

## (4) Financial Regulations

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### FINANCIAL REGULATIONS

The enforcement of Financial Regulations shall lie with the Director of Finance who has statutory responsibility as the Responsible Financial Officer under the Accounts and Audit Regulations 2018.

The Chief Executive and Head of Paid Services has overall management responsibility for all officers. The Chief Executive may issue directions in relation to any matter arising in connection with the Regulations.

Financial Regulations apply to all officers of the Council including the Chief Executive and the Director of Finance, and cannot be overridden.

Non-compliance reports will be made by the Director of Finance (after appropriate consultation with the Chief Executive and any other Chief Officer involved). Any non-compliance report may then be reported to the Executive Committee.

## **FINANCIAL ADMINISTRATION**

- F.1 These regulations outline the principles of financial administration which must be operated by all Officers of the Council and it shall be the responsibility of each Committee and Chief Officer to ensure their observance. Each Chief Officer must ensure that all members of their staff are aware of these regulations. These Financial Regulations should be read together with the Council's Constitution, Part 4 (1) Council Procedure Rules (Standing Orders). Nothing in these Regulations shall override Standing Orders. More detailed instructions in support of these regulations are issued as appropriate by the Director of Finance.
- F.1A Further financial matters are addressed in the following sections of the Constitution:
- Part 4 - (3) Budget and Policy Framework Procedure Rules
  - Part 5 - (G) Gifts and Hospitality - A Protocol for Members
  - Part 5 - (H) Anti-Fraud and Corruption Policy
  - Part 5 - (K) Attendance at Conferences, etc.
  - Part 6 - Members' Allowance Scheme
- F.2 The Executive Committee has overall responsibility for regulating and controlling the finances of the Council.
- F.3 The Director of Finance as the Responsible Financial Officer shall be responsible for the proper administration of the Council's financial affairs, for the purposes of the Local Government Act 1985 and the Accounts and Audit Regulations.
- F.4 The Director of Finance is responsible for providing the Council and its Committees with advice on all financial and economic matters.
- F.5 Each Chief Officer is responsible for the accountability and control of staff and for the security, custody and control of all resources including plant, buildings, materials, cash and stores within their department.
- F.6 Each Chief Officer is responsible for maintaining the internal control system and the prevention and detection of fraud and other illegal acts.
- F.7 Each Chief Officer shall consult with the Director of Finance with respect to any matter unbudgeted which is liable materially to affect the future finances of the Council before any provisional or other commitment is incurred or before reporting thereon to a Committee.
- F.8 Each Chief Officer shall be responsible for informing the Director of Finance of all contracts, agreements, etc. involving financial implications for the Council, and shall also forward to the Director of Finance all consents, approvals, regulations, etc. in any way relating to finance.

- F.8A Each officer shall ensure all reports they write for Committee which have financial implications shall be sent to the Finance Department representative for the Committee for review before being placed on the Committee agenda.

### **FINANCIAL PLANNING**

- F.9 The Director of Finance shall report to the Executive Committee in respect of the level of resources proposed to be utilised in each financial year.
- F.10 Each Service Committee shall submit to the Executive Committee a programme of capital expenditure and estimates of revenue expenditure and income for such period(s) and in such form and by such date(s) as the Executive Committee shall require.
- F.11 The Executive Committee shall consider the aggregate effect of these programmes and estimates upon the Council's resources and, after making any necessary amendment, shall submit them to the Council for approval with a recommendation for the Rate to be levied for the ensuing financial year.
- F.12 Where a Committee other than the Pensions Committee proposes a new policy, or a variation of existing policy, or a variation in the means of time-scale or implementing existing policy and this will significantly affect the Council's finances, it shall submit a report to the Executive Committee.

### **BUDGETARY CONTROL - REVENUE**

- F.13 The Director of Finance is responsible for ensuring that adequate procedures are operated to properly control the Council's spending. Each Chief Officer must consult with the Director of Finance when potential overspendings or significant underspendings are identified within the services under the control of the Chief Officer.
- F.14 The appropriate Chief Officer is responsible for nominating Budget Managers in their department and supplying a list to the Finance Department (see Part 3 Responsibility for Functions and Scheme of Delegation). Budget Managers are responsible for monitoring and controlling income and expenditure within the approved estimate provision for the services under their control. Overall monitoring is also provided by the Finance Department.
- F.15 No expenditure may be incurred or committed which would result in the approved revenue estimates for any service (as amended by authorised virements and/or supplementary estimates) being exceeded. This regulation shall also apply to any action or decision which will give rise to a reduction in income.
- F.16 Chief Officers and their budget managers should avoid committing the Council to new and unbudgeted recurring contractual expenditure. As far as possible, additional budget commitments should be agreed as part of the formal budget process, and requests for ongoing expenditure items should not be supported by one-off sources of savings or additional income, including full-year effects of decisions made part way through a year, for which future year funding resources have not been identified.
- F.17 The Executive Committee may approve the use of reserves to fund any expenditure not within the approved estimates after considering a report thereon from the relevant Committee.

