

Appendix 15 – Financial Regulations

Background

- A. The County Council's governance structure is laid down in the Constitution, which sets how the County Council operates; how decisions are made; and how procedures are followed.
- B. The County Council has adopted a Cabinet form of governance.
- C. Elected Members are responsible for "ownership" of the County Council's financial management. Responsible Budget Officers (RBOs) act on behalf of the County Council in exercising that responsibility and in securing compliance with the County Council's Financial Regulations.
- D. The County Council's Head of Paid Service is responsible for the corporate and strategic management of the County Council. The Head of Paid Service must report to, and provide information for, the County Council, its Cabinet and Committees. Furthermore, the Head of Paid Service 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 (Director of Governance), for the system of record keeping in relation to all the County Council's decisions.
- E. The Statutory Finance Officer, the Executive Director of Finance and Commercial Services at Norfolk County Council, has statutory duties in relation to the administration and stewardship of the County Council's financial affairs. This statutory responsibility cannot be overridden. The statutory duties arise from the legislation referenced in 2.5.3.
- F. The Executive Director of Finance and Commercial Services is responsible for the proper administration of the County Council's financial affairs and for setting and monitoring compliance with agreed standards of financial administration and management, including advice on the County Council's corporate financial position. The Executive Director of Finance and Commercial Services is also the "head of profession" for all finance staff in the County Council and has a responsibility for their professional standards, competencies, training and development. Within these Financial Regulations, the terms Statutory Finance Officer, Chief Finance Officer, and Section 151 Officer all refer to the Executive Director of Finance and Commercial Services.

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1. Status of Financial Regulations

1.1. Purpose and Scope

- 1.1.1. These Financial Regulations provide the basis for managing the County Council's financial affairs. They provide a framework for decision-making, which sets out how specific statutory powers and duties are complied with, as well as reflecting best professional practices. This document also acts as a reference point to other documents which include the detailed policies and procedures behind these Financial Regulations.
- 1.1.2. The Financial Regulations apply to every elected Member and officer of the County Council and, when stated, to third parties acting specifically on its behalf. The Regulations apply to all Norfolk County Council's financial arrangements, including joint committees, save where there is express agreement to the contrary.

1.2. Key Roles and Responsibilities

- 1.2.1. The Regulations identify the financial responsibilities of the County Council, Cabinet and its Committees, the Executive Director of Finance and Commercial Services and other Executive Directors.
- 1.2.2. All elected Members and staff have a general responsibility for taking reasonable action to provide for the security of the County Council's assets under their control, and for ensuring that the use of these resources is legal, properly authorised, and provides value for money.
- 1.2.3. The Executive Director of Finance and Commercial Services is responsible for maintaining a continuous review of the Financial Regulations and for submitting any additions or changes necessary to County Council for approval and at a minimum annually. Elected Members are responsible for considering and approving the County Council's Financial Regulations and for satisfying themselves that they are sufficient to ensure sound financial management of the County Council's resources.
- 1.2.4. The Executive Director of Finance and Commercial Services is responsible for reporting, where appropriate, breaches of the Financial Regulations to the County Council, Cabinet and the Audit Committee.
- 1.2.5. The Executive Director of Finance and Commercial Services is responsible for issuing advice and guidance on the operation of the Financial Regulations. The County Council's detailed 'Financial Procedures', which support these Regulations, are determined by the Executive Director of Finance and Commercial Services and set out how the Regulations will be implemented.

Financial Procedures are described in separate guidance and have the same status as the Financial Regulations.

- 1.2.6. Executive Directors are responsible for ensuring that all staff in their departments are aware of the existence and content of the County Council's Financial Regulations, Financial Procedures and other internal regulatory documents and that they comply with them at all times. They must ensure that all staff have access to, or the opportunity to access, these Regulations, Procedures and other regulatory documents either published on the County Council's internet or intranet ([MyNet](#)) pages as appropriate.
- 1.2.7. The Executive Director of Finance and Commercial Services is responsible for ensuring that both elected Members and officers are sufficiently competent, trained and informed regarding the financial affairs of the Council.

2. Financial Management

2.1. Introduction

- 2.1.1. Financial management covers all financial activities in relation to the running of the County Council, including the policy framework and budget. In overall terms, elected Members are responsible for agreeing the financial policy framework and officers are responsible for advising Members, and for the operational delivery of financial processes in line with the agreed policy. The financial management responsibilities for particular Members' groups and individual post-holders are detailed in this section.

2.2. The Council

- 2.2.1. The County Council is responsible for adopting and changing the principles of governance and for approving or adopting the policy framework and budget within which the Council operates.
- 2.2.2. The principles of decision making, and the roles of the Leader, Cabinet, Select Committees, and Scrutiny Committee are set out in Articles 6, 7 and 12 of the Norfolk County Council Constitution.

2.3. The Cabinet

- 2.3.1. The Cabinet is responsible for all the Council's functions which are not the responsibility of any other part of the Council, whether by law or under this Constitution.

2.4. Scrutiny Committee

- 2.4.1. Scrutiny Committee reviews or scrutinises decisions made, or other action taken in accordance with:

- i) any functions which are the responsibility of the Executive, including decisions made/actions taken directly by the Executive itself and those decisions/actions delegated to Chief Officers and individual Members of the Executive; and
- ii) any functions which are not the responsibility of the Executive.

2.5. Statutory Officers

2.5.1. The Head of Paid Service

The Head of Paid Service is accountable to the County Council and Cabinet for the manner in which the discharge of the Council's functions is coordinated.

2.5.2. The Monitoring Officer (Director of Governance)

The Monitoring Officer is responsible for maintaining an up-to-date version of the Constitution and contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee. They are also responsible, in conjunction with the Head of Paid Service and the Executive Director of Finance and Commercial Services, for reporting to the County Council and Cabinet if they consider that any proposal, decision, or omission would give, is likely to give, or has given, rise to a contravention of any enactment or rule of law, or any maladministration or injustice. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered. The Monitoring Officer will also provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues to all Members.

2.5.3. The Chief Finance Officer (Executive Director of Finance and Commercial Services)

The Council has designated the Executive Director of Finance and Commercial Services as the Chief Finance Officer. The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. The statutory duties arise from:

- Section 151, Local Government Act 1972
- The Local Authorities Goods and Services Act 1970 and 1988
- Section 114, Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Local Government Acts 2000 and 2003
- The Accounts and Audit (England) Regulations 2015
- The Local Government Pension Scheme Regulations 1974 and 1997
- The Local Government Pension Scheme Regulations (Management and Investment of Funds) 1998
- The Localism Act 2011

There are other Statutory Officer roles as set out within the Constitution, these include: Executive Director of Children's Services, Executive Director of Adult Social Services, Chief Fire Officer and Director of Public Health.

2.6. The Money Laundering Reporting Officer

2.6.1. The Director of Governance is appointed as the Money Laundering Reporting Officer and the Head of Legal Services, nplaw as the Deputy Money Laundering Reporting Officer. The Council has an Anti-Money Laundering Policy and Procedures in place. The Money Laundering Reporting Officer is the officer responsible for reporting disclosures to the National Crime Agency.

2.7. Executive Director of Finance and Commercial Services

2.7.1. The Executive Director of Finance and Commercial Services has statutory duties in relation to the financial administration and stewardship of the County Council. This statutory responsibility cannot be overridden.

2.7.2. The Executive Director of Finance and Commercial Services is also subject to compliance with Statements of Professional Practice issued from time to time.

2.7.3. The role of Executive Director of Finance and Commercial Services complies with the principles in the CIPFA best practice statement on the "Role of the Chief Financial Officer in Local Government." This statement confirms that the Executive Director of Finance and Commercial Services is not only a servant of the Council, but also has a fiduciary responsibility to local taxpayers as a trustee of public monies.

2.7.4. The Executive Director of Finance and Commercial Services is responsible for:

- the proper administration of the County Council's financial affairs
- ensuring adherence to accounting standards
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management, including the level of balances, closure of accounts and statement of accounts
- setting the framework for reporting financial implications to Cabinet
- providing financial information on the corporate position of the County Council
- providing financial advice and information on all the County Council's services
- preparing the overall revenue budget and capital programme, including the three-year rolling medium term financial strategy
- preparing the asset management plan
- reporting on the robustness of the estimates made for the purposes of budget calculations, and the adequacy of proposed financial reserves
- effective administration of the treasury management function and aspects of pension fund administration and investment
- preparing the prudential indicators and ensuring adherence to the authorised limits set by Council
- defining standards of financial administration and management throughout the County Council

- defining the competencies of finance employees and for the delivery of effective and appropriate training and development opportunities to those employees
- advising on the adequacy and effectiveness of internal systems of control and internal audit
- delivering appropriate financial training to Members and non-financial staff

2.7.5. The Executive Director of Finance and Commercial Services has the Head of Profession role for all finance staff in the County Council and has a responsibility for their professional standards, competencies, training and development. This includes ensuring that procedures are in place to enable Finance Business Partners for each service to concurrently support the Executive Director of Finance and Commercial Services and their Service Executive Director on key financial matters. Finance Business Partners report to the Director of Financial Management.

