

Committee: Standards Committee

Date: 23 October 2014

Agenda item:

Wards: All

Subject: Review of Part 4F of the Constitution - Financial Regulations

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Recommendations:

That the Standards Committee agrees the revised Financial Regulations for the Authority. This document will replace Part 4F of the Council's Constitution.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report summarises the main changes to the Financial Regulations of the Authority. These regulations form Part 4F of the Council's Constitution.

2. DETAILS

2.1 Financial Regulations form The Contract Standing Orders form part 4G of the Constitution and should be revised periodically to ensure they reflect best practice.

2.2 The main changes made to the document are as follows:

- a) Updating reference documentation
- b) Updating the arrangements for the in-year use of Reserves
- c) Clarifying the wording for virement arrangements (and increasing limits for capital Virements)
- d) Removing Reference to the Audit Committee as functions are now undertaken by General Purposes Committee

2.3 Attached as Appendix A are the revised Financial Regulations changes are shown in **bold underlined**.

3. CONSULTATION UNDERTAKEN OR PROPOSED

3.1 No external consultation has taken place or is planned for this document.

4. **TIMETABLE**

- 4.1 These amendments will then be reported through to General Purposes on 6 November 2014 Council on 19 November 2014.

5. **FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 5.1 There are no specific financial, resource or property implications from this report

6. **LEGAL AND STATUTORY IMPLICATIONS**

- 6.1 Section 37 of the Local Government Act 2000 required authorities to adopt constitutions containing their standing orders, code of conduct for members, any other information they considered appropriate and 'such information as the Secretary of State may direct'. Financial Regulations form part of this constitution.

7. **HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 7.1 There are no specific human rights, equalities or community cohesion implications.

8. **RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 8.1 There are no specific risk management or health and safety implications in this report.

9. **APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

- 9.1 Appendix A: Financial Regulations

10. **BACKGROUND PAPERS – THE FOLLOWING DOCUMENTS HAVE BEEN RELIED ON IN DRAWING UP THIS REPORT BUT DO NOT FORM PART OF THE REPORT**

Relevant Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance etc., Best Practice, Regulation and Legislation

Constitution - Part 4F

Financial Regulations

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Introduction

Financial Regulations

- 1.1 To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the financial policies of the Authority. A modern Council should also be committed to worthwhile innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.
- 1.2 The financial regulations provide clarity about the financial accountabilities of individuals - the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer, currently Director of Corporate Services and other chief officers (departmental directors). Each of the financial regulations sets out the overarching financial responsibilities.
- 1.3 This document links financial regulations with other internal regulatory documents forming part of the Council's constitution. For example, contract standing orders, schemes of delegation, the role of Overview and Scrutiny committees and employee codes of conduct.

Financial Procedures

- 1.4 Following formal approval and adoption of the financial regulations, it is the responsibility of the Chief Finance Officer to implement those financial regulations by issuing and maintaining detailed financial procedures.
- 1.5 The financial procedures detail the responsibilities of the Chief Finance Officer and other chief officers (directors) and identify key controls. They carry the same importance as financial regulations and are an integral part of the Council's framework of internal control

Status of Financial Regulations

- 2.1 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.
 - They **do not apply** where the Council has agreed separate constitutional arrangements incorporating different Financial Regulations. This is currently relevant only to schools under "The Merton Scheme for Local Management of Schools"
 - They **do not apply** where work is being undertaken by the Council as agent for another public body under an agreement which requires compliance with different procedures incorporated into the agency agreement.

- 2.2 The regulations identify the financial responsibilities of the full Council, Cabinet and Overview and Scrutiny members, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer and other chief officers (directors). Chief officers (directors) should maintain a written record where decision making has been delegated to members of their staff, including seconded and [temporary 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. (There are separate regulations for schools based on the authority's financial regulations)

- 2.3 All members and 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.
- 2.4 The Chief Finance 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 Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the financial regulations to the Monitoring Officer, the Council and/or to the Cabinet members.

