

ESSEX FIRE AUTHORITY FINANCIAL & PROCUREMENT REGULATIONS



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OVERVIEW OF FINANCIAL REGULATIONS

1. These regulations provide the framework for managing the Authority's financial affairs. They apply to every Member and Officer of the Authority and anyone acting on its behalf. All financial and procurement activities must be carried out in accordance with the regulations.
2. For the purpose of these regulations the term "Principal Officers" includes the posts of the Chief Fire Officer, Deputy and Assistant Chief Fire Officers, other Directors and the Finance Director & Treasurer. The "Finance Director & Treasurer" is the Officer designated to undertake the duties specified under Section 151 of the Local Government Act 1972. The Deputy Finance Director is the Deputy Section 151 Officer.
3. The Regulations should be read in conjunction with and as part of the set of documents setting out the regulatory framework for the Authority. This includes Standing Orders and Delegation arrangements. These Regulations are subject to all applicable UK legislation, general financial guidance provided by UK accountancy institutes and specific guidance to Authorities provided by the Government.

Financial responsibilities

4. The regulations identify the financial responsibilities of the Authority, the Policy & Strategy Committee, the Chief Fire Officer and Principal Officers. A written record should be retained where decision-making has been delegated to members of their staff, including seconded staff and contractors. Where decisions have been delegated or devolved to other responsible Officers, references to the Principal Officers in the regulations should be read as referring to them.
5. The Authority is responsible for the Members' code of conduct and for approving the policy framework and budget within which the Authority operates. It is also responsible for approving and monitoring compliance with the overall framework of accountability and control. The Authority also approves the Capital Financing policy and the Pay policy applicable to Principal Officers. The Authority is responsible for approving procedures for the delegation of powers to committees and Officers.
6. The Policy & Strategy Committee has delegated powers for financial matters including the approval of major projects, monitoring income and expenditure and agreeing significant budget virements, agreeing the Annual Governance Statement and approving the Authority's accounts.

General Responsibilities

7. All Authority Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

Reviewing and changing financial & procurement regulations

8. The Finance Director & Treasurer is responsible for maintaining a continuous review of the financial & procurement regulations and submitting any additions or

changes necessary to the Policy & Strategy Committee for approval. The Finance Director & Treasurer is also responsible for reporting, where appropriate, breaches of the financial regulations to the Authority. Any evidence of non-compliance with the Regulations must be reported to the Finance Director & Treasurer.

9. Any-one wishing to act outside the provisions of these regulations, in a specific instance, must seek the written approval of the Finance Director & Treasurer. Such approvals shall be reported to Members in a timely manner.

Awareness of existence and content of financial regulations

10. The Principal Officers are responsible for ensuring that all of their staff are aware of the existence and content of the Authority's financial and procurement regulations and other internal regulatory documents and that they comply with them.
11. The Finance Director & Treasurer is responsible for issuing advice and guidance to underpin the financial regulations that Members, Officers and others acting on behalf of the Authority are required to follow. Notes and guidance may expand, but not contradict the regulations. Any consultation required under these regulations must allow sufficient time for a proper consideration of any issues.

Financial Management

12. Financial management covers all financial accountabilities in relation to the running of the Authority, including the policy framework, revenue budget, and capital programme.
13. The roles of the Policy and Strategy Committee, the Audit, Governance & Review Committee can be found in the document detailing the Authority's Constitution. With particular reference to these regulations, the Policy & Strategy Committee has responsibility for considering financial matters appertaining to the Authority. The Audit, Governance and Review Committee has responsibility for considering the annual external audit letter, internal audit reports and the annual report of the Internal Auditor.

The Statutory Officers

14. The **Chief Fire Officer** is responsible for the corporate and strategic management of the Fire and Rescue Service as a whole. The Chief Fire Officer must report to and provide information for the Authority and its committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Fire Officer is also responsible, together with the Clerk, for the system of record keeping in relation to all the Authority's decisions.
15. The **Monitoring Officer** is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or mal-administration to the Authority. In addition, the Authority must approve delegation arrangements to Officers. The Monitoring Officer is responsible for advising all Members and Officers about who has authority to take a particular decision.

16. The Monitoring Officer (together with the Finance Director & Treasurer) is responsible for advising the Authority about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:
 - 16.1. Committing expenditure in future years to above the budget level; and
 - 16.2. Authorising virements outside the limits set under financial regulations;
17. The **Finance Director & Treasurer** has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden.
18. The Finance Director & Treasurer is responsible for:
 - 18.1. The proper administration of the Authority's financial affairs;
 - 18.2. Setting and monitoring compliance with financial management standards;
 - 18.3. Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
 - 18.4. Ensuring the provision of appropriate financial information;
 - 18.5. Ensuring that the above standards apply to the preparation of the revenue budget and capital programme;
 - 18.6. The overall management of the internal audit function in accordance with the Accounts and Audit Regulations 2003;
 - 18.7. All taxation issues that affect the Authority including maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate; and
 - 18.8. Borrowing and Lending within limits approved by the Authority.
19. Section 114 of the Local Government Finance Act 1988 requires the Finance Director & Treasurer to report to the Authority and external auditor if the Authority, Policy & Strategy Committee or one of its Officers or Members:
 - 19.1. Has made, or is about to make, a decision which involves incurring unlawful expenditure;
 - 19.2. Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority; or
 - 19.3. Is about to make an unlawful entry in the Authority's accounts.
20. Section 114 of the 1988 Act also requires the Finance Director & Treasurer to nominate a properly qualified Member of staff to deputise should the Finance Director & Treasurer be unable to perform the duties under section 114 personally. The Authority shall provide the Finance Director & Treasurer with sufficient staff, accommodation and other resources, including legal advice where

this is necessary, to carry out the duties under section 114. The Deputy Finance Director is the nominated deputy.

21. Under part 2 of the Local Government Act 2003 there is a duty on the Finance Director & Treasurer to report at Authority Tax setting on “the robustness of the estimates and the adequacy of proposed reserves”.
22. Principal Officers are responsible for ensuring that Members are advised of the financial implications of all proposals, that the financial implications have been agreed by the Finance Director & Treasurer; and for signing contracts on behalf of the Authority. It is the responsibility of Principal Officers to consult with the Finance Director & Treasurer and seek approval on any matter liable to materially affect the Authority’s finances, before any commitments are incurred.