2.7.6. The Head of Profession role of the Executive Director of Finance and Commercial Services carries the statutory responsibility laid down by Section 151 of the Local Government Act 1972 to “make arrangements for the proper administration of the County Council’s financial affairs.” The Director of Financial Management performs the role of the Deputy Section 151 Officer.

2.7.7. Section 114 of the Local Government Finance Act 1988 requires the Executive Director of Finance and Commercial Services to report to each Member of the Council, and the External Auditor, if the County Council’s Cabinet a joint committee on which the County Council is represented, or one of its officers:

- has made, or is about to make, a decision which involves the County Council incurring unlawful expenditure
- has taken, or is about to take, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency to the County Council
- is about to make an unlawful entry in the County Council’s accounts.

2.7.8. Details of the process which would be followed in the event of a report being issued under section 114 of the Local Government Finance Act 1988 are set out in Annex B. Section 114 of the 1988 Act also requires:

- the Executive Director of Finance and Commercial Services to nominate a properly qualified member of staff to deputise if he or she is unable to perform personally, the duties under section 114. The Director of Financial Management is nominated to deputise for the Executive Director of Finance and Commercial Services.
- the Authority to provide the Executive Director of Finance and Commercial Services with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

2.7.9. The Executive Director of Finance and Commercial Services is responsible for ensuring that all services are appropriately supported by skilled finance professionals. The Executive Director of Finance and Commercial Services is assisted in providing strategic financial support to services by Finance Business Partners.

2.8. Corporate Board

2.8.1. In addition to individual responsibilities, the Leader, Deputy Leader and Executive Directors (including the Head of Paid Service) form the Corporate Board, which, acting together and corporately is responsible for:

- advising on draft financial policies for consideration by Cabinet.
- working closely with Cabinet in developing financial policies.
- being the primary mechanism for collectively ensuring the delivery of the Council's corporate financial policies.

2.9. Executive Directors

2.9.1. Executive Directors are responsible:

- for ensuring that the Council is advised of the financial implications of all proposals relating to their respective services and for ensuring that the financial implications have been agreed by the Executive Director of Finance and Commercial Services;
- for consulting with the Executive Director of Finance and Commercial Services and seeking approval on any matter liable to materially¹ affect the County Council's finances before any commitments are entered or incurred. This includes notification to the Executive Director of Finance and Commercial Services as soon as possible in the event of identification of overspending or of a shortfall in income against the budget approved by the Council; and
- for ensuring that budget monitoring is undertaken monthly, and that costs are contained within budget. In the event of identification of overspending or a shortfall in income against the budget, Executive Directors are responsible for ensuring that corrective action is managed in a rigorous manner.

2.9.2. Executive Directors should maintain a written record where decision-making has been delegated to members of their staff, including seconded staff.

2.9.3. Executive Directors' role includes working with outside bodies and accessing additional funds and resources to support the County Council's programme of work.

2.10. Other Financial Accountabilities

2.10.1. Accounting Policies

¹ I.e. significantly impact on the Council's financial position

The Executive Director of Finance and Commercial Services is responsible for ensuring appropriate accounting policies are in place and that they are applied consistently across the County Council.

2.10.2. Accounting Records and Returns

The Executive Director of Finance and Commercial Services is responsible for the accounting procedures and records for the County Council and must ensure that the financial accounts and financial records of the County Council comply with all accounting policies and standards where applicable and that these standards are applied consistently across the County Council.

2.10.3. Annual Statement of Accounts

The Executive Director of Finance and Commercial Services is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with proper practices as required by the Accounts and Audit Regulations 2015. Proper practices include the Code of Practice on Local Authority Accounting in the United Kingdom (the code) and relevant statutory provisions. Council has delegated responsibility for approving the annual Statement of Accounts to the Audit Committee.

3. Financial Planning

3.1. Introduction

3.1.1. The Executive Director of Finance and Commercial Services, in accordance with the strategies, policies and priorities of the County Council, is to be responsible for the proper administration of the financial affairs of the County Council, including multi-year financial planning and control.

3.2. Revenue Budget

3.2.1. The consolidated revenue budget is proposed by the Cabinet and is approved by the County Council. The budget should have regard to proper accounting standards and include a statement of the allocation of resources to different services and projects and to proposed council tax levels. Once the overall budget has been approved by County Council, it cannot be increased by the Cabinet, subject to the arrangements set out in paragraph 3.7.5 below.

3.3. Capital Budget

3.3.1. The capital budget is approved by the County Council considering Cabinet's recommendations. The budget should have regard to proper accounting standards and include a statement of the allocation of resources to different services and projects, how the programme is to be funded, and any impact on the revenue budget.

3.4. Medium Term Planning and Budget Preparation

3.4.1. The County Council is responsible for agreeing the Council's priorities. This sets the overall strategic framework for the County Council's services. The Medium-Term Financial Strategy sets out the approach and financial context for the County Council. The Medium-Term Financial Strategy also gives further detail as to how the County Council will deliver plans and resource services over three years. The County Council is responsible for agreeing a rolling three-year balanced budget and agreeing the council tax precept for the following financial year at the February County Council meeting. Executive Directors are collectively responsible for developing a framework and timetable to deliver medium term planning requirements. This framework will include: review of the planning context and the forward budget planning forecast; service priorities and costs; and provide a structure incorporating the development of medium-term service options including efficiencies, financial implications, risk impact and likelihood assessment; Member engagement, public and stakeholder consultation and the decision-making process.

3.4.2. Cabinet is responsible for setting the parameters and providing guidance on the preparation of the budget in consultation with the Executive Director of Finance and Commercial Services. The guidelines will take account of:

- legal requirements
- medium-term planning prospects
- the County Council's core roles
- all available resources including external funding and income
- fluctuations in demand, and inflation
- changes in grant funding
- best value
- government guidelines
- accounting standards
- the Prudential Code
- The County Council Plan
- Asset Management Plan
- Reserves, general and earmarked
- Arms' length bodies

It will also set out the minimum requirements for preparation of budget proposals including:

- option appraisal and use of whole life costing, comparing the relative costs of the options, over the life of the project. For example, whether to lease, purchase or new build;
- risk assessment and owner;
- equality and rural impact assessment, to ensure all the necessary key cross cutting issues are considered, including equality and sustainability; and
- Budget proposals pro-forma templates where appropriate to ensure that budget proposals are developed on a consistent basis.

- 3.4.3. The Executive Director of Finance and Commercial Services is responsible for ensuring that rolling three-year revenue and capital budget proposals are prepared on an annual basis for consideration by Cabinet. Cabinet is responsible for ensuring that the three-year revenue and capital budget proposals are robust and underpinned by an adequate level of reserves before submission to the County Council. Cabinet will publish to all County Council Members each autumn the financial context for forward financial service planning, a review of the issues relating to the budget for the following financial year, and a timetable for the preparation and approval of the budget. This timetable will take account of the need for discussion and review of the proposals by Select Committees and the Scrutiny Committee and of the need for statutory and other consultation on the budget proposals.
- 3.4.4. It is the responsibility of Executive Directors to ensure that proposals are prepared in accordance with the guidance, to ensure that budgets are set on a sound financial basis and in accordance with best practice including ensuring that they have been risk assessed.
- 3.4.5. The Executive Director of Finance and Commercial Services is responsible for ensuring that proposals demonstrate adherence to the guidance and Members should ensure that any proposed budget amendments are made available to the Executive Director of Finance and Commercial Services at least five working days before the County Council budget meeting. Members should adhere to any agreed protocol for budget amendments. Members' proposed budget amendments must be finalised two working days before the County Council budget meeting in order that the Executive Director of Finance and Commercial Services can report on the robustness of any proposed budget amendments. In accordance with established culture and practice, proposed budget amendments received in accordance with Financial Regulations will be published in advance of the County Council meeting at which they are to be discussed.
- 3.4.6. The County Council will consider the budget proposals and may adopt them, amend them or substitute its own proposals in their place prior to 1 March. The County Council will agree at least a three-year balanced budget and agree the precept for the following year.

3.5. Asset Management Plan

- 3.5.1. The Corporate Property Officer (Director of Property) is responsible for ensuring an Asset Management Plan is prepared / updated / reviewed on an annual basis for consideration by Cabinet before submission to County Council.

3.6. Decisions

- 3.6.1. All decisions must be undertaken in accordance with the decision-making and reporting framework set out in the Constitution of the County Council and must comply with the County Council's Financial Regulations and Financial Procedures. Details of financial implications must be provided before any

financial decision can be taken. Decisions which commit the County Council to spending over £100m must be referred to Full Council.

- 3.6.2. The Executive's Terms of Reference are set out in Article 7 of the Constitution and confirm that Cabinet is responsible for taking key decisions which incur significant expenditure or make significant savings, and decisions which have an impact on a significant proportion of Norfolk's residents. The Head of Paid Service in consultation with the Leader shall determine, in relation to any decision to be taken under delegated authority, if it is a decision which may incur significant expenditure, make significant savings, or may affect a significant proportion of Norfolk's residents, and in such a case the decision shall be made by the Executive.