- 2.5 The authority's detailed financial procedures, setting out how the regulations will be implemented, are contained in a separate document known as Financial Procedures. The financial procedures do, none the less, form an integral part of the financial regulations (Schools operating under the local scheme of delegation will refer to a separate financial procedures document, "On the right track " **(Version 5 being the most up to date at the time of approval)**)
- 2.6 Chief Officers (directors) are responsible for ensuring that all staff in their departments are aware of the existence and content of the authority's financial regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their departments.
- 2.7 The Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial regulations that members, officers and others acting on behalf of the authority are required to follow.

A: FINANCIAL MANAGEMENT

Introduction

- A.1 Financial management covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget. Where there is any discrepancy or inconsistency between these Financial Regulations and the Constitution, the terms of the constitution will prevail.

The full Council

- A.2 The full Council is responsible for adopting the authority's constitution and members' code of conduct and for approving the policy framework and budget within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the authority's overall framework of accountability and control. The framework is set out in its constitution. The full Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.
- A.3 The constitution and procedure rules require the recording and reporting of decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in the constitution.

The Cabinet

- A.4 The Cabinet is responsible for proposing the policy framework and budget to the full Council, and for discharging Cabinet functions in accordance with the policy framework and budget.
- A.5 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet member, an officer or a joint committee.
- A.6 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet members consult with relevant officers before taking a decision within his or her delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

Committees of the Council

Overview and Scrutiny Commission and Panels

- A.7 The Overview and Scrutiny Commission is responsible for participating in pre-decision policy formulation and for scrutinising Cabinet decisions after they have been made and for holding the Cabinet to account. The Overview and Scrutiny Commission is also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the authority.

Standards Committee

- A.8 The Standards Committee is established by the full Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the members' code of conduct, and for monitoring the operation of the code.

General Purposes Committee

- A.9 The General Purposes Committee was established by the full council on 18th May 2005 to fulfill certain functions and responsibilities including; to oversee the Constitution (non-executive functions) and make recommendations to full council; to approve the Statement of Accounts, [Internal and External Audit Matters and Corporate Governance](#) and deal with other specific matters related to finance, [pension](#) and personnel; and to discharge the functions related to Health and Safety, Elections and as Corporate Trustee where appropriate .

This committee is required to consider and make recommendations as appropriate in relation to the activities set out in the agenda item at that meeting concerned with internal and external audit matters and corporate governance and liaison with the Authority's External Auditors

Other regulatory committees

- A.10 Planning, conservation and licensing are not Cabinet functions but are exercised through the multi-party Planning Applications Committee and the Licensing Committee under powers delegated by the full Council. The Planning Applications Committee and the Licensing Committee both report to the full Council.

The statutory officers

Head of Paid Service (Chief Executive)

- A.11 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. He or she must report to and provide information for the Cabinet, the full Council, the Overview and Scrutiny Commission and other committees. He or 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 (see below).

Monitoring Officer

- A.12 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer will receive and act on reports made by the Ombudsman and will conduct investigations into such matters and make reports or recommendations in respect of them to the Standards Committee.
- A.13 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that Council members are aware of decisions made by the Cabinet and of those made by officers who have delegated Cabinet responsibility.
- A.14 The Monitoring Officer is responsible for advising all Councillors and officers about who has authority to take a particular decision.
- A.15 The Monitoring Officer is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

- A.16 The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Cabinet or full Council about whether 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 interdepartmental transfers above virement limits
 - causing the total expenditure financed from Council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.
- A.17 The Monitoring Officer is responsible for maintaining an up-to-date constitution.

Chief Finance Officer

- A.18 The Chief Finance Officer 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 Local Government and Housing Act 1989
 - The Accounts and Audit Regulations 20011
- A.19 The Chief Finance Officer (See "A statement on the role of the Chief Finance Officer in Local Government" (CIPFA [2010](#)))
- [Is a key member of the CMT helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest](#)
 - [is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy](#)

- leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficient and effectively
- leads and directs a finance function that is resourced to be fit for purpose
- is professionally qualified and suitably experienced

A.20 **Section 114** of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council, Cabinet 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 .

