To consider

Review proposed changes to the Financial Regulations

Issue

1. Changes to the GMC’s Financial Regulations to reflect the new governance arrangements.

Recommendations

2. The Performance and Resources Board is asked to:
   
a. Consider the proposed changes to the Financial Regulations.

   b. Recommend the revised Financial Regulations to Council.
Supporting information

How this issue relates to the Corporate Strategy and Business Plan

3. Financial Regulations support strategic aim 7 (to continue to use our resources efficiently and effectively).

Other relevant background information

4. Financial Regulations provide a framework for managing financial affairs, to ensure that high standards of financial integrity are maintained.

5. To conduct its business efficiently, any organisation needs to ensure that it has sound financial management arrangements in place and that they are strictly adhered to. Financial Regulations form part of these arrangements and provide clarity about the financial accountabilities of Council members and staff.

What engagement approach has been used to inform the actions taken (and what further communication and engagement is needed)

6. The Financial Regulations have been updated to reflect the GMC’s new governance arrangements. They are based on good practice guidance issued by the Chartered Institute of Public Finance and Accountancy.

7. The revised Financial Regulations will be publicised on the intranet, and incorporated in financial training and awareness sessions to be rolled out to staff.

If you have any questions about this paper please contact: Steve Downs, Assistant Director, Finance and Procurement, sdowns@gmc-uk.org

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GMC Financial Regulations

Section A - Introduction
Section B - Financial Management
Section C - Financial Planning
Section D - Risk Management and Control of Resources
Section E - Financial Systems and Procedures
Section F - External Arrangements
Section A - Introduction

Purpose

1. To ensure that high standards of financial integrity are maintained at all times.

2. The regulations are part of the GMC’s corporate governance arrangements and are supported by a range of detailed and periodically updated policies, procedures and instructions on specific financial issues. Where any instances of conflict or ambiguity arise, the Financial Regulations take precedence.

3. It is not possible to cover every eventuality within these regulations. Where a particular circumstance is not specifically referred to and there is any doubt as to the correct course of action, guidance should be sought from the Assistant Director, Finance and Procurement.

4. In exceptional circumstances, it may be necessary to waive the requirements of the Regulations temporarily. This can be done only by the Chief Operating Officer or the Chief Executive, in consultation with the Chair of Council.

5. These regulations apply to all staff, members and associates of the GMC, including the Medical Practitioners Tribunal Service (MPTS). Failure to comply with Financial Regulations, or instructions issued under them, may result in disciplinary action. It is the responsibility of senior managers (Chief Executive, Chief Operating Officer, Directors, Assistant Directors, Heads of Section, the Chair of the MPTS and the Clerk of the MPTS) to ensure that staff are aware of their responsibilities under these regulations, that they receive appropriate training and that they comply with them.

Section B - Financial Management

6. The GMC is a registered charity and is subject to the financial reporting requirements set out in the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008, the Statement of Recommended Practice for Accounting and Reporting by Charities, the Charities Accounts (Scotland) Regulations 2006 and the Charities and Trustee Investment (Scotland) Act 2005.

Council and committees

7. The powers and duties of the GMC are laid out in the Medical Act 1983 as amended. The Council (as the Trustees of the GMC) has overall responsibility for the financial management of the GMC. A comprehensive description of the role of Council and its committees is set out in the Governance Handbook.

8. The Council has established an Audit and Risk Committee, responsible for ensuring the integrity of the financial statements, reviewing the organisation’s system of internal control, governance and risk management systems and to appoint, monitor and review both the internal and external audit services.
Executive

9. Council has established a Performance and Resources Board. Its purpose is to review operational performance and organisational capacity, as part of the GMC’s executive governance arrangements. Full details are set out in the Statement of Purpose of the Performance and Resources Board. The executive lead and Chair of the Board is the Chief Operating Officer. The Chief Operating Officer, like all other staff, works under the delegated authority of the Chief Executive. The Performance and Resources Board reports to Council through the Chief Operating Officer. All matters being reported to Council will be discussed with the Chief Executive.

10. One or both of the Director of Resources and Quality Assurance and the Assistant Director, Finance and Procurement must be a member of one of the six CCAB bodies, or another body of accountants established in the UK and approved by the Secretary of State.

Section C - Financial Planning

Medium Term Financial Forecast

11. The medium term financial forecast should be prepared annually, cover a three year period and forecast the likely expenditure, income and reserves over that period.

Budgeting

12. The annual budget sets out overall income, revenue and capital expenditure, allocations to directorates and projects, proposed fee levels and the impact on reserves.

13. Budget managers should prepare draft plans and estimated costs for the activities of their directorates. It is the responsibility of senior managers to ensure that their draft budgets reflect the aims and objectives set out in the annual business plan. Draft budget proposals are scrutinised by the Performance and Resources Board, the Chief Operating Officer and the Chief Executive.