Audit Requirements

23. The Accounts and Audit (England) Regulations 2011 require every local Authority to maintain an adequate and effective internal audit. The Authority has a contract with a third party supplier to provide this service.
24. The Audit Commission is responsible for appointing external auditors to each local authority under Section 3 of the Audit Commission Act 1998. The Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

Preventing fraud and corruption

25. The Finance Director & Treasurer is responsible for the development and maintenance of the Anti-fraud Policy. That policy clarifies the responsibilities of employees, contractors and suppliers and requires all suspected instances of fraud or bribery to be reported to the Finance Director & Treasurer for investigation. To demonstrate that the Organisation has in place sufficient and adequate procedures and to show openness and transparency all staff are required to comply with the requirements of Declaration of Interest Policy. Should members of staff wish to report any concerns or allegations, they should contact the Authority’s Finance Director & Treasurer.
26. The Finance Director & Treasurer shall be the officer responsible for ensuring compliance with the Money Laundering Regulation 1993.

Assets

27. Principal Officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

FINANCIAL PROCEDURES

28. All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and by the controls that are in place to ensure that these standards are met.

29. The Finance Director & Treasurer's responsibilities are set out in regulations 17 to 20. They include the responsibility for setting and monitoring compliance with financial management standards.
30. The responsibilities of Principal Officers are to promote the financial management standards set by the Finance Director & Treasurer in their departments and to monitor adherence to the standards and practices.

Virement

31. Virement is intended to enable Budget Managers to manage budgets with a degree of flexibility within the overall policy framework determined by the Authority, and therefore to optimise the use of resources. The Finance Director & Treasurer administers it within guidelines set by the Authority. Any variation from this scheme requires the approval of the Policy & Strategy Committee.
32. The overall budget is approved by the Authority. Principal Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement (i.e. switching resources between approved estimate headings of expenditure or income).
33. Virement does not create additional overall budget liability. Principal Officers 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. Principal Officers must plan to fund such commitments from within their own budgets.
34. The Finance Director & Treasurer must report with the Chief Fire Officer to the Policy & Strategy Committee where revenue and capital virements, between policy based budgets, in excess of specified financial limits are proposed (see regulations 194 to 204 – Financial Limits).
35. Virements in relation to asset charges or other budget headings that are outside the direct control of the Principal Officers or where a proposal would adversely affect long-term revenue commitments require Member approval. Where there are budget movements which are the consequence of Authority approved changes no further approval for the virement is required.

Treatment of year-end balances

36. The Policy & Strategy Committee determines the treatment of year-end balances. The Finance Director & Treasurer administers the scheme in accordance with the guidelines set by the Policy & Strategy Committee. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. Appropriate accounting procedures are in operation to ensure that carried forward totals are correct.
37. Principal Officers must submit to the Finance Director & Treasurer all requests for approval of carry-forward of under-spends with supporting reasons for the request. These will be assessed to determine that no material commitments in future years will result from the change that can not be accommodated within the

base budget. Proposals will be submitted to the Policy & Strategy Committee for approval.

Accounting policies

38. The Finance Director & Treasurer is responsible for the preparation of the Authority's statement of accounts, in accordance with proper practices as set out in the format required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and the IFRS Code for each financial year ending 31 March. Suitable accounting policies are determined by the authority, on the advice of the Finance Director & Treasurer, applied consistently and set out in the Statement of Accounts.

Accounting records

39. The Finance Director & Treasurer is responsible for determining the accounting procedures and records for the Authority. The Finance Director & Treasurer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The Authority is responsible for approving the annual statement of accounts in accordance with the timetable specified in the Accounts and Audit Regulations 2011.
40. Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility in preparing its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.
41. All the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis. Procedures are in place to enable accounting records to be reconstituted in the event of systems failure. Reconciliation procedures are carried out to ensure transactions are correctly recorded; Prime documents are retained in accordance with legislative and audit requirements.
42. The Finance Director & Treasurer shall ensure that there is adequate segregation of duties so that the duties of providing information is separate from calculating, checking and recording these sums and employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
43. The Finance Director & Treasurer shall make proper arrangements for the audit, approval and publication of the Authority's accounts in accordance with the Accounts and Audit Regulations 2011. They shall ensure that all claims for funds including grants are made by the due date.

FINANCIAL PLANNING

44. The way in which the Fire Authority manages community risk and meets its responsibilities under the Fire and Rescue Services Act 2004 is set out in an Integrated Risk Management Plan. For internal planning purposes the Authority

adopts a corporate strategy and the annual planning and budget cycle is used to enable Budget Managers to demonstrate their plans for achievement of the Corporate Strategy and the financial impact of those plans set out in their departmental budgets. The Authority is responsible for agreeing the Authority's policy framework and budget.

45. The general format of the budget will be approved by the Authority and proposed jointly by the Chief Fire Officer and Finance Director & Treasurer. The budget should include allocation to different services and projects, proposed taxation levels and contingencies. The Finance Director & Treasurer, in consultation with the Chief Fire Officer, is responsible for co-ordinating the preparation of the budget on an annual basis for consideration by the Policy & Strategy Committee, before submission to the Authority. The Finance Director & Treasurer shall also submit Medium Term Financial Projections covering at least a three year period to the Policy & Strategy Committee in advance of the detailed budget process. The Authority may amend the budget or ask the Policy & Strategy Committee to reconsider it before approving it.
46. It is the responsibility of Principal Officers to ensure that revenue budget and capital programme proposals reflecting agreed service plans are submitted to the Finance Director & Treasurer and that these estimates are prepared in line with guidance issued by the Finance Director & Treasurer. The Finance Director & Treasurer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Finance Director & Treasurer must monitor expenditure against budget allocations and report to the Policy & Strategy Committee and the Audit, Governance & Review Committee on the overall position on a regular basis.
47. It is the responsibility of Principal Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Finance Director & Treasurer. They should explain variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Finance Director & Treasurer to any problems.
48. The Authority is responsible for delivering a variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Authority's plans and policies.
49. A report on new proposals should explain the full financial implications, following consultation with the Finance Director & Treasurer. Unless the Authority or Policy & Strategy Committee has agreed otherwise, Principal Officers must plan to contain the financial implications of such proposals within their budget.
50. The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Authority. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Authority not to balance its budget.
51. Medium-term planning (or a three to five year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Authority is always preparing for events in advance.