3.7. Budget Monitoring and Control

- 3.7.1. The Executive Director of Finance and Commercial Services is responsible for monitoring income and expenditure against approved revenue and capital budget allocations and for reporting to Executive on the overall position monthly.
- 3.7.2. The Executive Director of Finance and Commercial Services is responsible for monitoring the prudential indicators and reporting to Executive on the overall position monthly.
- 3.7.3. The Executive Director of Finance and Commercial Services is responsible for monitoring the cash flow of the County Council and ensuring this is used to inform borrowing and investment decisions.
- 3.7.4. It is the responsibility of Executive Directors to control income and expenditure within their area in accordance with the approved budget and to monitor performance, taking account of financial information provided by the Executive Director of Finance and Commercial Services. Executive Directors are responsible for alerting the Executive Director of Finance and Commercial Services and the relevant Cabinet Member(s) or the Leader, to any overspendings or shortfalls in income and for identifying strategies and options for containing spend within the budget approved by the Council. If the overspending or shortfall in income cannot be accommodated within the service's budget this shall be reported to Cabinet.
- 3.7.5. Any policy proposal, which would have the effect of increasing a Service Department's budget, must be supported by a funding proposal setting out how it can be accommodated within the Service Department's existing budget. Such proposals must be made available to the Executive Director of Finance and Commercial Services at least five working days before the meeting at which they are to be proposed and must be finalised two working days before the meeting in order that the Executive Director of Finance and Commercial Services can report on the robustness of any proposed budget amendments. In the event that the proposal falls outside the scope of the Policy Framework as

set out in Article 4 of the Constitution, it must be referred to Full Council for consideration.

- 3.7.6. Any variation or variations to a contract which in aggregate result in additional costs exceeding 5% of the original contract value or £50,000 (whichever is the greater) shall be subject to the prior approval of the Director of Procurement.

3.8. Virement

- 3.8.1. Virement is the process of transferring the budget expenditure or income, whether revenue or capital, from one approved budget head to another. The County Council is responsible for agreeing the overall procedures for the virement of budget and the approval of virements between Departments. Executive Directors are responsible for agreeing in-year virements within delegated limits, in consultation with the Executive Director of Finance and Commercial Services where required. (The current approved procedures are shown in Annex A).
- 3.8.2. Schools are free to vire between budget heads in the expenditure of their budget shares, but Governors are advised to establish criteria for virements and financial limits above which the approval of the Governors is required.

3.9. Treatment of Year-End Balances

- 3.9.1. Any under and overspendings by Service Departments are required to be reported to Cabinet as part of year-end reporting. Cabinet is responsible for reporting the overall under and overspendings to County Council and making recommendations as to how they are utilised or managed.
- 3.9.2. The Executive Director of Finance and Commercial Services is responsible for putting in place controls to ensure that carry-forward of revenue budget, revenue reserves and revenue grants above agreed limits are documented and reported to all Executive Directors and totals agreed by Cabinet.
- 3.9.3. The Executive Director of Finance and Commercial Services is responsible for putting in place controls to ensure that carry-forward of capital budget, capital reserves and capital grants above agreed limits are documented and reported to all Executive Directors and totals agreed by Cabinet. Any slippage on the capital programme will be carried forward to the next financial year and reported to Cabinet.

3.10. Maintenance of Reserves

- 3.10.1 It is the responsibility of the Executive Director of Finance and Commercial Services to review the County Council's financial risks and planning assumptions and advise the Cabinet and the County Council on prudent levels of reserves and of general balances as part of setting the budget. This advice needs to take account of relevant accounting standards and professional best

practice as part of the Council's budget planning process and regular budget monitoring.

- 3.10.2 The annual revenue budget sets out details of the purpose for which earmarked reserves are held and high-level forecasts for the use of such reserves. The timing of the use of reserves may however be uncertain and the annual budget setting process therefore provides the framework in which the use of reserves is agreed. In agreeing the annual revenue budget, the County Council is approving the use of reserves for the purposes for which they have been earmarked, and it is recognised that the timing of this use will be dependent on operational requirements and other factors.
- 3.10.3 Where it is proposed that reserves are to be used for a purpose other than that for which they have been earmarked, this will be subject to approval by Cabinet in-year, based on the advice of the Executive Director of Finance and Commercial Services, with reference to a recommendation from the relevant Executive Director as appropriate in respect of service reserves. There is a general presumption that Cabinet will normally approve recommendations for the use of earmarked reserves which are made by Executive Directors, except where there are wider implications for financial control across the County Council, or delivery of the Council's budget plans. If the Executive Director of Finance and Commercial Services advises that a decision about the use of reserves may have broader implications, Cabinet will recommend a course of action but refer the matter to be decided by the County Council.

4. Governance, Risk Management and Internal Control

4.1 Governance

- 4.1.1 The Audit Committee is primarily responsible for Governance, Risk Management and Internal Control throughout the County Council. Its Terms of Reference are reviewed annually and published as part of Appendix 2 of the Constitution. Any changes are approved by the County Council. The composition is politically balanced and is reviewed at each appointment to the Committee.
- 4.1.2 Other Member-led bodies that also have a role in governance and internal control include the County Council, the Corporate Select Committee in any review of the Constitution for approval by full Council and with respect to Members, the Standards Committee.

4.2 Internal Control and Internal Audit

- 4.2.1 Internal control refers to the systems of management and other controls put in place to ensure that the County Council's objectives are achieved in a manner which promotes economic, efficient and effective use of resources and in a way, which ensures that the County Council's assets and interests are safeguarded.

- 4.2.2 The Executive Director of Finance and Commercial Services is responsible for advising on adequate and effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant best practice.
- 4.2.3 It is the responsibility of Executive Directors, having regard to advice from the Executive Director of Finance and Commercial Services, to establish sound arrangements for internal control including planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and in order to achieve their targets.
- 4.2.4 The Accounts and Audit Regulations 2015 require the County Council to:
- undertake an adequate and effective internal audit;
 - review the effectiveness of its internal audit, at least annually; and
 - ensure the Audit Committee considers the findings of that review as part of its consideration of the system of internal control for the County Council.
- 4.2.5 The Leader of the Council and the Head of Paid Service are responsible for signing the Annual Governance Statement that should be produced following an annual review of systems of internal control. The Annual Governance Statement is published with the annual Statement of Accounts.

4.3 Risk Management

- 4.3.1 The County Council through the Cabinet is responsible for approving the County Council's Risk Management Policy and Framework and ensuring that proper insurance exists where appropriate.
- 4.3.2 The Audit Committee is responsible for reviewing the effectiveness of the County Council's risk management arrangements. It will receive risk management reports at least four times a year and take appropriate action to ensure that corporate business risks are being actively and appropriately managed. Annually, it will report on risk management to the County Council.
- 4.3.3 The Executive Director of Finance and Commercial Services is responsible for informing the preparation of the County Council's risk management Policy and Framework, for promoting it throughout the County Council and for advising the Cabinet on proper insurance cover where appropriate. The Executive Director of Finance and Commercial Services will also report on the Corporate Risk Register quarterly to the Cabinet, to each meeting of the Audit Committee, and ensure that Executive Directors report their full departmental risk register to the Cabinet at least once per annum.

4.4 External Audit

- 4.4.1 Public Sector Audit Appointments Limited (which replaced the Audit Commission with effect from 1 April 2015) is responsible for appointing external auditors to each local authority. The duties of the external auditor are governed by the Local Audit and Accountability Act 2014.
- 4.4.2 The County Council 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.
- 4.4.3 External auditors have a responsibility to satisfy themselves that the County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This judgement is based on criteria specified by the National Audit Office. The Executive Director of Finance and Commercial Services, in conjunction with Executive Directors, must ensure that the organisation makes best use of resources and that taxpayers and / or service users receive value for money.

4.5 Anti-Fraud, Bribery and Corruption

- 4.5.1 In managing its responsibilities, the County Council is determined to protect itself against fraud and corruption both from within the County Council and from outside. The County Council is committed to maintaining a strong anti-fraud and corruption culture through its Anti-Fraud and Corruption Policy. This is designed to:
- encourage prevention;
 - promote detection;
 - identify a clear pathway for investigation; and
 - fulfil the requirements of Section 17 of the Crime and Disorder Act 1998
- 4.5.2 The County Council expects Members and staff at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices and internal controls including internal checks.
- 4.5.3 Executive Directors are responsible for ensuring that internal controls are such that fraud, bribery or corruption will be prevented, where possible, and the measures in the Anti-Fraud, Bribery and Corruption Policy are promoted.
- 4.5.4 Under the Anti-Fraud, Bribery and Corruption Policy, an Executive Director is required to immediately inform the Executive Director of Finance and Commercial Services of any financial irregularity or suspected financial irregularity.
- 4.5.5 The County Council expects that all who have dealings with it have a similar anti-fraud, bribery and corruption ethos and that they have no intent or actions with respect to fraud, bribery and corruption. (The County Council has issued guidance in “How to do business with Norfolk County Council” including whistleblowing, to support this).

4.6 Money Laundering and Proceeds of Crime

4.6.1 The County Council has adopted an anti-money laundering policy and procedures intended to prevent the use of proceeds from crime. This policy has been developed with regard to the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007.