Section 114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- the authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources- including legal advice where this is necessary -to carry out the duties under section 114.

Chief officers (Departmental Directors)

A.21 Chief officers (as set out in Article 12.2 of the constitution) are responsible for:

- ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- signing contracts on behalf of the authority.

A.22 It is the responsibility of chief officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

Other financial accountabilities Virement

- A.23 The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- A.24 Chief officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer and in accordance with the scheme of virement. They must notify the Chief Finance Officer of all virements. (This is essential even at the lowest level for accounting purposes and budget monitoring) The scheme of virement is attached at Annex 1 (Revenue) and Annex 2 (Capital).

Treatment of year-end balances

- A.25 The full Council is responsible for agreeing procedures for carrying forward under and overspendings on budget headings as part of the scheme of virement.

Accounting policies

- A.26 The Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting records and returns

- A.27 The Chief Finance Officer is responsible for determining the accounting procedures and records for the authority.

The annual statement of accounts

- A.28 The Chief Finance Officer is responsible for ensuring that the Annual Statement of Accounts and the Annual Governance Statement are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: The General Purposes Committee is responsible for approving the Annual Statement of Accounts and the Annual Governance Statement.
- A.29 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts and the Annual Governance Statement are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC). The General Purposes Committee is responsible for approving the Annual Statement of Accounts and the Annual Governance Statement.

B: FINANCIAL PLANNING

Introduction

B.1 The full Council is responsible for agreeing the authority's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:

- the business plan
- the budget
- the capital programme.

Policy framework

B.2 The full Council is responsible for approving the policy framework and budget. The policy framework is set out in article 4 of the Constitution and includes a number of plans and strategies approved or to be approved by the Council.

B.3 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

B.4 The full Council is responsible for setting the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet 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 Council.

Preparation of the business plan

B.5 The Head of Paid Service is responsible for proposing the business plan to the Cabinet for consideration before its submission to the full Council for approval.

Budgeting Budget format

B.6 The general format of the budget will be approved by the full Council and proposed by the Cabinet on the advice of the Chief Finance Officer. The draft budget should include allocation to different services and projects, proposed taxation levels and contingency funds.

Budget preparation

- B.7 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves when considering the budget requirement. The revenue budget is prepared on an annual basis and a general revenue plan on a **four**-yearly basis for consideration by the Cabinet, before submission to the full Council. The full Council may amend the budget or ask the Cabinet to reconsider it before approving it.
- B.8 The Cabinet is responsible for issuing guidance on the general content of the budget in consultation with the Chief Finance Officer as soon as possible following approval by the full Council.
- B.9 It is the responsibility of chief officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

Budget monitoring and control

- B.10 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis including the draw down from/transfer to reserves.
- B.11 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 Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

Resource allocation

- B.12 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's policy framework.

Preparation of the capital programme

- B.13 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Cabinet before submission to the full Council.
- B.14 The Chief Finance Officer is responsible for ensuring that in setting or revising the Capital Programme that prudential indicators are reported to the full Council, having regard to:
- affordability, e.g. implications for Council Tax
 - prudence and sustainability, e.g. implications for external borrowing
 - value for money, e.g. option appraisal
 - stewardship of assets, eg asset management planning
 - service objectives, e.g. strategic planning for the authority
 - practicality, e.g. achievability of the forward plan.
- B.15 The Chief Finance Officer is required to establish procedures to monitor performance against all forward looking prudential indicators. The Chief Finance Officer will need to establish a measurement and reporting process that highlights significant deviations from expectations.

Guidelines

- B.16 Guidelines on budget preparation are issued to members and chief officers (directors) by the Cabinet following agreement with the Chief Finance Officer. The guidelines will take account of:
- legal requirements
 - medium-term planning prospects
 - the business plan
 - available resources
 - spending pressures
 - best value and other relevant government guidelines
 - other internal policy documents
 - cross-cutting issues (where relevant). Maintenance of reserves
- B.17 It is the responsibility of the Chief Finance Officer to advise the Cabinet and/or the full Council on prudent levels of reserves for the authority.

