

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY	
	FINANCE & RESOURCES COMMITTEE	
date	13 April 2006	agenda item number

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE TREASURER

FINANCIAL PRINCIPLES AND DELEGATION PROFILES

1. PURPOSE OF REPORT

The purpose of this report is to seek the approval of the Finance and Resources Committee to the Financial Principles and Delegation Profiles of the Fire Authority which have been devised for the good financial management and governance of the Authority.

2. BACKGROUND

- 2.1 The Fire Authority first approved a framework of Financial Principles and Delegation Profiles in 1998 and these were revised in 2004 to reflect changes in job titles. It is considered appropriate for these to be reviewed by the Finance and Resources Committee in order that Members have a clear understanding of this framework.
- 2.2 The only changes made to the original document reflect a change in the title of the Fire Authority from a Combined Fire Authority to a Combined Fire and Rescue Authority and additional obligations on officers to report to this Committee as well as the full Fire and Rescue Authority.

3. REPORT

- 3.1 The Financial Principles and Delegation Profiles are set out in full in Appendices A and B to this report.
- 3.2 The Financial Principles document sets out the guiding principles of the Authority in managing its financial affairs, whilst the delegation profiles document sets out in some detail the responsibilities of the Treasurer, the Head of Finance and Resources, the Chief Fire Officer and other officers of the Service.
- 3.3 Of particular interest is the delegation of responsibilities from the Treasurer to the Head of Finance and Resources such that this officer can manage the financial affairs of the Authority on a day to day basis and such that the Treasurer can maintain an independent advisory role to the Authority.
- 3.4 This delegation is important to ensure that the Head of Finance and Resources is able to manage the financial affairs of the Authority, sign contracts, secure insurance etc. without recourse to the Treasurer and also take on the Treasurer's advisory role if required by the Authority or any of its Committees. At the same time

this delegation also ensures that the Treasurer retains particular responsibilities and levels of independence required by good governance and statute.

3.5 The Committee are invited to comment on these documents before they are submitted for ratification by the full Fire Authority.

4. RISK MANAGEMENT IMPLCIATIONS

Clear lines of accountability and responsibility are key to both good financial management and governance within the Authority. Setting out the Financial Principles and Delegation Profiles provides this clarity both for Members of the Authority, Officers and Stakeholders.

5. FINANCIAL IMPLICATIONS

There are no financial implications in terms of costs, however the implications for financial management are set out in full within the accompanying appendices.

6. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

7. EQUALITY IMPACT ASSESSMENT

There is no impact on equalities arising from this report.

8. RECOMMENDATIONS

That this Committee approve this report and that it can be passed to the full Fire Authority for ratification.

9. BACKGROUND PAPERS FOR INSPECTION

None.

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APPENDIX A

KEY FINANCIAL PRINCIPLES

Statutory Requirements

1. Good financial management is paramount, to which some statutory requirements are relevant. Within these, the Treasurer of the Combined Fire and Rescue Authority (FRA) is responsible for ensuring arrangements for the proper administration of the Authority's Financial affairs (Sec. 151 Local Government Act 1972) and has a personal duty to report on unlawful expenditure or action on unbalanced budgets (Sec. 114, Local Government Finance Act 1988).

Scheme of Financial Management

2. The formal framework for discharging statutory requirements is through the overall Scheme of Financial Management. This comprises.
 - (i) Statement of Key Financial Principles
 - (ii) Statement of Delegated Responsibilities (Delegation Profiles)
 - (iii) Financial Regulations
 - (iv) Codes of Practice
 - (v) Standing Orders as to Award of Contracts
 - (vi) Approved Local Schemes
3. The Scheme will apply to all activities unless specifically exempted. Exemptions shall only come under alternative schemes, approved by the Treasurer.

Financial Management Ethos

4. The overall financial framework will provide managers with freedom and incentives to manage their activities efficiently and effectively, but taking into account the best interests of the FRA as a whole.
5. Financial and management responsibilities will be aligned, so that managers are responsible for the financial consequences of their decisions.
6. Systems and procedures will exist to monitor the discharge of financial and management responsibilities. This will include appraisal of performance against financial management/administration accountabilities.