- F.18 Chief Officers shall have authority to divert to other purposes amounts provided within the current year's approved revenue estimates for which they have budgetary responsibility, the amount of any single virement (i.e. budget diversion) shall not exceed the value shown in the schedule of amounts. Any such action is to be notified, in writing, to the Director of Finance, prior to the diversion.
- F.18A The maximum amount allowable for a single virement in the Schedule of Amounts represents the upper threshold for all amounts required under any virement event or exercise, regardless of the number of budget redirections required. The scenario whereby multiple virements of budgets are approved and, redirected for the same single purpose, yet from different budget headings any of which may be under the maximum amount, but together exceed that limit, is not permitted.
- F.18B A virement should not have the effect of changing the underlying policies agreed by Committee without the prior approval of the relevant Committee.
- F.18C Virement between employee and non-employee-related expenditure budgets (other than where agency or consultancy support is required in the event of key worker vacancy situations) is not permitted, without the prior approval of the Executive Committee. Neither is the ability to exercise a virement affecting a support service recharge.
- F.18D The use of virements should be restricted to in-year budget changes only, and should not be used to generate any ongoing future year change to the approved revenue estimate.
- F.18E The Executive Committee should be kept regularly informed of the details of all approved virements by the Director of Finance through the Monthly Financial Report.
- F.19 Each service Committee may divert to other purposes amounts provided within its approved annual revenue estimates. If any single diversion exceeds the value shown in the schedule of amounts the approval of the Council, after receiving a report thereon by the Executive Committee, is required.
- F.20 The inclusion of items in the approved revenue estimates shall constitute authority to incur such expenditure.
- F.21 The Chief Executive shall have authority to approve expenditure up to the limit shown in the schedule of amounts on any one item which is essential to meet any immediate needs created by an emergency subject to a subsequent report to the Executive or Pensions Committee as appropriate.
- F.21A The Chief Executive has the delegated authority to approve agreements to settle employment disputes up to the limit referred to in F.21. It is the general policy of the Council that no settlement payment over that limit shall be made without the prior approval of the Executive Committee. Where this is not practical due to urgency or due to a highly confidential and sensitive nature of the payment, then the Urgent Business procedure should apply. Any payment approved by the Chief Executive under this delegated authority above the limit stipulated in the schedule of amounts should be subject to a report to inform the Executive Committee.
- F.22 The Urgent Business procedure (Standing Order 125) shall give power to incur expenditure which is essential to meet any immediate needs created by an emergency which is not otherwise authorised or where it is necessary in the Council's interest to settle legal proceedings which have been commenced against the Council. A subsequent report to be submitted to the Executive Committee.

- F.22A If there is an underspend against the revenue budget then the Chief Executive, with the consent of the Director of Finance, may roll forward that budget into the new financial year, up to the limit shown in the schedule of amounts, for use on specific projects that were in progress before the end of the financial year in which the underspend occurred. A briefing note must be provided to Executive Committee explaining any such roll forwards.
- F.22B The Chief Executive and the Director of Finance shall have authority to create a budget from the General Revenue Reserves in the event of a bye election taking place.

### **BUDGETARY CONTROL – CAPITAL**

- F.23 The Director of Finance is responsible for ensuring that adequate procedures are operated to properly control capital spending. Each Chief Officer must consult with the Director of Finance when a potential overspending or significant underspending is identified on a capital scheme which is under their control. See also Capital Procedures at the end of Standing Orders.
- F.24 If the Chief Officer and Director of Finance believe at any time that the cost of any capital scheme is likely to exceed the estimate as shown in the approved capital expenditure programme by more than the value shown in the schedule of amounts the Chief Officer shall report the anticipated overspending to the relevant Committee.
- F.25 The Director of Finance shall have authority to divert money from one project to another within the approved capital expenditure programme provided that the two projects have the same source of funding and the amount of any single diversion shall not exceed the value shown in the schedule of amounts.
- F.26 Each service Committee may divert money from one project to another in the approved capital expenditure programme provided; that both projects have the same source of funding, this does not exceed an approved petition and that where the amount of any single diversion exceeds the value shown in the schedule of amounts the approval of the Council, after receiving a report thereon by the Executive Committee, is obtained.
- F.27 The procedures for Tenders and Contracts are set out in Standing Orders Part V: Tenders and Contracts, and in the Procedure Notes for Management of Construction Projects issued by the Isle of Man Government Treasury.

