The Treasurer is responsible for reporting to the Authority annually at the end of each financial year on the activities of the treasury management operation.

4.23 The Treasurer may undertake borrowing in accordance with the Prudential Limits agreed by the Authority.

5. Systems and Procedures

Introduction

5.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

5.2 The Treasurer is responsible for the operation of the Authority's accounting systems, the supporting financial records and the preparation of the accounts. Any changes made to the existing financial systems or the establishment of new systems must be agreed by the Treasurer.

5.3 The Chief Fire Officer in consultation with the Treasurer, must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation.

Income and Expenditure

5.4 It is the responsibility of the Chief Fire Officer in consultation with the Treasurer, to ensure that a proper scheme of delegation has been established and is operating effectively. The scheme of delegation should identify staff authorised to act on behalf of the Chief Fire Officer, in respect of payments, income collection and placing orders, in line with limits delegated by the Chief Fire Officer and in accordance with Contract Standing Orders.

5.5 The Treasurer is responsible for approving procedures for writing off debts, with appropriate reports to the Authority, as part of the overall control framework of accountability and control.

5.6 No Employee may enter into any finance lease, operating lease or hire purchase arrangement, without the prior written approval of the Treasurer.

Payments to Employees

5.7 The Treasurer is responsible for payments of salaries and wages to all staff.

Taxation

5.8 The Treasurer is responsible for advising the Authority, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.

5.9 The Treasurer is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

6. External Arrangements

Introduction

6.1 The Fire and Rescue Service has a significant profile within Hereford and Worcester to promote safer communities. This role may be enhanced by a variety of external arrangements.

Partnerships

6.2 The Chief Fire Officer in consultation with the Treasurer, may form partnerships with other local public, private, voluntary and community sector organisations to address local needs.

6.3 The Treasurer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships.

6.4 The Treasurer must ensure that the accounting arrangements to be adopted relating to partnerships are satisfactory. They must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must ensure that all identifiable risks have been fully appraised before agreements are entered into with external bodies.

Gifts, Loans and Sponsorship

6.5 The Treasurer is responsible for ensuring that all gifts of money, gifts or loans of other property, including sponsorship, which are received, are properly recorded in the Authority's accounts (Appendix C).

Work for Third Parties

6.6 The Chief Fire Officer in consultation with the Treasurer, is responsible for approving the contractual arrangements for any work for third parties or external bodies, including the identification of all risks related to that work

6.7 The Regional Management Board (RMB) arrangements adopted by the Authority under the Fire Services Act 2004, may result in the Authority incurring expenditure as Lead Authority.

6.8 In such circumstances, the Chief Fire Officer in consultation with the Treasurer, must ensure that expenditure additionally complies with the Financial Regulations approved by the RMB and adopted by the Authority for this purpose (Financial Regulations available from Director of Finance on request).

6.9 The Clerk and Treasurer will jointly provide advice in any areas where the two documents are contradictory.

7. References

1. Local Government and Housing Act 1989
2. Local Government Finance Act 1988
3. Accounts and Audit Regulations 2003
4. Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/ILASAAC) (2000)
5. Code of practice for Treasury Management in Public Services CIPFA (2002)
6. Financial Regulations. A Good Practice Guide for an English Modern Council CIPFA (2001)
7. Local Government Act 2003

Appendix A

Revenue Virement

1. Virement of up to £100,000 (in total in any year) between budget heads can be made by agreement between the Treasurer and Chief Fire Officer.
- 2.. Virement between budget heads of £100,000 - £150,000 can be made by the Treasurer and Chief Fire Officer after consultation with the Chair, Vice-Chair and other Group Leaders.
3. Virement exceeding £150,000 will require approval of the Authority.
4. Virement for recurring expenditure will require approval of the Authority.
5. Virement reflecting internal reorganisation of responsibility, without a change of strategy, is permitted with approval of the Treasurer and Chief Fire Officer, with no limit.
6. All virements between budget heads shall be reported to the Authority as part of the agreed budget monitoring cycle.

Appendix B

Capital Expenditure

1. Capital expenditure must only be incurred where there is an approved capital budget.
2. Capital expenditure will be monitored by the Treasurer but the budget-holder for each scheme will be responsible for ensuring that expenditure does not exceed the approved budget.
3. To ensure that schemes are fully resourced, capital budgets will be for the total scheme cost even if it is spread over a number of years.
4. The Treasurer shall produce a Capital Monitoring report on a periodic basis (to be determined by the Authority) to the Audit and Budget Committee. To include:
 - on a scheme basis, approved budget, actual spend and forecast out-turn.
 - details of capital resources available and proposed funding of approved expenditure.
6. The Treasurer, in consultation with the Chief Fire Officer, may vire up to £100,000 between capital schemes.
7. Virement exceeding £100,000 must be approved by the Chair, Vice-Chair and Group Leaders.
8. All virements will be reported to the Authority as part of the agreed budget monitoring process.
9. No budget may be vired from Capital to Revenue.

Appendix C

Gifts, Loans and Sponsorship

1. Gifts, loans and sponsorship are defined as the voluntary provision to the Fire and Rescue Authority of non-public funds, services, equipment or other resources.
2. Gifts of money, gifts or loans of other property and commercial sponsorship of some F&RS activities, particularly multi-agency work such as fire prevention, community relations and victim support schemes, may be accepted if they enhance or extend service provision, subject to the approval of the Director of Corporate Services.
3. The Chief Fire Officer may accept gifts, loans and sponsorship from any source which has genuine and well-intentioned reasons for wishing to support specific projects. In return, the provider may expect some publicity or other acknowledgement, such as displaying an organisation's name or logo. This is acceptable provided that it does not dominate or detract from the purpose of the supported project.
4. Gifts, loans and sponsorship should not be accepted where there is a risk of offending the integrity or propriety of the Fire and Rescue Service:
 - where, in a competing market it could be perceived to distort or give an unfair advantage to any one company;
 - to influence the direction of a particular policy or operation; or
 - where activities are supported which cannot readily be discontinued, since they can be withdrawn at any time on the initiative of the donor.
5. Priority shall be given to meeting the needs of the F&RS rather than those of the sponsor. Care should be taken to avoid the following:
 - potentially sensitive associations with inappropriate sponsors;
 - potentially sensitive associations with companies already in a contractual arrangement to provide goods or services to the F&RS, which could be construed by competitors as preferential treatment;
 - projects which could distract effort from tackling agreed priorities;
 - projects of dubious or limited benefit;
 - offers of gifts, loans or sponsorship with conditions attached;
 - offers of equipment which is incompatible; and
 - inadequate contractual arrangements.