C: RISK MANAGEMENT AND CONTROL OF RESOURCES

Introduction

- C.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

- C.2 The Cabinet is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.
- C.3 The Chief Finance Officer is responsible for preparing the authority's financial risk management policy statement, for promoting it throughout the authority and for advising the Cabinet on proper insurance cover where appropriate.

Internal control

- C.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.
- C.5 The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure 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.6 It is the responsibility of chief officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit requirements

Internal Audit

- C.7 The Accounts and Audit Regulations 2011 issued by the Secretary of State for the Environment require every local authority to undertake an adequate and effective internal audit. Internal audit of its accounting records is an independent appraisal function established by the management of an organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

External Audit

- C.8 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.9 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

Preventing fraud and corruption

- C.10 The Chief Finance Officer (in consultation with the Monitoring Officer) is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

Assets

- C.11 Chief Officers should ensure that records and 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.

Treasury Management

- C.12 The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.

- C.13 The full Council is responsible for approving the Treasury Management policy statement, [practices and annual strategy in advance of the year](#) setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Cabinet. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- C.14 All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer.
- C.15 The Chief Finance Officer is responsible for reporting to the Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

All Cabinet decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, (Part 3F Section B of the Constitution, Financial Matters) who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.

- C.16 The Chief Finance Officer is responsible for reporting to the Cabinet at least once in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.
- C.17 The Chief Finance Officer is responsible for the Council's overall banking arrangements. All arrangements for opening bank accounts and for the banking and withdrawal of money shall be made or approved by the Chief Finance Officer.

Staffing

- C.18 The Head of Paid Service is responsible for determining how officer support for Cabinet and non-Cabinet roles within the authority will be organised.

C.19 The Head of Paid Service will report to full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

C.20 Chief Officers (directors) are responsible for controlling total staff numbers by:

- advising the Cabinet on 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 as necessary within that constraint in order to meet changing operational needs
- the proper use of appointment procedures.

D: SYSTEMS AND PROCEDURES

Introduction

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

General

D.2 The Chief Finance Officer is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by chief officers (directors) to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, chief officers (directors) are responsible for the proper operation of financial processes in their own departments.

D.3 Any changes to agreed procedures by chief officers (directors) to meet their own specific service needs should be agreed with the Chief Finance Officer.

D.4 The Chief Finance Officer is responsible for developing and maintaining the Council's detailed financial procedures

D.5 Chief officers (directors) should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.

D.6 Chief officers (directors) must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers (directors) must ensure that staff are aware of their responsibilities under freedom of information legislation.

Income and expenditure

D.7 It is the responsibility of chief officers (directors) to ensure that a proper scheme of management has been established within their area and is operating effectively. The scheme of management should identify staff authorised to act on the chief officer's (director's) behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Chief Finance Officer is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

Payments to employees and members

- D.8 The Chief Finance Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to members.

Taxation

- D.9 The Chief Finance 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.10 The Chief Finance Officer is responsible for ensuring that the authority's tax records are maintained, that all tax payments are made, that tax credits are received and tax returns are submitted by their due date as appropriate.

Trading accounts/business units

- D.11 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts and business units.

E: EXTERNAL ARRANGEMENTS

Introduction

- E.1 The local authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental wellbeing of its area.

Partnerships/[Joint Ventures/Shared Services](#)

- E.2 The Chief Finance Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority.
- E.3 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory.
- E.4 The Monitoring Officer must consider the overall corporate governance arrangements and legal issues when arranging contracts/[shared service arrangements](#) with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.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

- E.6 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

[Bibliography – Key Documents](#)

[CIPFA Guidance on Asset Registers and Accounting/Practitioners' Guide to Capital Finance in Local Government/The Prudential Code for Capital Finance in Local Authorities CIPFA](#)

[CIPFA Service Reporting Code of Practice \(SeRCOP\)](#)

[Code of Practice on Local Authority Accounting \(CIPFA/LASAAC\)](#)

[Code of Practice for Internal Audit in Local Government CIPFA](#)