### **FINANCIAL CONTROLS AND PROCEDURES**

#### **Accountancy Control**

- F.28 The Director of Finance shall maintain satisfactory accounting arrangements for all financial transactions of the Council in consultation where necessary with other Chief Officers.
- F.29 The principles of internal control as defined by the Director of Finance shall be observed as far as practicable in the allocation of all accounting duties, and each Chief Officer shall be responsible for maintaining these principles for all areas of work under their control.
- F.30 For systems with financial control implications each Chief Officer should consult with the Director of Finance concerning controls on new systems and on proposed changes to existing systems.

### **Audit Arrangements**

- F.31 The Director of Finance shall maintain an adequate and effective internal audit of all financial activities of the Council, which shall be carried out independently of the management and be operated in accordance with guidance for Internal Auditors as issued by the Auditing Practices Board, as amended or supplemented by nationally approved guidance on professional practice. The appointed Audit Manager in carrying out these activities on behalf of the Director of Finance, shall have a direct right of access to the Chief Executive and/or the Executive Committee, if the circumstances so warrant.
- F.32 The Director of Finance shall regularly review, appraise and report upon the adequacy of all financial systems together with the control of the Council's assets and interests and shall obtain an Annual Report thereon from the Audit Manager.
- F.33 The Director of Finance or an authorised representative shall have authority to visit any Council establishments and have access to such records and documents as required. They shall also have authority to visit any premises after reasonable notice has been given, where a Contractor who is subject to these Regulations is carrying out or performing a Service Contract. They may require the production of cash, stores and other Council property, and shall be entitled to receive such explanations as considered necessary.
- F.34 Each Chief Officer or Contractor who is subject to these Regulations, shall notify the Director of Finance immediately of any circumstances which suggest the possibility of any irregularity affecting cash, stores or other property of the Council, or any other suspected irregularity in the exercise of the functions of the Authority. The Director of Finance shall advise the Chief Executive of all such notifications.

### **Banking Arrangements**

- F.35 The Director of Finance shall be responsible for the operation and terms of all the Council's banking accounts and for the ordering, use and control of cheques, payment forms and other payment media.
- F.35A The current account shall be reconciled at least on a weekly basis.
- F.35B All Clearing House Automated Payments System (CHAPS) payments from the Council's bank account shall require approval by two bank signatories.

### **Borrowing and Investment Arrangements**

- F.36 All necessary borrowings, repayments of loans and investments shall be the responsibility of the Director of Finance within the Council's policy and shall be in the name of the Council.
- a) All money in the hands of the Council shall be aggregated for the purposes of treasury management and be under the control of the Director of Finance.
  - b) All executive decisions on borrowing, investment or finance are delegated to the Director of Finance or through the Director of Finance to staff who are required to act on day to day cash flow requirements.
  - c) The Director of Finance shall report to the Executive Committee in each financial year on the activities of the Treasury Management operation and on the exercise of the delegated Treasury Management powers.

F.36A Treasury Management Practices shall be maintained by the Finance Department in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Treasury Management.

### **Imprest Accounts**

F.37 The Director of Finance may advance such sums by way of imprest accounts deemed reasonable and must approve the nature and amounts of payments which can be made therefrom.

### **Income**

F.38 The Director of Finance shall be responsible for maintaining a system for recording and collection all credit income.

F.39 All arrangements for the collection, receipt, recording, banking and safe-keeping of Council income must be approved by the Director of Finance.

F.40 All monies received on behalf of the Council shall be passed to the Director of Finance on a regular basis without delay or, as the Director of Finance may direct, be paid to the Council's banking account.

F.41 Each Budget Manager shall ensure that any money due from provision of goods or service within their remit is promptly invoiced. The Director of Finance shall be notified promptly of any lease or agreement entered into which involves the receipt of money by the Council.

F.42 The Director of Finance is authorised to write off any amount due to the Council of up to the value shown in the schedule of amounts. Any outstanding debt in excess of this amount can only be written off with the consent of the Executive Committee.

F.43 No charge may be waived or varied in respect of individual transactions without prior approval of the Director of Finance who shall seek approval of the Executive Committee as appropriate to waivers or variations in excess of the value shown in the schedule of amounts.