4.6.2 The County Council has nominated the Director of Governance to perform the role of Money Laundering Reporting Officer (MLRO) whose principal role is to receive, consider and respond to any reports received of known or suspected money laundering.

4.6.3 Executive Directors are responsible for ensuring that:

- all staff most likely to be exposed to, or suspicious of, money laundering situations are made aware of the requirements and obligations placed on the County Council and themselves by legislation;
- those staff considered most likely to encounter money laundering are given appropriate training (nplaw can provide relevant in-house training);
- departmental procedures are established to help forestall and prevent money laundering, including making arrangements for reporting concerns about money laundering to the MLRO; and
- periodic and regular assessments are undertaken of the risks of money laundering that may exist in their Departments.

4.7 Treasury Management

4.7.1 The County Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services and complies with the CIPFA Prudential Code when carrying out borrowing and investment activities under Part 1 of the Local Government Act 2003.

4.7.2 The County Council is responsible for the setting and revising of prudential indicators and for the approval of the Annual Investment and Treasury Strategy.

4.7.3 The County Council has delegated responsibility to the Executive Director of Finance and Commercial Services for the execution and administration of treasury management decisions, including decisions on borrowing, investment, financing (including leasing) and maintenance of the counter party list. The counter party list contains details of those banks, building societies and other bodies that meet the County Council's criteria for investment. The Executive Director of Finance and Commercial Services has delegated authority to effect movement between the separately agreed limits for borrowing and other long-term liabilities reflected in the Prudential Code's operational and authorised limits. The Executive Director of Finance and Commercial Services is required to act in accordance with the County Council's Treasury Management Policy Statement and Treasury Management Practices and CIPFA's Standards of

Professional Practice on Treasury Management in accordance with external advice.

4.7.4 The Executive Director of Finance and Commercial Services will prepare for County Council an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close. In addition, the Executive Director of Finance and Commercial Services will regularly report to the Treasury Management Panel and the Cabinet on treasury management policies, practices, activities and performance monitoring information.

4.7.5 The Executive Director of Finance and Commercial Services is responsible for:

- monitoring performance against prudential indicators, including reporting significant deviations to the Cabinet and County Council as appropriate.
- ensuring all borrowing and investment decisions, both long and short term, are based on cash flow monitoring and projections.
- ensuring that any leasing financing decisions are based on full options appraisal and represent best value for the County Council, in accordance with the County Council's leasing guidance.
- the provision and management of all banking services and facilities to the County Council.

4.8 Norfolk Pension Fund

4.8.1 The Local Government Pension Scheme (LGPS) is a national pension scheme, with its own regulator (the Ministry of Housing, Communities and Local Government), which is administered locally.

4.8.2 The County Council is the Administering Authority of the Norfolk Pension Fund and administers the LGPS on behalf of all the participating employers and scheme members. Norfolk County Council is also an employer within the scheme.

4.8.3 Norfolk County Council delegates all its responsibilities as Administrator of the scheme to the Pensions Committee who act as quasi-trustee of the Fund.

4.8.4 All Pension Fund assets are separate from the County Council, and all costs and income are accounted for separately. The Fund has a separate bank account.

4.8.5 The Pensions Committee is responsible for all aspects of the administration of the scheme. This includes responsibility for deciding upon the best way in which the Pension Fund is to be invested with appropriate regard to its fiduciary responsibilities.

4.8.6 Advice is received as required from professional advisers. The Pensions Committee formally reviews the performance of investments and the overall strategy on a regular basis. The Fund is invested in compliance with the Local

Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The 2016 Regulations introduced the requirement for LGPS funds to pool investment assets from the 1st April 2018.

- 4.8.7 In order to facilitate the pooling of assets, the Norfolk Pension Fund has entered into an Inter-Authority Agreement with 10 other Administering Authorities, collectively known as the ACCESS (A Collaboration of Central, Eastern & Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.
- 4.8.8 The Pensions Committee is also responsible for the appointment and monitoring of Investment Managers, Custodian and other related service providers to the Fund.
- 4.8.9 The Executive Director of Finance and Commercial Services is responsible for the administration and financial accounting of the Norfolk Pension Fund. The Executive Director of Finance and Commercial Services is responsible for the preparation of the Pension Fund statutory accounts and annual report. The County Council delegates responsibility for the approval of the annual Pension Fund statutory accounts to the Audit Committee.
- 4.8.10 The Norfolk Pension Fund has adopted an Investment Strategy Statement (formerly the Statement of Investment Principles) in relation to the investment of the assets. This Statement includes details of compliance with recognised good investment practices. It is the Pensions Committee's responsibility to monitor the Fund's position in relation to the Investment Strategy Statement.
- 4.8.11 The Pension Fund maintains a Funding Strategy Statement, which sets out the Fund's approach to funding liabilities, based on principles agreed by the Pensions Committee. The Pension Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders and to this end publishes and maintains a Customer Care and Communication Strategy Statement and a Governance Statement.
- 4.8.12 The Executive Director of Finance and Commercial Services ensures compliance with relevant regulatory and legislative guidelines and for keeping records of all scheme members, calculation and payment of benefits, transfers between schemes and the collection of contributions from participating employers.
- 4.8.13 In line with all public service pension schemes, LGPS Funds are required to have a local Pensions Board. The Board helps ensure that the Fund is managed and administered effectively and efficiently and complies with the Code of Practice on Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator. In Norfolk the local pension board is known as the Pensions Oversight Board and is made up of scheme member and scheme employer representatives with an independent chair.

5 Assets, Systems, Processes and Records

5.1 Introduction

5.1.1 Robust systems and procedures are essential to an effective framework of accountability and control.

5.2 Data Management

5.2.1 The Corporate Board is responsible for ensuring that policies and procedures are in place to enable management of data to support effective decision-making.

5.2.2 It is the responsibility of the Executive Director to ensure data management policies are understood and used effectively within their services.

5.3 Financial Processes and General Data Protection Regulations

5.3.1 The Executive Director of Finance and Commercial Services is responsible for the determination and operation of the County Council's accounting processes, for the form of accounts and for the supporting financial records. The Executive Director of Finance and Commercial Services must approve any changes made by Executive Directors to the financial processes or the establishment of new processes, including IT systems.

5.3.2 Executive Directors must ensure that any processing (computerised or manual) that involves personal information is registered in accordance with the General Data Protection Regulation 2018 and that all staff are aware of their responsibilities under the Act and advice from the Information Commissioner.

5.3.3 Executive Directors must ensure that all staff are aware of their responsibilities under Freedom of Information legislation, and that procedures are in place to ensure compliance.

5.3.4 Executive Directors must ensure that all staff are aware of their responsibilities under the Code of recommended practice for local authorities on data transparency. These include:

- The requirement to maintain an inventory of data sets.
- The general requirement that, where data is published, it should be in a non-proprietary format and published in a timely fashion.
- The requirement to publish certain, specified data sets.

5.3.5 To ensure that open data which is published corporately is accurate and complete, Executive Directors must ensure that:

- All contracts over £50,000 are registered on the corporate contracts register maintained by the procurement team.

- All goods and services are ordered via one of the council's electronic ordering systems (for general purposes, Oracle iProcurement).
- All goods and services are ordered in advance and purchase order descriptions are accurate and complete.
- All changes of structure are notified to HR.

5.4 Schemes of Authorisation and Financial Responsibility

5.4.1 It is the responsibility of Executive Directors to ensure that the scheme of authorisation and financial responsibility is implemented using Budget Manager and is operating effectively. The scheme of authorisation and financial responsibility identifies staff authorised to act on the Executive Director's behalf, or on behalf of the County Council, in respect of payments, income collection and procurement (including ordering). Procurement authorisations shall be made in accordance with the requirements of Contract Standing Orders. For clarity, staff identified to act in this way will be required to formally accept their responsibilities under the scheme of authorisation and financial responsibility.

5.5 Income

- 5.5.1 The Executive Director of Finance and Commercial Services is responsible for the provision and management of all income collection arrangements for the County Council.
- 5.5.2 Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control. The Debt Recovery Policy and Framework forms part of the Financial Procedures and is required to be followed by all parties involved in the recovery of monies owed to the Council.

5.6 Payments to Employees, Third Parties and Members

5.6.1 Except for schools, the Executive Director of Finance and Commercial Services is responsible for all payments of salaries and wages to all staff, including payments for overtime, goods and services provided, and for the payment of allowances to elected Members. Schools have delegated responsibility under the LMS scheme.

5.7 Taxation

- 5.7.1 The Executive Director of Finance and Commercial Services is responsible for advising Executive Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues, including VAT, that affect the County Council.
- 5.7.2 The Executive Director of Finance and Commercial Services is responsible for maintaining the County Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

5.8 Trading Accounts

- 5.8.1 Cabinet must approve the establishment of all Trading Accounts. Trading Accounts are required for all services that provide goods or services to a third party on a traded basis or where the organisation has identified that a service should operate as a separate trading unit.
- 5.8.2 The Executive Director of Finance and Commercial Services is responsible for the form of the trading accounts included in the Trading Framework document. Executive Directors are responsible for reporting on the activities of any trading organisation within their respective areas of service, taking account of current accounting standards and best practice in reporting.