52. The key controls for budgets and medium-term planning are:
- 52.1. Specific budget approval for all expenditure;
 - 52.2. Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Policy & Strategy Committee for their budgets and the level of service to be delivered; and
 - 52.3. A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.
53. The Finance Director & Treasurer shall prepare and submit reports to the Policy & Strategy Committee on the aggregate spending plans of Services and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council tax to be levied. They will advise on the medium-term implications of spending decisions and encourage the best use of resources and value for money. The Finance Director & Treasurer will work with Principal Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
54. It is the responsibility of the Finance Director & Treasurer to advise the Authority on budget proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972 and the Local Government Act 2003.
55. The responsibilities of the Principal Officers are to prepare estimates of income and expenditure, in consultation with the Finance Director & Treasurer. They shall prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by the Finance Director & Treasurer.
56. Principal Officers shall integrate financial and budget plans with service planning, so that budget plans can be supported by financial and non-financial performance measures. When drawing up draft budget requirements, the Principal Officers should have regard to spending patterns and pressures revealed through the budget monitoring process. They shall reflect legal and Fire Authority policy requirements.

Budget preparation, monitoring and control

57. Budget management ensures that once the Authority has approved the budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls managers to account for defined elements of the budget.
58. By identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a

service function. Budgetary control should take place at the lowest practical level.

59. Budget managers should be responsible only for income and expenditure that they can influence with only one nominated budget manager for each department. Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
60. Budget managers shall follow an approved certification process for all expenditure. Performance levels/levels of service should be monitored in conjunction with the budget and necessary action is taken to align service outputs and budget. Principal Officers and senior managers should supervise the financial management of those reporting to them.
61. The Finance Director & Treasurer shall ensure there is an appropriate framework of budgetary management and control that ensures that budget management is exercised within annual cash limits unless the Authority agrees otherwise. They shall provide budget holders with timely information on receipts and payments on each budget that is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
62. All Officers responsible for committing expenditure shall comply with relevant guidance, and the financial regulations. Each cost centre shall have a single named manager, determined by the relevant Principal Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure. Significant variances from approved budgets shall be investigated and reported by budget managers regularly.
63. The Finance Director & Treasurer shall oversee the Authority's scheme of virement. He shall provide reports to the Policy & Strategy Committee and to the Authority, in consultation with the Chief Fire Officer, where the Chief Fire Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.
64. Reports shall be submitted on the Authority's projected income and expenditure compared with the budget on a regular basis.

Capital programme

65. The Finance Director & Treasurer, in consultation with the Chief Fire Officer, is responsible for preparing capital programmes on an annual basis for consideration by the Policy & Strategy Committee before submission to the Authority. The Finance Director & Treasurer will issue guidelines on revenue budget and capital programme preparation to Principal Officers.
66. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

67. Capital expenditure is authorised by the Strategic Management Board or the Policy & Strategy Committee. Decisions on projects within an approved programme may be delegated to the Programme Board, or the Strategic Delivery Board. The approval process will agree the business case for the expenditure, the timeline for the project or programme, and the projected benefits. Monitoring of projects and programmes will be co-ordinated through the Programme Management Office. Reports will be prepared and submitted to the Policy & Strategy Committee on the projected income, expenditure and resources compared with the approved estimates.
68. The Finance Director & Treasurer shall issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The Finance Director & Treasurer, having regard to government regulations and accounting requirements, will determine the definition of capital expenditure.

Reserves

69. It is the responsibility of the Finance Director & Treasurer to advise the Policy & Strategy Committee and the Authority on prudent levels of reserves for the Authority. The level of reserves should make a general recognition of potential expenditure in respect of emergencies/disasters including those that may be subject to eventual funding under the Bellwin Scheme of Government support.
70. The Authority must decide the level of general reserves it wishes to maintain before it can decide the level of Council tax. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items. Reserves shall be maintained in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies. For each reserve established, the purpose, usage and basis of transactions should be clearly identified. Authorisation of expenditure from reserves shall be by the Policy & Strategy Committee with the advice of the Finance Director & Treasurer.
71. Under section 114 of the Local Government Finance Act 1988 the Finance Director & Treasurer must report to Authority if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. Part 2 of the Local Government Act 2003 imposed a duty upon the Finance Director & Treasurer to report, at Council Tax setting, on “the robustness of estimates and the adequacy of proposed reserves”.

Internal Control

72. Internal control refers to the systems of control devised by management to help ensure the Authority’s objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority’s assets and interests are safeguarded. The Finance Director & Treasurer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
73. The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic

objectives. The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations. The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

74. Key controls should be reviewed on a regular basis and the Policy & Strategy Committee must make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively; This is informed by a report to the Audit Committee which reviews the governance arrangements for the Authority's finances.
75. Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
76. Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
77. An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

Internal Audit

78. The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'. The Accounts and Audit Regulations 2011 require that the 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices'.
79. Accordingly, internal audit is an independent and objective appraisal function established by the Authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
80. The key control for internal audit is that it is independent in its planning and operation. The Internal Auditor shall have direct access to the Chief Fire Officer, all levels of management and elected Members. The internal auditors comply with the Auditing Practices Board's guideline Guidance for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.
81. The Finance Director & Treasurer shall ensure that internal auditors have the authority to access premises at reasonable times; access all assets, records, documents, correspondence and control systems. They shall receive any information and explanation considered necessary concerning any matter under

consideration and may require any employee of the Authority to account for cash, stores or any other asset under his or her control.