F.44 a) All scales of charges shall be reviewed annually or at such other times as the Director of Finance deems necessary. No alteration to such scales may be made, or new scales introduced, except upon a joint report to the appropriate Committee by the Chief Officer concerned and the Director of Finance and on the subsequent approval of the Executive Committee.

b) Revisions to the rent payable under the terms of any lease, concession or agreement shall be approved by the Housing & Property Committee following a report by the Director of Housing and Property.

### **Insurances**

F.45 The Director of Finance shall be responsible for arranging all necessary insurance cover and keeping appropriate records.

F.46 Each Chief Officer shall notify the Director of Finance about new risks and items to be insured, alterations required to existing insurance cover, and circumstances which may give rise to claims.

### **Management of Assets**

F.47 Each Chief Officer and Contractor who is subject to these Regulations must keep inventories of Council owned stocks, stores, equipment, plant and vehicles. Wherever possible equipment, plant and vehicles will be marked as the property of the Council.

- F.48 Each Chief Officer shall be responsible for the care, custody, recording and control of stocks, stores, equipment, plant and vehicles in their department.
- F.49 Inventories and stores must be regularly reviewed and all items physically checked at least annually, or otherwise as agreed by the Director of Finance.
- F.50 Arrangements for the disposal of surplus assets or writing off stores or inventory items worth less than the value shown in the Standing Order in Part V: Tenders and Contracts entitled 'Disposal of Surplus Property, Materials, etc.' shall be subject to approval in writing by the Director of Finance.
- F.51 Each Chief Officer shall be responsible for the security and safe keeping of all cash, stores and other property under their control in accordance with procedures approved by the Director of Finance.

### **Payment of Invoices**

- F.52 Each Budget Manager is responsible for being satisfied that payment has not previously been made, checking and coding invoices and vouchers prior to payment.
- F.53 Chief Officers may nominate officers to approve orders and certify invoices for payment and such delegation and limits must be approved by the Director of Finance.
- F.54 The person who has approved the order may not be the person certifying the invoice for the payment.
- F.55 All invoices and vouchers must record the persons who have carried out the various checks prior to payment.
- F.55A The norm is for payment not to be made until after receipt of the goods or service. However, where credit is not available it is permissible for invoices to be approved for payment in advance. Many suppliers issue Pro Forma Invoices against which such a payment in advance can be made. Where an invoice entitled "Pro Forma Invoice" is used the supplier will issue a proper invoice to the Council after they receive the payment. The proper invoice needs to be passed to the Finance Department when received so that it can be attached to the electronic record of the Pro Forma Invoice for VAT purposes.

### **Salaries and Wages**

- F.56 The Director of Finance shall be responsible for the calculation and payment of salaries, wages and all other emoluments unless other arrangements are agreed by the Director of Finance and the Chief Executive.
- F.56A The Leader of the Council or the Executive Committee must be consulted before any discretionary goodwill payments to a group of employees may be paid.
- F.57 Each Chief Officer is responsible for promptly notifying the Director of Finance of all matters which affect such payments.
- F.58 Each Chief Officer is responsible for the accuracy of all information passed to the Finance Department which is used for making such payments to staff.
- F.59 All reports to the Executive Committee on new staff or alterations to grading must include the financial effects. This should be verified with the Chief Executive and Director of Finance before being placed on the Committee Agenda.

### **Anti-Money Laundering**

F.60 The Director of Finance is the Council's Anti-Money Laundering Reporting Officer. Any suspicion of money laundering should be reported to the Director of Finance in accordance with the latest Anti-Money Laundering and Countering the Financing of Terrorism Code and the Compliance Guidelines issued by the Director of Finance. In the absence of the Director of Finance the report should be made to the Council's Deputy Anti-Money Laundering Reporting Officer, the Assistant Chief Officer (Income).

### **ORDERS FOR WORKS, GOODS AND SERVICES**

F.61 The methods for inviting tenders and quotations, their acceptance and exemptions are set out in Standing Orders Part V: Tenders and Contracts.

F.62 All other orders for works, goods or services shall be on the Council's official computerised order form unless:-

- i) the items are for public utility services, periodic payments of a minor nature paid for through a petty cash account;
- ii) the items are purchased using a Council credit card in accordance with the Payment Card Rules and Procedures; or
- iii) the Director of Finance is satisfied that an alternative procedure is justified.

Where, in cases of extreme urgency, it is not practicable to issue an official order at the time of placing an order, a confirmatory official order clearly marked as such shall be made out as soon as possible.

F.63 Orders shall be in the form approved by the Director of Finance. No other form or order shall be used unless agreed by the Director of Finance.

F.64 This regulation has been deleted.