5.9 Monitoring Reporting

- 5.9.1 Executive Directors are responsible for ensuring that monthly budget monitoring reports for both revenue and capital expenditure and income are produced for their respective areas of service. The Executive Director of Finance and Commercial Services is responsible for regularly reporting the details (including compliance with the Prudential Code) to Cabinet.
- 5.9.2 Any variation, or variations, to a contract which in aggregate result in additional costs exceeding 5% of the original contract value or £50,000 (whichever is the greater) shall be subject to the prior approval of the Director of Procurement.

5.10 Companies, Trusts and Charities

5.10.1 Cabinet is responsible for:

- approving the establishment and viability (including the business case) of all new companies, trusts and charities;
- approving investments in other companies, trusts and charities, in which the County Council has a financial interest except where the investment is within criteria Cabinet has previously delegated to an Executive Director;
- taking decisions as shareholder and sole trustee where appropriate;
- monitoring and receiving reports on the County Council's companies;
- dissolution of County Council's companies, trusts and charities.

5.10.2 Executive Directors are responsible for informing the Director of Governance and Executive Director of Finance and Commercial Services of any new proposals, to ensure that legal and financial considerations are properly considered before any arrangements with an outside body or creation of a new company, trust or charity are considered.

5.10.3 Executive Directors are also responsible for ensuring tight controls are in place for the financial management of loan and guarantor arrangements with Norfolk County Council owned companies. This includes ensuring the Executive

Director of Finance and Commercial Services is presented with robust business cases and signed loan agreements.

5.10.4 The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of such entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected.

5.10.5 All relevant companies must have their accounts incorporated and consolidated within the County Council's financial accounts in accordance with proper accounting standards and best financial practice. The Executive Director of Finance and Commercial Services is responsible for ensuring the proper financial accounting treatment and compliance with current legislation.

5.10.6 The appointment and removal of directors to companies, trusts and charities in which the County Council has an interest must be made by Cabinet, having regard to the advice of the Executive Director of Finance and Commercial Services. The directors will then have a statutory duty to the company, trust or charity and must therefore act in accordance with the Companies and / or Charities Act where applicable.

5.10.7 The Executive Director of Finance and Commercial Services and Director of Governance should be contacted for assistance at an early stage to discuss the proposals.

5.11 Early payments and loans to suppliers and service providers

5.11.1 Early Payments

In the normal course of business, the County Council may on occasion make **early payments** (ahead of contractual payment terms). These are agreed on a case by case basis, entirely at the discretion of the County Council, and (where appropriate) taking into account the overall value of the contract and the implications of any failure of service provision. Any decision to vary a contract by amending the payment terms shall be taken in accordance with Regulation 72 of the Public Contracts Regulations 2015. The Council has a protocol in place which governs the amendment of payment terms for existing contracts. This protocol covers both permanent, ongoing arrangements and one-off requests for early payment. The Council's Contract Standing Orders set out the general principle that advance payment terms should not be offered during procurement activities other than in exceptional circumstances. In all cases, care must be taken to ensure the Council is not committed to making infeasibly fast payments. There are broadly three scenarios which may arise:

5.11.2 Payment ahead of terms

Where suppliers or service providers experiencing cash flow difficulties or other financial hardship seek payment ahead of terms but not in advance of the supply of goods or services, the contract manager, in conjunction with the relevant Finance Business Partner, may agree to payment ahead of terms

provided that an appropriate discount is secured. For the avoidance of doubt, at the discretion of the Council, a discount may be set at zero (i.e. payment made ahead of terms with no discount required).

Where suppliers or service providers which are not in financial difficulties seek payment ahead of terms but not in advance of the supply of goods or services, the Director of Procurement, in conjunction with the relevant Finance Business Partner, may agree to payment ahead of terms provided that an appropriate discount is secured. For the avoidance of doubt, at the discretion of the Council, a discount may be set at zero (i.e. payment made ahead of terms with no discount required).

5.11.3 Payment in advance of goods or services being supplied

Due to the credit risk involved, only the Executive Director of Finance and Commercial Services, Director of Financial Management or Assistant Director of Finance (FES) may agree to vary a contract to allow for payment in advance of goods or services being delivered, subject to an appropriate discount being secured, and taking into account subsidy considerations. For the avoidance of doubt, at the discretion of the Council, a discount may be set at zero (i.e. payment made ahead of terms with no discount required), but only with the approval of the Executive Director of Finance and Commercial Services.

5.11.4 **Loans** may be made in exceptional circumstances outside of contractual agreements or where no contract or payment relationship exists. This has the potential to arise (for example) in the context of a third-party organisation experiencing financial difficulty, where the failure of the third party would significantly impact upon services the Council provides or is responsible for. Loans will be considered on a case by case basis, entirely at the discretion of the County Council, and taking into account the overall level of the loan and the implications of any failure of service provision. Loans in this context would be intended generally for short term cash flow purposes and to ensure the continuity of a service, or to avoid additional costs arising from any provider failure, although it is recognised that other circumstances necessitating a loan may also arise and this list is not comprehensive.

5.11.5 The Executive Director of Finance and Commercial Services has discretion to consider making a short-term loan in the above circumstances, whilst also considering:

- the ability of the loan recipient to repay and the provision of a robust plan to demonstrate how the situation which gave rise to the need for a loan will be resolved (it is also likely that a Financial Assessment of the recipient will be required);
- any potential subsidy issues, particularly in respect of determining an appropriate interest rate for the loan, which should be set with reference to the [published margin tables](#); and
- the duration and value of the loan sought.

5.11.6 Loans will be requested through the relevant Finance Business Partner for the service area, in consultation with the Executive Director for the service. Loans

will not be made until they have been approved by the Executive Director of Finance and Commercial Services, or the Director of Financial Management, following consultation with the Leader and / or Deputy Leader in the case of a loan over £50,000 and / or for a loan period in excess of six months.

5.11.7 Loans may be repaid either by instalment or as a lump-sum. The terms of the loan, including arrangements for repayment, must be agreed and a loan agreement signed by both parties before any loan can be made. The service area initiating the loan will be required to identify a cost centre which will bear the cost of the loan in the event of a failure by the loan recipient to make repayments as agreed. The Executive Director for the service should consider the need to make the relevant Cabinet Member(s), Leader and / or Deputy Leader aware of this potential cost to the service budget.

5.12 Contract Standing Orders

5.12.1 Executive Directors are responsible for ensuring that the procurement of all goods, works and services is undertaken in accordance with the Council's Contract Standing Orders.

5.12.2 Contract Standing Orders form part of the County Council's Constitution and are the rules that govern how procurement will be undertaken by the Council, and what processes must be followed.

5.12.3 Any award with a value exceeding £30,000 entered into on behalf of the Council must be evidenced by way of a contract. Such contracts must either be signed by at least two authorised officers of the Council or made under the common seal of the Council attested by at least one authorised officer.

5.13 Assets

5.13.1 Executive Directors should ensure that records of assets are properly maintained and securely held (in practice property asset records are kept by the Corporate Property Team on behalf of Executive Directors). Executive Directors should also ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.

5.13.2 In making disposals officers will have due regard to the provisions of the Local Government Act 1972 (section 123) concerning best consideration, subject to the discretion afforded to authorities by the General Disposal Consent (England) 2003 (see DCLG Circular 06/2003). All decisions to dispose at less than best consideration will be referred to Cabinet for determination.

5.13.3 Disposal must be made by competitive process unless the Executive Director of Finance and Commercial Services authorises otherwise. The appointment of agents to handle disposals is subject to the normal provisions of Council Standing Orders.

5.13.4 All property disposals (including lease surrenders/assignments), acquisitions and other property transactions (such as granting / taking licences, granting of easements and wayleaves to statutory undertakers etc., granting tenancies at will) are to be made only by the Council's Corporate Property Officer (Director of Property). In reaching decisions on the disposal of land and property, the County Council should give due consideration to the advice of the Corporate Property Officer (Director of Property). The Council's named and designated Corporate Property Officer (Director of Property) may, in accordance with arrangements approved by the Executive Director of Finance and Commercial Services, dispose of property assets, acquire property assets and approve of property transactions as set out in the tables at 5.13.6 and 5.13.7 below. Proposals for disposals, acquisitions and other property transactions must involve the Local Member as set out within the Local Member Protocol in the Constitution (Annex to Appendix 5 of the Constitution).

5.13.5 Land and buildings declared surplus by a service will be reviewed by the Corporate Property Strategy Group and where there is no alternative beneficial use such property will be reported to Cabinet to confirm its status as a surplus asset to be disposed of and/or exploited for income purposes.