82. Internal Audit may access records belonging to third parties, such as contractors, when required and have direct access to the Chief Fire Officer, the Audit, Governance and Review Committee and Authority Members. The Audit, Governance & Review Committee will approve the strategic and annual audit plans prepared by the Internal Auditor, which shall take account of the characteristics and relative risks of the activities involved.
83. Any suspicion of fraud, corruption or other financial irregularity in respect of either Authority or private funds shall be reported to the Finance Director & Treasurer for investigation in accordance with the Anti-Fraud Policy. The Finance Director & Treasurer shall ensure that the Internal Auditor is given an opportunity, in a timely manner before live operation, to evaluate the adequacy of new systems for maintaining financial records, or records of assets, or changes to such systems.

External audit

84. The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes. The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties.
85. The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts "presents a true and fair view" of the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements. The Audit Commission appoints external auditors normally for a minimum period of five years. Changes to the appointment process are expected by 2016.

Preventing fraud and corruption

86. The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority. The Authority's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Authority has adopted a separate Anti-Fraud Policy covering Members, employees, contractors and suppliers.
87. The Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.
88. The Authority has an effective anti-fraud policy and maintains a culture that will not tolerate fraud or corruption. All Members and staff act with integrity and lead by example. Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.

89. For Members and senior Officers a register of interests is maintained and any hospitality or gifts accepted must be recorded. There are whistle blowing procedures in place and operate effectively. The Authority maintains an anti-fraud and anti-corruption policy.
90. The Internal Auditor will periodically report significant matters to the Chief Fire Officer and Audit Sub-Committee.
91. The responsibilities of the Principal Officers are to instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour. They shall ensure that all suspected irregularities are reported to the Finance Director & Treasurer who shall determine whether to seek investigation by the Internal Auditor. Where sufficient evidence exists to believe that a criminal offence may have been committed, after consultation with the Finance Director & Treasurer, to ensure that the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.

Security of assets

92. The Authority holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.
93. The responsibilities of the Finance Director & Treasurer are to ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of a specified financial limit (see regulations 194 to 204 – Financial Limits). The Finance Director & Treasurer shall ensure that each Principal Officer provides information for costing and the maintenance of financial records. They shall ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom:
94. Principal Officers shall ensure that lessees and other prospective occupiers of Authority land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Finance Director & Treasurer and Clerk has been established as appropriate. Title deeds for all property shall be passed to the Essex Legal Services who are responsible for custody of all title deeds.
95. Principal Officers shall ensure the proper security of all buildings and other assets under their control. Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Principal Officer and the Finance Director & Treasurer. Principal Officers shall ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority. They will ensure that assets are identified, their location recorded and that they are appropriately marked, after consultation with the Finance Director & Treasurer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
96. Disposal or part exchange of assets that are no longer required should normally be by competitive tender or public auction, unless, following consultation with the Finance Director & Treasurer, the Policy & Strategy Committee agrees otherwise.

97. All employees have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Authority in some way.

FINANCIAL SYSTEMS AND PURCHASING PROCEDURES

98. Sound systems and procedures are essential to an effective framework of accountability and control. The Finance Director & Treasurer is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Principal Officers to the existing financial systems or the establishment of new systems must be approved by the Finance Director & Treasurer.
99. Principal Officers are responsible for the proper operation of financial processes in their own departments. Any changes to agreed procedures by Principal Officers to meet their own specific service needs should be agreed with the Finance Director & Treasurer. Principal Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Principal Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.
100. The Authority has many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Most systems are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
101. The Finance Director & Treasurer has a professional responsibility to ensure that the authority's financial systems are sound and should therefore agree any new developments or changes in any system involving financial transactions, assets, purchasing, stock or sales.

Procurement

102. Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that the Service obtains value for money from the purchasing arrangements. .
103. Every Officer and Member of the Authority has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Authority, in accordance with appropriate codes of conduct. Official orders must be in a form approved by the Finance Director & Treasurer. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases, e-ordering of approved supplies from an agreed supplier or other exceptions agreed by the Finance Director & Treasurer.
104. Each order must conform to the guidelines approved by the Authority on central purchasing and the standardisation of supplies and materials. Standard

terms and conditions must not be varied without the prior approval of the Finance Director & Treasurer.

105. The normal method of payment from the Authority shall be by BACS or other instrument or approved method, drawn on the Authority's bank account by the Finance Director & Treasurer. The use of direct debit shall require the prior agreement of the Finance Director & Treasurer. Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts except where they are used to provide specific employee benefits.
106. All goods and services should be ordered only by appropriate persons and are correctly recorded. Goods and services received are checked to ensure they are in accordance with the order. It is preferable that goods should not be received by the person who placed the order. Payments are not made unless goods have been received by the Authority to the correct price, quantity and quality standards. All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule. The responsibilities of the Finance Director & Treasurer are to:

Purchasing Procedures

107. The aims of the purchasing procedures are to achieve for the Authority the best value obtainable in the market (recognising the need to balance quality and whole life cost) with full accountability but without disproportionate procedural and procurement costs. The use and interpretation of the standards must reflect the legal and ethical framework within which the Authority and its Members, officers and employees must operate.
108. The procedures apply to all contracts made for, by or on behalf of the Authority with the exception of Contracts for any interest in land and employment contracts (but contracts for the supply of agency staff do come within these standards), including the renewal or extension of contracts beyond their original scope or term in the same way as they apply to the formation of new Contracts.
109. The procurement activities are subject to all applicable UK and EU legislation and in particular that relating to EU Regulations, Compulsory Competitive Tendering and other tendering procedures. They apply to all parts of the Authority's business and where the Authority is acting as an agent for another body. Any modification to the tendering procedure must be approved in advance by the Finance Director & Treasurer. Where the Authority is a member of any consortium or similar body, or is collaborating with another body which is acting as its agent, the regulations of that body shall apply, but the Finance Director & Treasurer or his delegated Procurement Officer shall not enter into any such arrangements unless satisfied that the Authority will thereby achieve best value for money and proper control within the consortium or by the agent over procurement arrangements.

Duties of Officers

110. The Chief Fire Officer and Directors may delegate authority within the Service to departmental heads and other officers to act for them under these standards and the expression "Officer" includes such designated officers except where expressly excluded.

