

Commission for Local Administration in England

Financial Regulations

1. Introduction

The Local Government Act 1974, as amended by the Local Government & Housing Act 1989, contains powers enabling the Commission to be funded by the Ministry of Housing, Communities & Local Government (“the Ministry”).

2. The Commission

To conduct its business efficiently, the Commission needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations that set out the high level financial policies of the Commission.

The Financial Regulations have been prepared with reference to the [Framework Agreement](#) agreed between the Ministry and the Commission. As a public body, the Commission also has to operate in accordance with government and Treasury guidance on accounting and financial control procedures, as set out in [Managing Public Money](#).

The Financial Regulations are supported by Financial Instructions, procurement instructions and Human Resources policies which set out the day to day operation of activities.

3. Financial year

The financial year of the Commission will run from 1 April to 31 March.

4. Business Plan

The Commission will prepare a Business Plan annually.

5. Annual Budget

The Commission will set and agree its budget annually before the beginning of the next financial year. The budget will reflect the Business Plan objectives and enables their delivery.

The Annual Budget includes estimates of income, revenue expenditure, capital expenditure, and depreciation.

The Head of Finance will prepare annually the estimates of income and expenditure for the forthcoming year beginning 1 April. The estimates will be processed in accordance with the procedures set out in Financial Instructions.

5.1. Changes to Annual Budget

During the course of a financial year, some original budget estimates will need to be amended to reflect changes in circumstances. Changes must be authorised by the Chief Executive Officer (CEO) and documented in accordance with the Financial Instructions.

6. Budgetary control

The CEO will ensure there is a budgetary monitoring system and a scheme of financial delegation in place.

Employees may not incur expenditure on an activity which cannot be met from the amount allocated to that specific activity in the Annual Budget.

The inclusion of items in approved annual revenue or capital budgets shall constitute authority to incur such expenditure, subject to the limits in the scheme of delegation, unless the Executive Team has placed a reservation on such items. In such circumstances, expenditure cannot be incurred until such a reservation is removed. In all cases expenditure must comply with procurement procedures.

Amounts provided for specific activities cannot be diverted to other purposes except as agreed by the Executive Team.

7. Audit

7.1. The Audit and Risk Assurance Committee

The Commission will set up an Audit and Risk Assurance Committee (ARAC); the members of the Committee are three independent members, one of whom will be appointed as the Chair. The Chair of the Commission may also attend Committee meetings, at the Committee's invitation, as an observer and to assist the Committee in its deliberations. The Commission's Accounting Officer and the Head of Finance will be in attendance as will be the principal advisers to the Committee. Other senior staff will attend as required.

The role of ARAC is to advise the Commission, and its Accounting Officer on matters of probity, regularity (including compliance and financial reporting), prudent and economical administration, efficiency and effectiveness as identified by internal and external audit and through the Commission's system of internal control. The internal and external auditors will not be members of the Committee but will attend meetings as appropriate. The Committee will operate in accordance with terms of reference agreed by the Commission.

7.2. External Audit

An independent external audit service shall be appointed to carry out an audit of the accounts of the Commission in accordance with the [Framework Agreement](#).

The auditors will also certify whether the grant paid by the Ministry has been applied in accordance with the arrangements agreed in the Framework Agreement.

External auditors will be selected and appointed in accordance with the [Framework Agreement](#) and in compliance with the Commission's procurement procedures. ARAC will be informed of any appointment.

The Comptroller and Auditor General will audit the Commission's Annual Report and Accounts and will be given complete rights of access to do so.

7.3. Internal Audit

An independent internal audit service shall be appointed to carry out an examination of accounting, financial and other operations of the Commission, on a regular cycle in accordance with standards set out in Treasury's Public Sector Internal Audit Standards (PSIAS).

8. Financial Reporting

The Commission shall receive regular summary reports on the finances of the organisation.

The Executive Team shall regularly receive and review Management Accounts which shall measure actual results compared to Budget.

9. Annual Report and Accounts

Each year the Head of Finance will close and balance the accounts and will prepare a statement of final position (balance sheet) and a statement of comprehensive net expenditure for the year and notify the auditors that the Annual Report and Accounts are ready for examination.

A copy of the provisional Annual Report and Accounts, before audit, will be submitted to ARAC, together with a report by the CEO on the finances for the year. Before final approval, a copy of the pre-final Annual Report and Accounts will also be submitted to the Ministry. After the completion of the annual audit, the CEO will submit to ARAC and then to the Commission a copy of the audited Accounts, together with the Audit Certificate and Report.

The Commission shall approve the Annual Report and Accounts and they shall be signed by the Chief Executive.

The Annual Report and Accounts should be laid before Parliament before the summer recess and no later than six months after the end of the financial year, unless an extension is allowed by the Ministry. Copies will also be sent to the Ministry and to the Local Government Association.

Accounting Regulations

10. Accounting

The Commission maintains proper accounting records and produces financial statements in accordance with the [Framework Agreement](#) and the Government Financial Reporting Manual issued by the Treasury (“the FReM”).