5.13.6 The disposal of surplus assets will be undertaken as follows:

Property

Other Assets:

Disposal value* £m	Responsibility and authorisation
Over £0.500m	Cabinet
Over £0.250m and up to and including £1.250m	Cabinet Member for Commercial Services and Asset Management
£0.250m and up to and including £0.500m	Executive Director in consultation with Executive Director of Finance and Commercial Services
Over £0.050m and up to and including £0.250m	Corporate Property Officer (Director of Property) in consultation with the Executive Director of Finance and Commercial Services
Up to but not including £0.250m	Executive Director
Up to and including £0.050m	Corporate Property Officer (Director of Property)

Leases:

Disposal value* £m	Responsibility and authorisation
All leases out or lease out renewals where the total value (annual rent multiplied by lease term) is more than £1.250m, or the term is over 20 years	Cabinet

Disposal value* £m	Responsibility and authorisation
All leases out or lease out renewals where the total value (annual rent multiplied by lease term) is over £0.250m and up to and including £1.250m, and the term is for 20 years or less	Cabinet Member for Commercial Services and Asset Management
All leases out or lease out renewals where the total value (annual rent multiplied by lease term) is up to and including £0.250m and the term is for 20 years or less	Corporate Property Officer (Director of Property)

Farm Business Tenancies

Property:

Disposal value* £m	Responsibility and authorisation
Farm business tenancies or renewals where the total value (annual rent multiplied by tenancy term) is more than £1.250m, or the term is over 20 years	Cabinet
Farm business tenancies or renewals where the total value (annual rent multiplied by tenancy term) is over £0.250m and up to and including £1.250m, and the term is for 20 years or less	Cabinet Member for Commercial Services and Asset Management
Farm business tenancies or renewals where the total value (annual rent multiplied by tenancy term) is up to and including £0.250m, and the term is for 20 years or less	Corporate Property Officer (Director of Property)

Other Property Transactions:

Disposal value* £m	Responsibility and authorisation
Granting of all: <ul style="list-style-type: none"> i. Licences ii. Leases, easements and wayleaves to statutory undertakers iii. Granting of easements and wayleaves iv. Tenancies at will v. Lettings in accordance with the Mobile Home Act 1983 	Corporate Property Officer (Director of Property)

*Disposal value in these tables refers to the valuation of the asset, irrespective of the consideration to be received.

5.13.7 Acquisitions of assets will be undertaken as follows:

Property

Other Assets

Acquisition value £m	Responsibility and authorisation
Over £1.250m	Cabinet
Over £0.250m	Cabinet
Over £0.250m and up to and including £1.250m	Cabinet Member for Commercial Services and Asset Management
Up to and including £0.250m	Executive Director
Over £0.050m and up to and including £0.250m	Corporate Property Officer (Director of Property) in consultation with the Executive Director of Finance and Commercial Services
Up to and including £0.050m	Corporate Property Officer (Director of Property)

Leases

Property

Acquisition value £m	Responsibility and authorisation
Lease acquisitions and renewals where the proposed total rental value (annual rent multiplied by lease term) is above £1.250m, or the term is over 20 years	Cabinet
Lease acquisitions and renewals where the proposed total rental value (annual rent multiplied by lease term) is over £0.250m and up to and including £1.250m, and the term is for 20 years or less	Cabinet Member for Commercial Services and Asset Management
Lease acquisitions and renewals where the proposed total rental value (annual rent multiplied by lease term) is up to and including £0.250m, and the term is for 20 years or less	Corporate Property Officer (Director of Property)

Other Property Transactions

Acquisition value £m	Responsibility and authorisation
Acquisition of all I. Licences	Corporate Property Officer (Director of Property)

Acquisition value £m	Responsibility and authorisation
ii. Leases, easements and wayleaves from statutory undertakers iii. Easements and wayleaves from other third parties. iv Tenancies at Will	

5.13.8 The following activities are business as usual and will be approved by the Director of Property:

Where NCC acts as landlord or where NCC acts as tenant:

- Determination (ending of), surrender, assignment or forfeiture of leases, licences and other property rights.
- Agreeing dilapidations.
- Landlord consents (granting and requesting).
- Rent reviews.
- Agreeing sub leases.
- Minor alterations to lease in/lease out agreements to ensure the agreement is completed.

For freehold property disposed of or acquired:

- Agreeing overage and claw back provisions.
- Minor alterations to disposal or acquisition agreements to ensure the agreement is completed.

5.13.9 The government has consulted on regulations (the proposed Local Authorities (Functions and Responsibilities) (England) Regulations 2015) which would require any decision to dispose of land and buildings with a value above £500,000 to be agreed by the Full Council. The regulations above show the responsibility is with Cabinet / the Cabinet Member for Commercial Services and Asset Management pending the outcome of the consultation. As at October 2020 these have not yet been enacted. If enacted, the following thresholds would apply:

Disposal value	Responsibility and authorisation for land and buildings
Up to and including £0.050m	Corporate Property Officer (Director of Property)
Over £0.050m and up to and including 0.250m	Corporate Property Officer (Director of Property) in consultation with the Executive Director of Finance and Commercial Services
Over £0.250m and up to and including £0.500m	Cabinet Member for Commercial Services and Asset Management
Over £0.500m and all disposals at less than best consideration (irrespective of value)	Full Council

5.13.10 The County Council has an aspiration to at least maintain the size of its current County Farms estate, under the County Farms policy agreed by the County Council in October 2014. To that end any capital receipts from the sale of County Farm land will be treated in the following way:

For all County Farms land that is sold:

- If it is sold as **agricultural land**, 100% of the capital receipt will be hypothecated towards further acquisitions of County Farm land / capital improvements to the County Farm estate that produce a revenue uplift.
- If it is sold as **residential/development** land:
 - A valuation will be undertaken to establish the value of the land, should it have been sold without planning permission. That value will then be hypothecated towards further County Farm acquisitions / capital improvements to the County Farm estate that produce a revenue uplift.
 - The balance of the sale value will be split:
 - 65% towards general capital receipts to be utilised by the Council for any purpose.
 - 35% will be put into a reserve for the use of County Farms for further acquisitions / capital improvements to the County Farm estate that produce a revenue uplift.
 - If this reserve reaches £3m in value, then any additional receipts will be made available for general Council use for any purpose

5.14 Grants

5.14.1 Executive Directors are authorised by the Scheme of Delegated Powers to Officers to make grants (subject to any specific grant thresholds set out in the limitations on officers delegated powers within the Constitution). Executive Directors are responsible for ensuring that:

- adequate records are kept for the required period;
- controls are in place to ensure any grant conditions will be met, with provision to recover / claw back unused grant as appropriate;
- grant payments made by their department do not constitute a breach of subsidy rules;
- any requirements to notify Members under the Local Member Protocol are complied with.

5.14.2 When making grant decisions or awards, Norfolk County Council must reserve the right to refuse (or recover) funding awarded by the authority if it is found that the recipient, or anyone connected to the use of the funding provided, is an active participant in support of extremist views / activity that is contra to the Authority's duty of due regard in relation to the Prevent Duty 2011.

5.15 Retention of Financial Records

5.15.1 The County Council has a specific policy in place on the minimum retention periods for financial records and these periods are set out in the corporate records retention and disposal scheme. Executive Directors should ensure records are maintained and held securely for the correct period, after which they should be disposed of in accordance with the procedures.

6 External Arrangements

6.1 Introduction

6.1.1 Where the County Council operates in a devolved environment or through a partnership or other arrangements, the Executive Director of Finance and Commercial Services must ensure that the roles and responsibilities for each of the activities and tasks in maintaining financial administration and stewardship are clearly defined, allocated and operated effectively.

6.2 Partnerships

6.2.1 The County Council has formal representation on many external boards.

6.2.2 Separate governance arrangements will exist for external boards / partnerships / joint ventures and decisions taken by Council Members at these boards that affect Norfolk County Council will still be subject to the Norfolk County Council Constitution.

6.2.3 The Executive Director of Finance and Commercial Services must ensure that the accounting and reporting arrangements to be adopted relating to partnerships and joint ventures, as defined within Financial Procedures, are satisfactory. The Executive Director of Finance and Commercial Services and Director of Governance must consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. They must also ensure that the risks have been fully appraised before agreements are entered into with external bodies.

6.2.4 Executive Directors are responsible, in consultation with the Executive Director of Finance and Commercial Services and Director of Governance, for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. They should also ensure that the risks identified above are mitigated where possible.

6.3 External Funding

6.3.1 The Executive Director of Finance and Commercial Services is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the County Council's accounts. Executive Directors are responsible for ensuring that the Executive Director of Finance and Commercial Services is notified of external funding bids at an early stage.

6.4 Financial Guarantees

- 6.4.1 Executive Directors must inform the Executive Director of Finance and Commercial Services of all proposals that may require a financial guarantee prior to implementation.
- 6.4.2 The Executive Director of Finance and Commercial Services is responsible for ensuring that any proposed financial guarantee requirement is within the powers of the County Council and shall consult with the Director of Governance as appropriate.
- 6.4.3 Requirements for suppliers to provide the County Council with either bonds or guarantees shall be agreed with the Corporate Property Officer (Director of Property) (for property contracts) or the Director of Procurement (for other contracts)

6.5 Work for Third Parties

- 6.5.1 Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies, not already covered by the Scheme of Authorisation to Executive Directors.

6.6 Subsidy and Competition

- 6.6.1 Executive Directors are responsible for ensuring that any payments (or payments in kind) made by their department do not constitute a subsidy or breach rules on competition. Subsidy (which includes the provisions which pre-date the UK-EU Trade and Co-operation Agreement where a project began when the UK was a member of the EU or during the subsequent transition period) are measures which mean that a level playing field for open and fair competition and sustainable development cannot be ensured. Typical examples can include:

- Cheap loans
- Grant funding
- Sharing staff, equipment or accommodation (particularly with wholly owned companies)
- Waiver of deductions due on contracts.