111. Officers shall ensure that all staff involved in procurement processes are properly trained, managed and monitored. They will ensure that records required under these standards are fully kept and available to persons needing to see them, including the notification to the Purchasing & Supplies Manager and the inclusion in the Authority's contract register of all contracts with a life time value greater than £50,000;
112. Subject to being satisfied that the interests of the Authority will be best served thereby (by reason of continuity of supply, price, value for money or other sufficient reason), an Officer may authorise changes to the price or time period of an existing Contract, where this is allowed for under the terms of the contract.

Duties of Procurement Officers

113. Procurement Officers are those Officers and staff directly involved in the procurement process. Procurement Officers shall ensure that a Product or Service Specification is sufficiently well defined so as to enable all Bidders to submit a competitive price on the basis of equal and full information.
114. Procurement Officers shall ensure that the procedure used is as transparent and fair to all prospective Bidders as practicable. They shall ensure Contracts entered into meet the requirements set out in these procedures. Procurement Officers shall record (with reasons), sign and date any duly authorised decision taken under these standards.
115. Any person engaged to manage a procurement process or contract award on behalf of the Authority who is not an Officer of the Authority shall comply with these procedures. Where arrangements are made as part of consortium the procedures of the lead authority or another partner within the consortium may be used.

PROCUREMENT PROCEDURES

116. Before starting any procurement process, Procurement Officers shall determine the estimated value of the contract. The Table below sets out the procedure that will normally be used:

Contract Value	Procurement Options
Under £10,000	Minor Contract Procedure
£10k - £60k	Competitive Contract Procedure
£60-175k (Services)	Formal Tender Procedure or Mini-Tender within existing Framework
£175k + (Services)	OJEU Tender Procedure OGC or other framework
£60k-£5,000k (Construction)	Formal Tender Procedure
£5,000k+ (Construction)	OJEU Tender Procedure

117. Specific requirements of UK or EU legislation, or other statutory regulation, guidance or code of practice governing the procurement (including compliance

with Compulsory Competitive Tendering rules) shall be followed (even if they conflict with these standards). In all cases procedures for higher value contracts may be used.

Minor Contract Procedure

118. Minor Contracts and orders for the provision of goods and Services may be let without competitive tender, or quotation. Where alternative suppliers are available reference should be made to published price information, quotations or other competitive pricing information before the award of the contract, or the issuing of the Purchase Order. Deadlines for competitive quotations or formal tenders may also be used.

Competitive Contract Procedure

119. Contracts but do not exceed £60,000 may be let after inviting quotations, prices or tenders from at least three alternative suppliers. For areas where there is a regular requirement for procurement there should be a standing approved list of suppliers who should be approached. Decisions about the names of suppliers on such an approved list shall be authorised at Deputy Director or equivalent level. A record of the bids received shall be kept and the reasons for the award of contract recorded.
120. The Purchasing & Supplies Manager will maintain a contracts register for all contracts with a lifetime value greater than £50,000.

Formal Tender Procedure

121. For contracts with an estimated value greater than £60,000 up to the EU threshold limits a more formal tender process will apply. There shall be a written specification of the goods or services required, and potential suppliers should be asked to return unmarked tenders by a common date and time. A person independent of the manager awarding the contract shall witness the opening of the tenders.
122. Post tender discussions may be conducted with suppliers, but the Purchasing and Supplies Manager shall be informed about all such discussions, and may choose to be present.

EU Procedures

123. The Purchasing and Supplies Manager will have responsibility for the management of all procurement exercises where the expenditure is above the EU thresholds and the laid down EU procedures shall be followed.

Exceptions

124. The procedures outlined above shall be followed except where specific exemptions apply. The decision to apply an exemption shall be taken at the next higher level to the person authorised to commit the expenditure. The following specific exemptions may apply:
- 124.1. the Product or Service is required so urgently that the standard procedure cannot be followed. An urgency reason shall be a reason

outside the control of the authority; This option may not be used where OJEU rules apply;

- 124.2. it is for other reasons demonstrably in the best interests of the Authority to negotiate with a single supplier only or it is not reasonably practicable or in the Authority's interest to invite tenders;
- 124.3. The procurement is being made under an existing framework agreement and the indicative prices in the framework are below those expected from the market;
- 124.4. The procurement is for a service activity where the personal quality of the personnel engaged in the activity is the major element of the procurement, such as architects, financial consultants and legal advisers. Quotations, tenders or Framework prices may be accepted or reviewed on grounds which award a greater weight to quality than to price. Officers shall seek to include appropriate mechanisms for the control of fees payable and ensure that bidders are aware of the relevant evaluation criteria and rankings before submitting their tenders. Due regard is to be given to EU Regulations (specifically Negotiated and Competitive Dialogue Procedures) in so much that this process does not conflict with these; or
- 124.5. The declared prices procedure may be used to maximise the value obtained from a fixed sum. Under this procedure, the Authority indicates the price it is willing to pay for a product or service and asks bidders to indicate what they are willing to supply at that price. The procurement officer may inform potential bidders of the sum available and negotiate the products or services to be supplied in return. This procedure should only be used where it is demonstrably in the Authority's best interest and has prior member approval. Due regard is to be given to EU Regulations (specifically Negotiated and Competitive Dialogue Procedures) in so much that this process does not conflict with these.

Private Interests

- 125. No member, employee or agent of the Authority shall improperly use his or her position to obtain any personal or private benefit (including benefit accruing to connected third parties) from any Contract entered into by the Authority. Members and employees shall have due regard to the registration of relevant interests in the registers maintained for that purpose by the Executive Support Team.

Tender Processes

- 126. Procurement Officers shall ensure that any tender rejected for late delivery shall be immediately returned to the sender and no details within such tender shall be recorded or disclosed. If an error is identified within a Tender, the Bidder shall be given the opportunity of either confirming or withdrawing the tender, but no request to amend a tender after the time fixed for receipt will be accepted.
- 127. Tenders shall be opened in the presence of a Manager independent of the Procurement Officer managing the procurement. A tender may only be accepted if it is within an approved revenue estimate or an approved capital vote adjusted as agreed by the Treasurer for increased price levels.