As Accounting Officer, the CEO is responsible for ensuring compliance with this, and he/she delegates the task to the Head of Finance.

In designing financial procedures, controls, checks and balances will be put in place to reduce the risk of error and fraud consistent with the Fraud & Bribery Policy Statement.

The CEO, advised by the Head of Finance, is responsible for determining accounting policies and ensuring that they are applied consistently.

The CEO, advised by the Head of Finance, is responsible for determining the accounting procedures and records for the Commission.

The CEO, advised by the Head of Finance, is responsible for ensuring that the Annual Report and Accounts are prepared in accordance with the requirements of the Framework Agreement and the FReM.

11. Investments and borrowings

All investments of money will be made in the name of the Commission. All lease purchase arrangements and overdraft facilities will be arranged only in the name of the Commission. The Head of Finance will maintain records of all investments, lease purchases and overdraft facilities in the name of the Commission.

Investments will be supervised by the Head of Finance to ensure that all surplus funds are invested wisely and with minimal risk. Unless specifically authorised by the Commission, investments will be restricted to placing funds surplus to immediate requirements in deposit accounts, or to the Commission’s bankers for investing on fixed deposit or on the money market.

The Commission may, for the purpose of short-term management of its finances, borrow from any person by way of overdraft or otherwise. The Commission can only borrow in the long-term from the Secretary of State.

12. Banking arrangements

The CEO is responsible for ensuring that the Commission's banking arrangements are in accordance with the requirements of Government Accounting.

The CEO has delegated responsibility for opening any bank account in the name of the Commission.

The opening of all new bank accounts can only be undertaken following the specific authority of the Commission.

The nomination of authorised signatories can only be undertaken following the specific authority of the Executive Team.

The Head of Finance must advise the bankers in writing of the conditions under which the accounts are to be operated.

The banking arrangements of the Commission shall be reviewed, by the Head of Finance, at regular intervals of approximately three years. Bankers will be appointed by the Commission in compliance with the procurement procedures.

13. Cheques / Payments

Cheques drawn on the Commission's bank account will be signed in accordance with the bank mandate. Electronic payments drawn on the Commission's bank account will be authorised in accordance with the bank mandate. The Head of Finance will advise the bankers in writing of the officers authorised by the Executive Team to sign cheques or release money from Commission accounts, and will notify them promptly of the cancellation of any such authorisations.

14. Staffing and Payroll

All new recruitment must be within the financial limits set out in the Annual Budget and must be approved by the Executive Team.

The payment of the monthly net pay must be authorised in advance by at least one of the Head of Finance or the CEO, and retrospectively authorised by both.

15. Procurement

All purchases made by the Commission will take into account the need to secure value for money and exercise propriety when expending Commission resources. This will include competitive and transparent tendering procedures at appropriate levels of expenditure.

The Commission delegates the establishment of procurement procedures to the CEO who should ensure that such procedures are operated effectively and reviewed periodically.

Goods and services procured must be for the purposes and within the financial limits set out in the Business Plan and Annual Budget.

To ensure that control is maintained, the ordering function will be separated from the certifying and payment functions. Responsibility for initiating orders for goods and services and arrangements for payment will be as described in Financial Instructions.

The CEO can authorise the waiver of Financial Instructions where less than the required number of quotations has been obtained; or it is appropriate to accept a quotation other than the lowest received.

The Head of Finance will submit to ARAC details of the waiver of Financial Instructions approved by the CEO.

16. Payment of accounts

The Head of Finance has responsibility for ensuring bills are paid in accordance with the terms of contracts, that there is a system for dealing quickly with complaints, and will advise suppliers or contractors when an invoice (or part of any invoice) is disputed.

17. Protection of financial data

The Head of Finance is responsible for the accuracy and security of the financial data held by the LGSCO and will ensure adequate and appropriate procedures are in place to protect the Commission and individuals from inappropriate use or misuse of the data.

18. Travelling, subsistence, hospitality and hotel allowances

All claims for payment of car, hospitality, hotel and subsistence allowances, travelling and incidental expenses will be submitted, duly certified in accordance with the Travel and Subsistence Policy, to the Head of Finance.

19. Income

The Head of Finance will arrange for invoices to be issued as appropriate and will take such measures as are necessary to ensure income due is received.

20. Risk

The Commission will ensure that an appropriate system of risk management is in place and regularly reviewed. ARAC will be responsible for reviewing the effectiveness of the system.

21. Insurance

On behalf of the Chief Executive, the Head of Finance is responsible for assessing the need for insurance cover and annually reviewing insurance requirements.

22. Leases

The Commission may not enter into property or finance leases without the prior approval of the Ministry.

23. Assets, money and stores inventories

The Head of Finance will take measures to ensure the safeguarding of the Commission's assets, the reliability of its records, and the adequacy of checks carried out before payment of any account and will institute any examination of the accounting, financial and other operations of the Commission as necessary.

24. Fraud

The Commission has a policy in place for preventing bribery and fraud.

Nigel Ellis
Accounting Officer

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