Information Advice and Support

7. The financial advice function will be located within the Finance Section at Service Headquarters.
8. All staff with financial responsibilities should have adequate and appropriate training to enable them to discharge these responsibilities.

Systems

9. The Chief Fire Officer will be responsible for the installation, maintenance and development of the necessary prime systems to provide sound, timely, well presented financial information and advice to budget holders. The prime systems will be the official accepted record of the FRA's transactions and financial position. Local systems can only be installed with the approval of the Chief Fire Officer.
10. The Chief Fire Officer will determine the requirements for all key financial services and systems and must approve the provider of all such services. This will include the specification of standards for service management information systems which interface with financial systems.
11. The Treasurer is to be satisfied that the arrangements for financial systems are adequate to support both section 114 and section 151 responsibilities.
12. Principal Officers and budget holders will be expected to develop wider management systems which will contribute to the effective financial management of their activities. Information from other systems and sources which is used in financial decision making must be made available to the Treasurer as required.

Accounts

13. The out-turn records on which all localised financial activities of the FRA will be called to account (e.g. by the external auditor) will be those maintained by the Chief Fire Officer.
14. It is the responsibility of managers to ensure that there is reconciliation of any approved local accounting records on a regular basis to those maintained by the Chief Fire Officer.

Security of Data

15. Accounting records and supporting documentation must be properly secured.

Internal Audit

16. The Treasurer is responsible for maintaining an effective internal audit of all activities of the Authority.

APPENDIX B

DELEGATION PROFILES

1. Chief Fire Officer

The Chief Fire Officer will be responsible for:-

- understanding the nature of reporting needed under section 151 and 114 and the delegation arrangements in place to ensure proper performance.
- establishing an effective monitoring and reporting framework to enable him to properly hold Principal Officers accountable for the discharge of their responsibilities.
- positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation.
- installing, maintaining and development of the necessary prime financial systems
- determining the requirements for all key financial services and systems and approving the provider of all such services.

2. FRA Treasurer

The FRA Treasurer shall discharge the responsibilities identified under Section 151 and 114.

- proper financial officer functions
- unlawful or unbudgeted expenditure

Discharge will be effected through the Head of Finance and Resources but responsibility will be retained for:-

- dealing with exceptional items
- reporting as appropriate to the Chief Fire Officer
- raising significant issues of underperformance
- reporting to the FRA as appropriate on any items upon which he/she has a statutory duty to report

The Treasurer will:-

- ensure that a robust monitoring and reporting framework is in place to ensure the proper discharge of his S. 151 functions
- receive reports from the Head of Finance and Resources

- positively promote a culture of probity and sound financial discipline and control as requirements of the organisation

3. Head of Finance and Resources

The Head of Finance and Resources will act as client agent for the Chief Fire Officer over his responsibilities in respect of the following areas :

- i) Installing, maintaining and developing financial systems
- ii) Establishing an effective monitoring and reporting framework.

The Head of Finance and Resources will also act as Client Agent for the Treasurer over his Section 151 and 114 responsibilities.

The Client Agent will be responsible for:-

- setting adequate standards, protocols for budgeting, accounting, systems, and reporting and to establish a framework of monitoring to ensure these requirements are met.
- positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation.
- the review and approval of departmental schemes of delegation.
- advising officers on the issues and circumstances in which reporting is needed (on both "direct finance and head of profession" matters).
- accepting reports from Principal Officers on an exception basis.
- accepting routine reports from Finance Staff and other Managers.
- the introduction and maintenance of a structured scheme of financial training.
- entering into such transactions and arrangements that are necessary for compliance with the Fire Authority's Treasury Management policy such that this remains in compliance with the Prudential Code.
- reporting on an exception basis to the Treasurer.

In addition the Head of Finance and Resources shall be responsible for the following statutory and non-statutory functions:-

Statutory

- maintain accurate accounting records throughout the year
- prepare final accounts on a "true and fair" basis, in compliance with Accounting Code of Practice and instructions from the Treasurer.

- complete government returns on out-turn information
- ensure safe and efficient arrangements exist for the payment of staff and suppliers and the collection and banking of income.
- provide precept information to Council Tax collecting authorities in accordance with agreed timescales.
- provide information to external auditors.