128. The Procurement Officer may award a Contract other than to the financially first ranked bidder (i.e. lowest acceptable or highest in the case of a receipt) provided he certifies why it is in the Authority's best interests to do so. The acceptability of a Tender may be determined by reference to characteristics which are not capable of precise definition (e.g. taste or quality) provided that those characteristics are connected with the purpose for which the Tender has been sought and that the influence of personal preference is minimised so far as practicable. The lowest acceptable tender need not be accepted where this would not represent the best value for money.
129. Procurement Officers may negotiate with a Bidder, after that Bidder has been properly chosen to be the Contractor but before acceptance, on any aspect of a tender (Post Tender Negotiation). The Purchasing and Supplies Manager will be notified in advance of all such meetings and may attend these meetings. Post Tender Negotiation will only be undertaken where negotiation does not permit the disclosure of commercially sensitive information supplied by unsuccessful Bidders for that Contract and it is considered that the tender process has not resulted in the most advantageous offer and that offers are capable of improvement by negotiation

Form of Contracts

130. Procurement Officers shall ensure the provision within the Contract of clear and appropriate conditions governing the key elements of price, performance, warranty, duration, cancellation and default. The decision as to whether contracts with a value of greater than £1m should be executed under seal will be made by the Finance Director & Treasurer taking into account factors such as the nature of the contract, the contractual period, and the goods, assets or services being purchased.
131. Every Contract shall contain a clause empowering the Authority to terminate the Contract if the Contractor or any person employed by the Contractor or acting on the Contractor's behalf with or without his knowledge has acted corruptly in connection with the contract or any other contract with the Authority and in particular appears to have committed any offence under the Prevention of Corruption Acts 1889 to 1916, or to have paid or offered any fee or reward contrary to Section 117 of the Local Government Act 1972.
132. Every Contract shall contain a clause empowering the Authority to terminate the Contract summarily by notice in writing should the Contractor become bankrupt, insolvent; transfer or assign the contract or resolve to wind up or be ordered to be wound up, or carry on business under an Administrative Receiver. Such cancellation shall so far as practicable permit recovery by the Authority of all losses stemming from termination.
133. Procurement Officers shall in all cases consider the need for liquidated and seek the Treasurer's guidance and specific advice in this regard on all Contracts worth more than £250,000. Procurement Officers may require a Contractor to provide a bond or a guarantee from a parent company and follow the Treasurer's guidance and specific advice on all Contracts worth more than £250,000 as to whether a bond or guarantee is needed. The Clerk may be consulted concerning whether any bonds or guarantees shall be taken in a particular form.

Financial Limits

134. The following financial limits will apply to determine who is responsible for the approval, agreement or signing of contracts and purchase orders raised on behalf of the Authority:

Staff with procurement responsibilities delegated to them by a budget holder	£5,000
Contracts Manager	£20,000
Budget Holders	£30,000
Deputy Directors	£100,000
Purchasing Manager	£100,000
Principal Officers	£250,000
Chief Fire Officer or Finance Director & Treasurer	No Limit

135. Individuals may be delegated specific authority to authorise orders or invoices above these general limits by agreement with the Finance Director & Treasurer. Any such delegation and agreement shall be in writing.

FINANCIAL MANAGEMENT PROCEDURES

136. More Detailed procedures for the operation of the financial systems, including the payment of creditors, collection of debts, asset and stock reviews and write offs are the responsibility of the Finance Director & Treasurer. The following paragraphs cover the financial limits for the controls.

Financial Limits

137. The following levels of Authority apply for the write off of stock, or bad debts:

Stock < £1,000	Stores Manager, Transport Manager
Stock < £10,000	Purchasing & Supplies Manager, Fleet Manager
Bad Debts < £5,000	Finance Manager
Stock & Bad Debts < £10,000	Deputy Finance Director
Stock & Bad Debts <£25,000	Finance Director & Treasurer
Stock & Bad Debts >= £25,000	Finance Director & Treasurer – Reported to Members

138. The following levels of Authority apply to Treasury Management:

- 138.1. Overnight investment Financial Processes Manager or Finance Manager;
- 138.2. Terms up to 3 months Deputy Finance Director;
- 138.3. Terms up to 1 Year Finance Director & Treasurer; and

- 138.4. Terms over 1 year Finance Director & Treasurer, reported to Members.

Payments

139. The Authority to authorise the Initiation of Payment Runs rests with the Financial Processes Manager, Finance Manager or Deputy Finance Director. The actual payment run may be initiated by another member of the department. Records will be maintained of who authorised, and who actioned each payment run and BACS transfer. Individual payments through CHAPS or cheques will also be recorded in this way. The following staff have delegated authority to authorise payments through the Authority's bank, or to issue instructions to the bank:. The Finance Director & Treasurer is authorised to amend and delete this list to meet operational requirements.

139.1. Finance Director & Treasurer;

139.2. Deputy Finance Director;

139.3. Finance Manager;

139.4. Financial Services Manager; and

139.5. Financial Processes Manager.

140. Responsibility for maintaining the detailed procedures, including the instructions for the use of the Authority's finance system rests with the Deputy Finance Director. These detailed procedures shall be subject to version control.

Banking Arrangements

141. The Finance Director & Treasurer is responsible for the arrangements for the ordering and security of cheques, electronic payment systems and other payments arrangements. All cheques and payments will be signed, authorised or transacted under the authority of the Finance Director & Treasurer by nominated staff. The Finance Director & Treasurer will arrange to notify the Authority's bankers of the names of nominated staff.

142. The Finance Director is responsible for ensuring that all bank accounts operated by the Authority are reconciled on a regular and timely basis, and that the transactions are subject to independent review.

BANKING & TREASURY POLICY

Treasury management

143. The Authority has adopted CIPFA's Code of Practice for Treasury Management. The Authority is responsible for approving the treasury management policy statement. The Finance Director & Treasurer has delegated responsibility for implementing and monitoring the statement. All money in the control of the Authority is controlled by the Finance Director & Treasurer.