[Public Sector Internal Audit Standards](#)

[CIPFA Treasury Management Code of Practice](#)

1.1 1 -Scheme of Virement - Revenue

Financial limits	
Up to £5,000 paper budget head	Budget holder (for Chief Officer) who shall notify the Chief Finance Officer in writing (This is essential even at the lowest level for accounting purposes and budget monitoring)
£5,000 up to £100,000 pa per budget head	Appropriate Chief Officer who shall obtain the agreement of the Chief Finance Officer.
£100,000 and over	Cabinet

NOTES

1. A “service level budget” represents the budget as presented in the relevant Business Plan and a “budget head” is defined by CIPFA’s Service Expenditure Analysis and Standard Subjective Analysis e.g. Employees and Supplies and Services. A revenue virement is required if a Chief Officer requests a transfer of resources:
 - a) From one service level budget to another; and/or
 - b) From revenue budget head and another.
2. Virements may only be made in respect of DIRECT expenditure or income and excludes capital financing charges and asset rental charges. Direct expenditure budgets created from income, purely to manage internal recharges to direct service budgets e.g. photocopying are also excluded
3. Virement from income to expenditure is allowed in exceptional circumstances only where the additional expenditure will generate the income. Windfall income amounts shall not be used to augment spending power.
4. A request for virement must state explicitly whether the transfer is for the duration of the current financial year only, or whether it reflects a permanent change in policy and consequentially will continue and thus form the Base Budget for future years.
5. New expenditure initiatives require the approval of the Chief Finance Officer up to £100,000 or Cabinet, £100,000 and over.
6. The prior approval of the Cabinet is required for any virement, of whatever amount, where it is proposed to vire between budgets managed by different chief officers.

7. Virement that is likely to impact on the level of service activity of another chief officer should be implemented only after agreement with the relevant chief officer.
8. In cases of major unforeseen emergencies where no provision exists, the authority for immediate expenditure up to a limit of £100,000 is delegated to the Chief Finance Officer. This will be on the advice of the appropriate chief officer and subject to a report being made to the Cabinet as soon as practicable.(This is in accordance with Delegation of Executive Powers).
9. The above virement arrangements do not apply to in year adjustments to budgets that arise due to accounting or technical reasons such as correcting errors, budget restructuring due to internal reorganisation and changes to grant regimes, provided these do not impact on the net budget of the Council.

Treatment of Year End Balances- Revenue

10. Year end balances will be dealt with as part of the closing of accounts arrangements under the guidance of the Chief Finance Officer and following rigorous budget monitoring throughout the year
11. Requests for carry forward of underspends will therefore be considered only in exceptional circumstances.Chief Officers will need to identify the source of the underspend or additional income and to justify why it will be needed in the following year in addition to the annual budget.
12. All internal business unit surpluses shall be retained for the benefit of the authority and their application shall require the approval of the Cabinet.

1.2 - Scheme of Virement- Capital

Financial limits	
Up to £5,000 paper scheme	Scheme's responsible officer, who shall notify the Chief Finance Officer in writing (This is essential even at the lowest level for accounting purposes and budget monitoring)
£5,000 up to £100,000 pa per scheme	Appropriate Chief Officer who shall obtain agreement of the Chief Finance Officer.
£100,000 and over	Cabinet

NOTES

13. A capital virement is required if the responsible officers identify a need to transfer resources between approved schemes in the capital programme
14. Virements by the Responsible Officer alone will be restricted to similar schemes within his/her management, e.g. Traffic Management Schemes, Traffic Calming schemes. Any uncertainty will be referred to the Chief Officer
15. Any virement affecting schemes of a different nature within a department will be referred to the Chief Officer.
16. Virements by a Chief Officer will be restricted to schemes within his/her departmental management
17. Any virement affecting the schemes of different chief officers will be referred to the Chief Finance Officer.
18. Any virement which diverts resources from a scheme not started, resulting in delay to that scheme, will be reported to Cabinet.
19. Where schemes are funded by ring-fenced or restricted use income, Merton's virement regulations will not over-ride these restrictions

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