Corporate (FRA level)

- attend Agenda meetings, meetings of Committees, meetings of the FRA, as appropriate, representing the Chief Fire Officer.
- provide budget monitoring reports on a regular basis, both to the Treasurer and to the Chief Fire Officer for presentation to the FRA and/or appropriate committees.
- prepare budget reports for the Chief Fire Officer to present to the FRA or committees.
- prepare final accounts reports for the Chief Fire Officer to present to the FRA.
- provide financial advice and information requested by Members, the Chief Fire Officer and the Treasurer.
- ensure the inclusion of relevant Financial Implications on all reports to the Authority.
- support the operation of all financial systems and provide advice on their improvement.
- ensure the framework for collecting accounting and budgeting information is properly maintained.
- ensure that the financial consequences of all proposed variations in policies and priorities are considered and evaluated, and reported to the Chief Fire Officer and, where appropriate, the Treasurer.
- complete all grant claims in a timely and accurate manner.
- complete statistical returns and provide financial information for performance indicators.
- take an active role in the training and development of staff with financial responsibilities.

- informing the Treasurer at the earliest opportunity if any significant problems seem likely to arise in a department's finances.

Departmental (Service level)

- provide financial advice to the Chief Fire Officer and other staff in the organisation, including the financial aspects of the business planning process.
- provide management accounting information on a regular basis to assist budget holders to control their budgets.
- to be consulted on all departmental finance matters before decisions are taken. This will exclude the day to day management of devolved budgets over which budget holders have discretion.
- to ensure that any departmental financial systems are compatible as far as appropriate with corporate financial systems.
- to ensure that regular and timely reconciliations take place within all financial records, either by departmental arrangements or by use of internal audit.
- to issue guidance to try to ensure that accounting records and supporting documentation kept outside the finance section are properly secured, and periodically monitor the situation on the retention of records.
- to manage the Finance Department in an effective and efficient manner.

4. Principal Officers

Principal Officers will be responsible for:-

- understanding the nature of the reporting needed for their services under Section 151 and 114. (The Head of Finance and Resources will provide background information and advice as necessary).
- establishing an effective monitoring and reporting framework to ensure a proper awareness of significant issues.
- reporting as required to the Chief Fire Officer (and as appropriate to the Treasurer) on any significant issues relating to their area of responsibility.
- ensuring staff throughout their departments are aware of their responsibilities and are capable to discharge them.
- ensuring adequate standards of internal control within their departments and in particular through their management structures to ensure the proper identification of risk and the introduction of cost effective systems of control to reduce risk to an acceptable level.

- identifying the individual Officers responsible for ensuring proper control for particular services (including corporate controls such as the register of interests).
- positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation.
- provide exception reports to the Chief Fire Officer and the Head of Finance and Resources

5. Budget Holders

Budget holders are responsible for:-

- positively promoting a culture of probity and sound financial discipline and control as requirements of the organisation.
- understanding the nature of internal control and the requirements of standing orders, financial regulations and control standards and other corporate financial standards, rules and protocols.
- complying with departmental schemes of delegation
- timely implementation of agreed audit recommendations.
- the introduction and maintenance of adequate and cost effective systems of internal control within their area of responsibility.
- initiating exception reports where necessary for the Head of Finance and Resources.
- reporting regularly to appropriate Principal Officers on budget performance.
- reporting any potential overspending to their line manager.

6. Internal Audit

Internal Audit are responsible for:-

- the independent audit of control systems within the authority to assess their adequacy to ensure:-
- reliable financial and other management information and reporting
- compliance with laws, regulations, policies, rules etc.
- properly safeguarded assets and interests.
- efficient and effective operations.

- recommending and seeking acceptance of improvements to systems of internal control identified as necessary during the course of audits.
- reporting to the Head of Finance and Resources and Principal Officers as appropriate on main control issues, improvements agreed, and improvements made.
- initiating on an exception basis such reports that are necessary for the Treasurer and/or Chief Fire Officer.
- positively promoting a culture of probity and sound financial discipline and control as requirements of the organisations.
- providing advice on the nature of internal control, the potential consequences of poor control and the control options available to reduce or limit risk.