- 6.6.2 If an Executive Director is unsure as to whether a payment or a payment in kind would constitute a subsidy or anti-competitive practice, the advice of the Executive Director of Finance and Commercial Services should be sought in consultation with the Director of Governance where appropriate.

6.7 Projects / Business Cases (including Private Finance 2 (PF2)²)

² Private Finance 2 (PF2) is the current model of Private Finance Initiative (PFI) for new Government projects. At the Autumn Budget 2018, the Government announced that it would no longer use PF2, although existing PFI and PF2 contracts were not affected by the announcement. In the event that PF2 or a successor scheme were to become an option in future, Executive Directors considering such projects should consult with the Executive Director of Finance and Commercial Services during the

- 6.7.1 Executive Directors considering projects or business cases should consult with the Executive Director of Finance and Commercial Services during the preparation of the business case for submission to the County Council or Cabinet (Cabinet if less than £100m).
- 6.7.2 County Council / Cabinet are responsible for approving material projects / business cases at all key stages. The Executive Director is responsible for ensuring that such approvals are sought and obtained from County Council / Cabinet in a timely manner.
- 6.7.3 The Executive Director of Finance and Commercial Services is responsible for:
- ensuring that the project / business case has the necessary support from appropriately skilled financial and procurement specialists at all stages of its procurement, as well as during the operational stage
 - ensuring that the necessary banking arrangements are available in time for the project to commence
 - endorsing the outline business case, including underlying financial assumptions, value for money, and ability to deliver
 - ensuring that the financial implications of all projects are incorporated in financial planning.

Executive Directors are responsible for:

- preparing a business case for submission to County Council / Cabinet prior to commencing the procurement process
- ensuring that the project has the necessary support from appropriately skilled legal and procurement specialists at all stages of its procurement, as well as during the operational stage
- compliance with Contract Standing Orders
- ensuring that, at all stages, cost estimates for both the capital and revenue expenditure are carefully made and reviewed to ensure that they are robust before seeking formal approval from County Council / Cabinet
- ensuring that procedures are in place to limit, as far as reasonably possible, the likelihood of the County Council failing to pay the contractor on time, or otherwise defaulting or making an overpayment
- informing the Executive Director of Finance and Commercial Services of any matter that may lead to termination under the contract. Cabinet is required to approve termination of a contract by use of the Authority Default provisions
- fully considering the risks associated with undertaking a project and reporting them to Cabinet when they are considering the approval of a project
- ensuring that any dedicated bank accounts necessary to enable their projects to function efficiently are set up and properly operated. Any bank accounts opened in the name of the County Council require the approval of the Executive Director of Finance and Commercial Services.

preparation of the business case for submission to the County Council or Cabinet (Cabinet if less than £100m).

6.7.4 In relation to existing PFI and PF2 contracts, Executive Directors are responsible for ensuring that deductions required to the unitary payment for the unavailability of the contracted service or a performance shortfall are made in full in a timely manner. If another service or asset is proposed in exchange for foregoing such deductions, the Executive Director of Finance and Commercial Services is responsible for ensuring that the alternative proposal has a value equal to the foregone deductions.

6.7.5 Where the County Council has the right to make a deduction under the contract, any waiver of the deduction shall be treated as a write-off of debt and shall be covered by the Council's Debt Recovery procedure. When considering the thresholds for approval of the write off, all deductions due in a financial year should be aggregated together.

6.7.6 Private Finance transactions contain complex financial arrangements including (usually) a Funder's Direct Agreement that can obligate the County Council to take over the responsibility for the Contractor's debt in the event of Authority or Contractor default. It is the responsibility of the Executive Director to ensure that the Executive Director of Finance and Commercial Services has all the relevant information regarding these arrangements and of any material financial matters. It is the responsibility of the Executive Director of Finance and Commercial Services to account for the arrangements in accordance with the relevant regulations and proper accounting practice.

6.8 Social Impact Bonds (SIBs)

6.8.1 Social Impact Bonds (SIBs) are a means of commissioning services where payment or funding for the service is conditional on the achievement of specified outcomes. Executive Directors considering such projects should consult with the Executive Director of Finance and Commercial Services during the preparation of the business case for submission to Cabinet.

6.8.2 Cabinet is responsible for approving SIB projects. The Executive Director is responsible for ensuring that such approvals are sought and obtained from Cabinet in a timely manner.

6.8.3 The Executive Director of Finance and Commercial Services is responsible for:

- ensuring that the project has the necessary support from appropriately skilled financial and procurement specialists at all stages of its procurement, as well as during the operational stage
- endorsing the outline business case, including underlying financial assumptions, value for money, and ability to deliver
- ensuring that the financial implications of all SIBs are incorporated in financial planning.

6.8.4 Executive Directors are responsible for:

- preparing a business case for submission to Cabinet at an appropriate
- point ensuring that the project has the necessary support from appropriately skilled legal and procurement specialists at all stages of its procurement, as well as during the operational stage
- compliance with Contract Standing Orders
- ensuring that, at all stages, cost estimates are carefully made and reviewed to ensure that they are robust, that a sufficient budget is available to fund the anticipated level of outcome payments, and there are measures in place to limit the County Council's exposure to uncapped outcome payments
- ensuring that procedures are in place to limit, as far as reasonably possible, the likelihood of the County Council failing to pay the investor on time, or otherwise defaulting or making an overpayment

6.8.5 It is the responsibility of the Executive Director to ensure that the Executive Director of Finance and Commercial Services has all the relevant information regarding the arrangements for the SIB and of any material financial matters. It is the responsibility of the Executive Director of Finance and Commercial Services to account for the arrangements in accordance with the relevant regulations and proper accounting practice.

Annex A - Norfolk County Council's Scheme of Virement

Background

1. The scheme of virement is intended to enable Cabinet, Executive Directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the County Council, and therefore to optimise the use of resources.
2. The scheme is administered by the Executive Director Finance & Commercial Services and Commercial Services within guidelines set by the County Council. Any variation from this scheme requires the approval of the County Council.
3. The overall budget is approved by the County Council. Executive Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure – both revenue and capital. For the purposes of this scheme, a budget head is considered to be the subdivision of Departmental/ service budgets as reported in the County Council Budget Book for the relevant year. Virement does not include the switching of resources between revenue and capital.
4. Virement does not create additional overall budget liability. Executive Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Executive Directors must plan to fund such commitments from within their own budgets.
5. The capital and revenue budgets may contain block allocations of funding for specific purposes. The movement of resources from a block allocation to a specific identified scheme does not constitute a virement provided that the expenditure being incurred is in accordance with the original policy decision agreed by the County Council. If an Executive Director wishes to transfer funding from a block allocation and use it for a different purpose, for example, the transfer of purchase of care from one client group to a different client group, the rules below will apply.

Revenue

6. County Council is responsible for agreeing virement between services (as shown in the budget report to County Council in February each year), and where the virement has a value in excess of £200,000.
7. Cabinet is responsible for agreeing virement between services where the virement has a value of up to £200,000, subject to the prior agreement of the virement by the service department(s) concerned.
8. County Council is also responsible for agreeing virements between budget heads defined in 3 above – within services, where the virement has a value in excess of 1% of the net budget of the service (as shown in the budget report to County Council in February) or £100,000 – whichever is higher. For Children's Services, net budget is calculated exclusive of amounts delegated to schools.
9. All other virements are the responsibility of Executive Directors, subject to consultation with the relevant Cabinet Portfolio Holder, Leader or Deputy Leader and the agreement of the

Executive Director Finance & Commercial Services and Commercial Services.

10. Executive Directors may delegate authority to make virements to other officers, consistent with the above and in accordance with formally agreed departmental arrangements.

Capital

11. County Council is responsible for agreeing virements between services and schemes (as shown in the Capital Budget document produced by the Executive Director Finance & Commercial Services and Commercial Services).
12. County Council is also responsible for agreeing virements greater than £250,000 within services or schemes (as defined above).
13. All other virements are the responsibility of Executive Directors, subject to consultation with the relevant Cabinet Portfolio Holder, Leader or Deputy Leader and the agreement of the Executive Director Finance & Commercial Services and Commercial Services and subject to the service's overall financial provision for capital spending not being exceeded in the current and future years.