144. The Finance Director & Treasurer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof,

and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect. The Treasury Management Strategy is approved by the Authority in February of each year. The objectives or aims of each element of activity are set out in the sections below:

Liquidity risk management

145. The Authority's objective is to ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its objectives.

Interest rate risk management

146. The objective is to manage exposure to fluctuations in interest rates with a view to containing its medium term net interest costs, and in securing its interest revenues in accordance with the amounts provided in its budgetary arrangements. The Authority will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Exchange rate risk management

147. The objective in managing the exposure to fluctuations in exchange rates is to minimise any detrimental impact on its budgeted income/expenditure levels. Where possible the risk of exchange rate fluctuations will be borne by suppliers of goods and services. The Authority will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of exchange rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Inflation risk management

148. The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Authority as an integral part of its strategy for managing its overall exposure to inflation. It will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of inflation. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Credit and counterparty risk management

149. The prime objective of the Authority's Treasury Management activities is the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to approved instruments,, methods and techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Refinancing risk management

150. The Authority will ensure that its borrowing, financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

151. The Authority will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and regulatory risk management

152. The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

153. The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Fraud, error and corruption, and contingency management

154. The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Market risk management

155. The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Treasury Management Strategy

156. The Finance Director & Treasurer is responsible for reporting to the Authority or the Policy & Strategy Committee a proposed Treasury Management Strategy for the coming financial year at or before the start of each financial year. All Authority and Policy & Strategy Committee decisions on borrowing, investment or financing shall be delegated to the Finance Director & Treasurer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management. Reports on treasury management will be drawn up for presentation to Members in February and June of each year, together with the Prudential indicators for Treasury Management.
157. Many millions of pounds pass through the Authority's accounts each year and procedures have been established to deal with the management of cash flows and the associated risks. These seek to provide assurances that the Authority's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the Authority's investment.
158. The Finance Director & Treasurer shall arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Authority's Treasury Management policy statement and strategy. All investments of money shall be made in the name of the Authority or in the name of nominees approved by the Authority. All securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership shall be held in the custody of the Head of Law and Administration or under arrangements approved by the Finance Director & Treasurer.
159. The Finance Director & Treasurer shall effect all borrowings in the name of the Authority and act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority. The Finance Director & Treasurer shall ensure that the procedures to be followed for borrowing are documented.
160. Principal Officers shall ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Authority, following consultation with the Finance Director & Treasurer.
161. For trust funds and funds held for third parties these should be held, wherever possible, in the name of the Authority. All Officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Finance Director & Treasurer, unless the deed otherwise provides. Where funds are held on behalf of third parties, arrangements shall be made for their secure administration, approved by the Finance Director & Treasurer with written records of all transactions. Trust funds shall be operated within any relevant legislation and the specific requirements for each trust.
162. The Finance Director & Treasurer shall operate bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Finance Director & Treasurer. All payments made on behalf of the Authority shall be authorised by the Finance Director & Treasurer or such Officers as they nominate for that purpose. The Authority may provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and the Finance Director & Treasurer shall

prescribe rules for operating these accounts. The arrangements for the operation of these accounts shall be reviewed periodically.

163. Principal Officers shall ensure that employees operating an imprest account obtain and retain vouchers to support each payment from the account. Where appropriate, an official receipted VAT invoice must be obtained. They shall make adequate arrangements for the safe custody of the account and record transactions promptly. Imprest accounts may not be used to make personal loans and the only payments into the account shall be the reimbursement of the float and change relating to purchases where an advance has been made.

Value for Money

164. The Authority is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.
165. Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

Records

166. The Finance Director & Treasurer shall maintain full records of treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Approved Instruments for Investment and Borrowing

167. The Finance Director & Treasurer shall maintain a list of approved instruments, methods and techniques. This shall include limits, either in duration of financial limits, in the use of specific instruments and financial limits for investments.

Organisation

168. It is essential, for the purposes of the effective control and monitoring of its treasury management activities, and for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.
169. The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

170. The Finance Director & Treasurer shall have responsibility for setting the detailed treasury management policies, the Deputy Finance Director, Finance Manager and Financial Processes Manager will be responsible for implementing the policies and undertaking day to day treasury management activities.
171. If as a result of lack of resources or other circumstances, there is a departure from these principles, the Finance Director & Treasurer will ensure that the reasons are reported in the next Treasury Management report to Members.
172. The Finance Director & Treasurer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangement for absence cover. They will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The delegation to the Finance Director & Treasurer in respect of treasury management are set out in the main scheme of delegation. The Finance Director Treasurer will fulfil all such responsibilities in accordance with the organisation's policy statement and with generally accepted professional practice on treasury management.

Budgeting, Accounting and Audit

173. The Finance Director & Treasurer will include the financial implications of treasury management policy in the annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The Authority will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The Authority will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

Cash Flow Management

174. Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Authority will be under the control of the Finance Director & Treasurer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Finance Director & Treasurer will ensure that these are adequate for the purposes of monitoring compliance with liquidity risk management.

Money Laundering

175. The Authority is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The Finance Director & Treasurer will be the responsible officer for reporting purposes.

Staff Training

176. The Authority recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to maintain an appropriate level of expertise, knowledge and skills. The Finance Director & Treasurer, in consultation with the Director of Human Resources and Organisational Development will recommend and implement, where appropriate, the necessary arrangements.

Use of External Service Providers

177. The Authority recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Finance Director & Treasurer.

Corporate Governance

178. The Authority is committed to the pursuit of proper corporate governance and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

Income

179. Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts. For the Authority this risk is limited as most income is collected by other Authorities or paid as government grants.
180. The charges set by the Fire Authority are reviewed annually and applied for all new contracts and agreements after their implementation date. Income is invoiced in accordance with agreed procedures. All money received by an employee on behalf of the Authority is paid without delay to the Authority's bank account, and properly recorded. The responsibility for cash collection should be separated from that for identifying the amount due or for reconciling the amount due to the amount received. Effective action is taken to pursue non-payment within defined timescales and formal approval for debt write-off is obtained.
181. Principal Officers have a responsibility to assist the Finance Director & Treasurer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf. A credit note to replace a debt can only be issued to correct a factual

inaccuracy or administrative error in the calculation and/or billing of the original debt.