F.65 Before approving an order the officer authorising it shall:-

- i) be reasonably satisfied that the order will obtain the best value for the price to be paid;
- ii) ensure that in the case of an order exceeding the lowest value shown in Standing Order in Part V: Tenders and Contracts entitled Methods of Inviting Tenders and Quotations that at least three competitive quotations have been obtained, except where the Chief Officer agrees otherwise;
- iii) ensure, in the case of an order for goods which are regularly ordered and are of a class designated by the Director of Finance as such, that at least three competitive quotations are obtained, except where the Chief Officer agrees otherwise;
- iv) ensure that it has been prepared in compliance with Standing Orders and Financial Regulations;
- v) ensure that the cost is covered by the approved estimates or is otherwise provided for in accordance with Standing Orders and Financial Regulations; and
- vi) ensure that the order has an agreed value (where the value is known) and appropriate expenditure coding. The order number shall be identified by the person in the operational department checking the invoice.

### **SPONSORSHIP INCOME**

F.65A All new proposed sponsorship arrangements of income to the Council over the limit shown in the schedule of amounts should be subject to appropriate and proportionate due diligence checks of the sponsoring entity. These checks should be undertaken in conjunction with the Finance Department and final approval for the arrangement should be subject to approval by the relevant Committee. Periodic renewal due diligence checks should be performed at least every five years.

### **ESTATES**

F.66 The Chief Executive shall be responsible for maintaining records of Council land and properties.

F.67 The Chief Executive shall be responsible for ensuring that all title deeds are held in a secure manner.

### **APPOINTMENT OF CONSULTANTS**

F.68 The appointment of Consultants is set out in Standing Orders entitled 'Consultants' and 'Conditions of Engagement' within Part V: Tenders and Contracts. In addition, the appropriate Chief Officer must consult with the Director of Finance on fees to be paid to, and confirm insurance status of, any Consultants before the appointment is made.

### **ANNUAL STATEMENT OF ACCOUNTS**

F.69 The Executive Committee is authorised to approve the annual Statement of Accounts on behalf of the Council. The Leader of the Council is authorised to sign the relevant pages of the Statement of Accounts and letter of representation to the external auditors in respect thereof on behalf of the Council.

### **PENSION FUND ANNUAL REPORT**

F.70 The Pensions Committee is authorised to approve the Pension Fund Annual Report on behalf of the Council. The Chair of the Pensions Committee is authorised to sign the relevant pages of the Pension Fund Annual Report and letter of representation to the external auditors in respect thereof on behalf of the Council.

### **INFLATIONARY UPLIFT**

F.71 The Director of Finance in consultation with the Chief Executive shall update the Schedule of Amounts in Financial Regulations annually in line with the Isle of Man Retail Prices Index rounded to thousands, apart from the F.42 figure which shall be rounded to hundreds. The updated schedule shall be published on the Council Website at the end of Part 4(4) Financial Regulations.

**N B:** The purpose of Financial Regulations is to consolidate procedures and practices, thereby providing the support mechanism for the Director of Finance to report on financial accountability to Council. Issues relating to management and corporate

working are the responsibility of the Chief Executive, who is accountable therefor to the Executive Committee and Council.

**SCHEDULE OF AMOUNTS IN FINANCIAL REGULATIONS**

		<b>Limit Amount £</b>
F.18	Chief Officers shall have authority to divert to other purposes a single diversion not exceeding	13,000
F.19	Each service Committee may divert to other purposes a single diversion up to	54,000
F.21	In an emergency the Chief Executive shall have authority to approve expenditure up to	27,000
	The Chief Executive has delegated authority to approve agreements to settle employment disputes up to	27,000
F.21A	Any such payment approved under the Chief Executive's delegated authority should be subject to a report to inform Executive Committee if it is more than	13,000
F.22A	The Chief Executive and Director of Finance may roll forward revenue budgets for specific projects in progress up to	73,000
F.24	The Chief Officer shall report to Committee the anticipated cost of any capital scheme likely to exceed the capital expenditure programme by	the lesser of 10% or £46,000
F.25	Subject to sufficient petition approval the Director of Finance shall have authority to divert money from one capital project to another when the amount of any single diversion shall not exceed	18,000
F.26	Each service Committee may divert money from one Capital project to another provided; that both projects have the same source of funding, this does not exceed an approved petition and with a limit of any single diversion of	54,000
F.42	The Director of Finance is authorised to write off any amount due to the Council of up to	2,500
F.43	The Director of Finance may waive or vary a charge in respect of individual transactions up to	5,200
F.65A	All new proposed sponsorship arrangements of income to the Council should be subject to appropriate and proportionate due diligence checks of the sponsoring entity where the income will be over	2,700