Annex B - Norfolk County Council process for the issue of a report under Section 114 of the Local Government Finance Act 1988

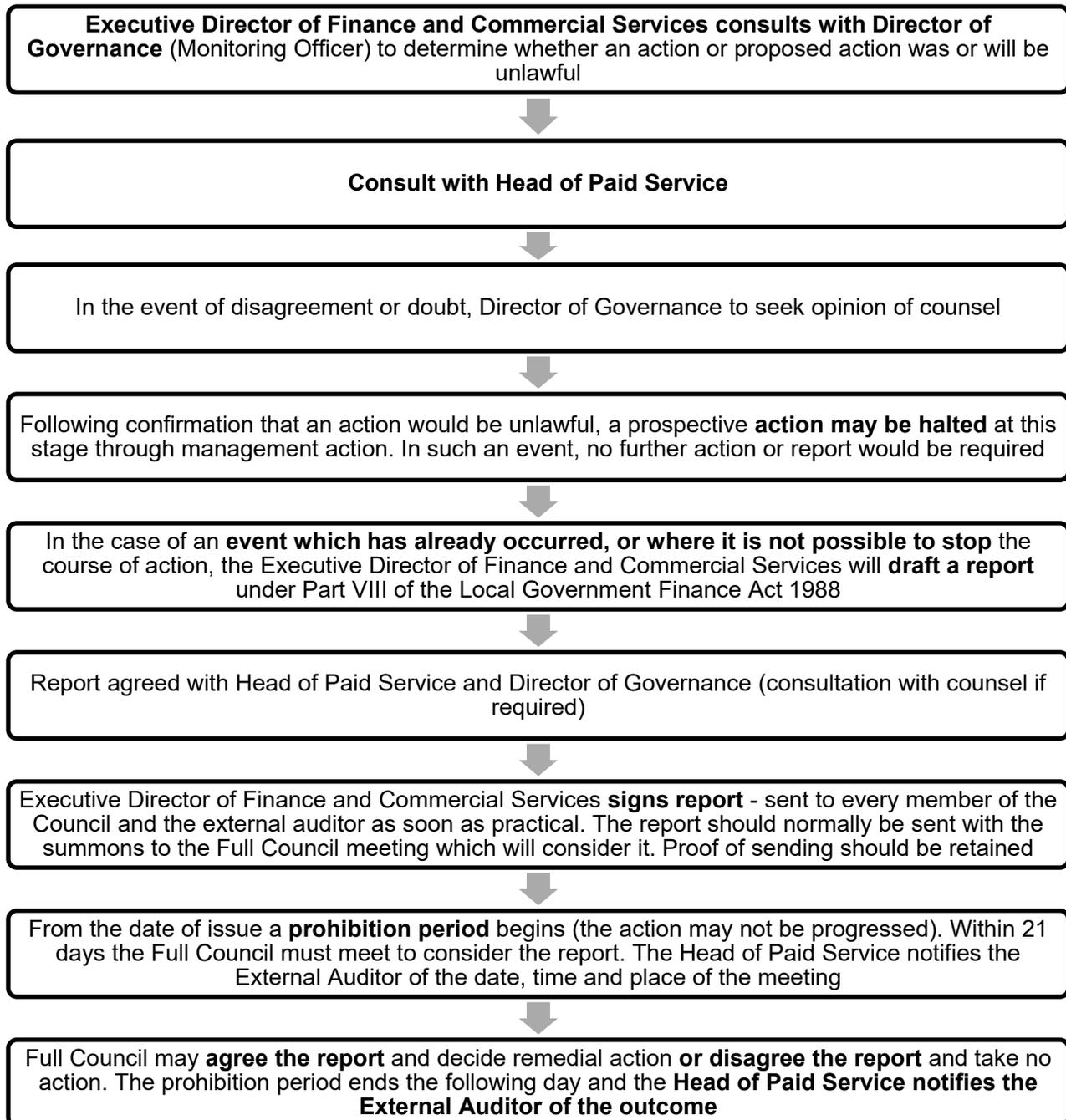
Background

1. Section 114 of the Local Government Finance Act 1988 requires a report to all the authority's Members to be made by the Section 151 Officer (Executive Director Finance & Commercial Services and Commercial Services) in consultation with the Monitoring Officer (Director of Governance) if there is, or is likely to be, unlawful expenditure or an unbalanced budget. The Executive Director Finance & Commercial Services and Commercial Services takes a view of the robustness of the Council's budget across the whole period covered by the Medium-Term Financial Strategy. Making a report under section 114 is likely to have serious implications and this Annex therefore sets out the process and controls which will be adopted prior to such a report being made. It should be noted that the objective of these Financial Regulations and, more broadly, the Council's effective financial management and reporting procedures, is to minimize the prospect of the Executive Director Finance & Commercial Services and Commercial Services being required to make such a report, and such an eventuality is to be avoided if possible.
2. The Executive Director Finance & Commercial Services and Commercial Services has a duty to report to the authority if they believe:
 - that a decision involves, or would involve, unlawful expenditure (114 (2) (a));
 - a course of action is unlawful and is likely to cause a loss or deficiency (114 (2) (b));
 - an entry of account is unlawful (114 (2) (c)).
3. In such circumstances, the Executive Director Finance & Commercial Services and Commercial Services is required to make a report to the authority and send a copy to every Member and the external auditor. The full Council must consider the report within 21 days and the action to which the report relates must not be pursued until this has taken place. The full Council must decide whether it agrees or disagrees with the report and determine the action it proposes to take.
4. The Executive Director Finance & Commercial Services and Commercial Services is also required to inform the authority in the event they believe that expenditure is likely to exceed available resources (114 (3)). The authority then may not enter into agreements incurring expenditure until the report has been considered by the full council.
5. Information leading to the preparation of a section 114 report might arise from a Council Officer (including a member of the Finance and Commercial Services department), a Member of the council, the public, or from the authority's auditors. Members and officers should note that it is the Executive Director Finance & Commercial Services and Commercial Services' duty to investigate possible issues which might lead to a formal report. The statutory duty to make a report rests with the Executive Director Finance & Commercial Services and Commercial Services.
6. A report made under section 114 (2) requires the Executive Director Finance & Commercial Services and Commercial Services to make a judgement that a decision or course of action is unlawful. Such a decision will only be made after consultation with the Director of Governance (Monitoring Officer). A report made under section 114 (3) relates to a financial judgement which may be reached by the Executive Director Finance & Commercial Services and Commercial Services alone, although consultation with the Head of Paid Service and Director of Governance (Monitoring Officer) is still required in case other corporate and legal issues arise as a result of the report.

7. These Financial Regulations adopt the recommendations of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, where further information about the issuing of a section 114 report can be found.

Section 114 Process

8. The process for the issuing of a report under section 114 (2) in relation to an unlawful decision or course of action (either retrospective or potential) is as follows:



The process for the issuing of a report under section 114 (3) in relation to an unbalanced budget position is as follows:

Executive Director of Finance and Commercial Services identifies that **Capital or Revenue expenditure exceeds likely resources** (either for current or future year)



Consult with Head of Paid Service and **seek corrective action** for the relevant year. Executive Director of Finance and Commercial Services considers need for **informal consultation with Internal and External Auditor**



In the event that **corrective action is successful**, no further action or report would be required



In the **event that the corrective action is not successful**, the Executive Director of Finance and Commercial Services will **draft a report** under Part VIII of the Local Government Finance Act 1988



Consultation about report with Head of Paid Service and Director of Governance (Monitoring Officer)



Executive Director of Finance and Commercial Services **signs report** - sent to every member of the council and the external auditor as soon as practical. The report should normally be sent with the summons to the Full Council meeting which will consider it. Proof of sending should be retained



From the date of issue a **prohibition period** begins (no new expenditure may be undertaken). All budget holders (including schools) must be notified of restrictions. Within 21 days the Full Cabinet must meet to consider the report. The Head of Paid Service notifies the External Auditor of the date, time and place of the meeting



Full Council may **agree the report** and decide remedial action **or disagree the report** and take no action. The prohibition period ends the following day and the **Head of Paid Service notifies the External Auditor of the outcome**

Exceptions and Other Considerations

9. There are a number of circumstances which would not necessarily result in the preparation of a section 114 report. These include:
 - Emerging matters or a developing situation. This would include occasions where a view is requested on a proposal which may be under consideration but which if pursued could result in a reportable matter. A simple preliminary request would not give rise to a need to report, although any further developments would need to be monitored.
 - Items of trivial expenditure or loss of income.
 - Cases of discovered fraud (which may in any case lead to criminal prosecution) would not normally result in a requirement for a section 114 report but will be dealt with under the Council's existing Anti-Fraud and Corruption Strategy, as referenced elsewhere within the Financial Regulations.
 - A committee overspend in and of itself is unlikely to give rise to a section 114 report, which would only be required where the Council's total resources are likely to fall short of expenditure and the Executive Director Finance & Commercial Services and Commercial Services judges that there is no reasonable prospect of the position being resolved or mitigated.
10. The above list is not exhaustive. In these and similar circumstances, the Executive Director Finance & Commercial Services will give consideration to the need for a report under section 114, in consultation with other officers as required.
11. In the case of a developing situation, careful consideration will need to be given to the timing of any report, in particular to distinguish between an emerging situation and an actual one. Every reasonable action will be taken to avoid the need for a section 114 report by providing timely financial advice including alternative options to avoid an emerging reportable situation from ultimately arising.

Further Action

12. The Executive Director Finance & Commercial Services and Commercial Services' statutory duties under section 114 are discharged once a report has been issued to full Council. In the event that full Council does not agree with a report issued under section 114, it is likely that any further formal action would be taken by the External Auditor through the issue of an advisory notice under section 29 (schedule 8) of the Local Audit and Accountability Act 2014 or by applying to the court for a declaration under section 31 of the above Act.