STAFFING

182. The Chief Fire Officer is responsible for providing overall management to staff and is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job. Principal Officers are responsible for controlling total staff numbers by adjusting the staffing to a level that can be funded within approved budget provision and the proper use of appointment procedures.

183. In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level. The key controls for staffing include an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched. Procedures are in place for forecasting staffing requirements and cost, controls are implemented that ensure that staff time is used efficiently and to the benefit of the Authority; and checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Payments to employees and Members

184. Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that Members' allowances are authorised in accordance with the scheme adopted by the Authority.

185. The key controls for payments to employees and Members are to ensure that proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to Starters, Leavers, Variations, Enhancements, Timesheets, and Claims. There is segregation of duties in the operation of the SAP HR and Payroll system with employees and their pay elements maintained by the HR department and responsibility for payment and the accounting for payroll cost within the Finance department. Frequent reconciliation of payroll expenditure against approved budget and bank account.

Pay in Lieu of Notice

186. All payments to leavers to cover the contractual period of notice shall be treated as contractual and paid through the payroll with the deduction of tax and national insurance contributions.

Taxation

187. Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Officers to be aware of their responsibilities.

188. All taxable transactions are identified, properly carried out, accounted for within stipulated time-scales and paid through appropriate financial systems and records are maintained in accordance with HM Revenue and Customs guidance

to enable returns to be made to the appropriate authorities within the stipulated timescale.

PARTNERSHIPS

189. Partnerships can play a key role in delivering community strategies and in helping to promote and improve the well being of the area. Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations.
190. The main reasons for entering into a partnership are to provide new and better ways of delivering services or to access new resources. Partners may act as a project deliverer, sponsor, funder or beneficiary. They have responsibilities in common with the Authority for the project. They must act in good faith at all times and in the best interests of the partnership's aims and objectives, being open about any conflict of interests that might arise;
191. Partners must encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors and hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;

Work for third parties

192. Legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is intra vires.
193. Trading activities is only possible through the separate company (EFA Trading Limited). Principal Officers shall maintain a register of all contracts entered into with third parties and ensure (in conjunction with the Finance Director & Treasurer) that appropriate insurance arrangements are made.

FINANCIAL LIMITS

194. The purpose of this section is to set out the limits approved by the Authority, which are subject to review at least every 2 years.

Budget Virements

	Virement to be approved by			
Limits ¹	Principal Officer	Chief Fire Officer	Finance Director & Treasurer	Policy & Strategy Committee
Up to £50,000	✓			
£50,000 to £300,000	✓	✓	✓	
Over £300,000	✓	✓	✓	✓

¹ These limits apply to the estimate head which is being increased

195. The cumulative value of virements agreed by Chief Fire Officer in a financial year to a single budget head shall be reported to the Policy & Strategy Committee if it exceeds £300,000. Virement is not permitted in relation to financing items such as asset charges or to the estimate heads where a proposal would adversely affect the long-term revenue commitments of the Authority.
196. Member approval is not required when the virement is between an income estimate head and an expenditure estimate head, which are directly related and is approved by the Treasurer. Member approval is not required for virements between accounting periods, or between cost centres when the account is unchanged.

Capital Expenditure Initiation

197. Initiation of capital expenditure may only take place for projects that are included in the 3 year capital programme approved by the Authority. Budget approval from the Policy & Strategy Committee is required for any new projects or where the capital expenditure is more than the existing budget provision.

Limits ²	Project to be approved by		
	Strategic Delivery Board	Strategic Management Board	Policy & Strategy Committee
Up to £50,000	✓ ³		
£50,000 - £1,000,000 (£300,000 for ICT Projects)	✓	✓	
Over £1,000,000	✓	✓	✓

Revenue and Capital Contract Overspends

198. Where it appears that the final cost of a revenue or capital contract will exceed the contract sum by more than both 5% and £12,000, (except by the operation of a fluctuating cost clause), a report shall be made to and approval sought of the Policy & Strategy Committee as soon as possible.

Leasing

199. Officers will consult the Finance Director & Treasurer before entering into any leasing agreement where the aggregate costs of the assets included in the lease exceeds £10,000.

Write-offs

200. The Finance Director & Treasurer shall have the authority to write off a debt, deficiencies of stocks or stores, and an item in an inventory or to declare

² The limits apply to the programme head being increased

³ Delegated to Senior IT Owners Group Meeting for IT Projects

equipment and materials surplus to the fire service's requirements; subject to a limit of £50,000 in any one case, amounts above this to be reported to Members.

201. The Finance Director & Treasurer shall issue procedures for the authorisation and recording of the debts to be written off.

Assets

202. Registers are to be kept for items that have an individual value of £1,000 or more **and** are considered to be susceptible to theft or other risks. Such registers are to be in a form agreed with the Deputy Finance Director.

Ex Gratia Payments

203. The Chief Fire Officer shall have the authority to make, having regard to the particular circumstances of each case, ex gratia payments not exceeding £20,000 in any one case, subject to consultation with the Finance Director & Treasurer. The circumstances of the proposed payment must not have the effect of circumventing other Authority pay and allowance, policies, rates and rules.

Declaring Land Surplus to Requirements

204. The Chief Fire Officer shall have the authority to declare surplus to the Authority's requirements, land of a minor nature and a value not exceeding £100,000.

Procurement Limits

205. The following financial limits will apply during the procurement process:

Contract Value	Procurement Options
Under £6,000	Minor Contract Procedure
£6k - £60k	Competitive Contract Procedure
£60-140k (Services)	Formal Tender Procedure OGC ⁴ or other Framework
£140k + (Services)	OJEU ⁵ Tender Procedure OGC or other framework
£60-£5,000k (Construction)	Formal Tender Procedure
£5,000k+ (Construction)	OJEU Tender Procedure

206. The procurement requirements for each option will be set down in the Authority's Procurement Standards which will be maintained by the Finance Director & Treasurer. These options include competitive procedures, the use of existing national or regional framework agreements, Office of Government Commerce contracts and other collaborative arrangements. The limits for the use of OJEU compliant procedures may fluctuate depending on the Euro/Sterling exchange rate.

⁴ OGC – Office of Government Commerce

⁵ OJEU – Official Journal of the European Union

End