14. The annual budget comes into effect only when approved by Council.

Budget monitoring and control

15. Financial information to enable budget managers to monitor and control their expenditure effectively should be provided monthly.

16. Budget managers are responsible for controlling income and expenditure against their budget and for monitoring service delivery and performance against targets. Forecasts of income, expenditure and headcount should be prepared on a quarterly basis.

17. Budget managers should take any remedial action necessary to avoid actual expenditure exceeding budget.
18. Regular reports of budgetary performance and variances should be provided to the Performance and Resources Board, and to Council as part of the Chief Operating Officer’s Report.

19. The Chief Operating Officer may seek Council’s agreement to an additional budget allocation within the year, if this is deemed appropriate by the Chief Executive.

**Budget virement**

20. The transfer of budgets between directorates can only be made with the approval of the Chief Operating Officer. Transfers between budget heads within the same directorate can be made with the approval of the Director of Resources and Quality Assurance.

**Maintenance of reserves**

21. The Director of Resources and Quality Assurance should advise the Performance and Resources Board on the appropriate levels of reserves. Council should approve the reserves policy annually.

**Investment policy**

22. The Director of Resources and Quality Assurance should advise the Performance and Resources Board on investment management. Council should approve an investment policy annually.

23. All funds held by the GMC are controlled by the Director of Resources and Quality Assurance, who will oversee all borrowing, investment or financing and report to the Performance and Resources Board at regular intervals.

**Section D - Risk Management and Control of Resources**

**Risk management**

24. Overall responsibility for risk management resides with Council.

25. Responsibility for overseeing risk management is delegated to the Audit and Risk Committee. The Committee reviews the risk management framework and obtains assurance from the internal auditors that the arrangements in place are effective.

26. The responsibilities of managers and staff are set out in the Risk Management Framework.

**Internal control**

27. The Council is responsible for setting and maintaining a framework of delegation and internal control.
28. The Audit and Risk Committee is responsible for overseeing the internal control systems.

29. The Head of Consultancy and Review Service (the head of internal audit) is responsible for reviewing the effectiveness of the systems of internal control and risk management, providing assurance to the Council through the Audit and Risk Committee.

30. It is the responsibility of management to establish effective systems of internal control and risk management. These arrangements need to ensure compliance with all relevant statutes and regulations, and other relevant statements of best practice. They should ensure that GMC funds are properly safeguarded and used economically, efficiently and effectively.

31. The Performance and Resources Board monitors operational performance, resource management, risk management and related controls, quality assurance, efficiency and continuous improvement.

Audit requirements

32. The Audit and Risk Committee makes recommendations to Council on the appointment, reappointment and removal of the external auditors.

33. External auditors and internal auditors have authority to:

   a. Access all assets, records, documents and correspondence relating to financial and other transactions.

   b. Require and receive such explanations as are necessary concerning any matter under examination.

   c. Access records belonging to third parties, such as contractors, when required.

Fraud and corruption

34. The Director of Resources and Quality Assurance is responsible for the development and maintenance of an anti-fraud policy.

35. Staff should report any suspected fraud in accordance with the GMC’s Anti-Fraud Policy and, if appropriate, the Public Information Disclosure (whistle-blowing) Policy.

Declaration of interests


37. Staff should disclose immediately to the Director of Resources and Quality Assurance any personal interest in, or benefit arising from, a transaction or financial
arrangement involving the GMC, including any interest in a business trading with the GMC. Declarations will be recorded and retained by the Director of Resources and Quality Assurance.

**Asset management**

38. The Director of Resources and Quality Assurance is responsible for maintaining a fixed asset register.

39. Senior managers should ensure that records and assets within their areas of responsibility are properly maintained and securely held. The Director of Resources and Quality Assurance is responsible for ensuring that contingency plans for the security of assets and the continuity of business in the event of disaster or system failure are in place. Disposal of assets should be in accordance with procedures laid down by the Director of Resources and Quality Assurance.

**Remuneration**

40. The Remuneration Committee is responsible for advising Council on the remuneration, terms of service and the expenses policy for Council members including the Chair; and for determining the remuneration, benefits and terms of service for the Chair of the MPTS and members of the MPTS Committee. The Remuneration Committee is also responsible for setting the remuneration, benefits and terms of service for the Chief Executive, Chief Operating Officer/Deputy Chief Executive and Directors.

41. The Chief Executive and the Chief Operating Officer are responsible for determining policy on the remuneration, benefits and terms of service of all other GMC staff. Senior managers, in consultation with the Assistant Director – Human Resources, are responsible for setting and approving changes to staff salaries within the constraints of the overall policy.

**Staffing**

42. The Chief Operating Officer is responsible for ensuring that proper systems of staff appointment, training, allocation of work, delegation of duties and accountability, performance, appraisal, remuneration and discipline are in place.

43. Budget managers are responsible for controlling staff numbers by developing budget proposals that are sufficient to cover estimated staffing levels in the year, and adjusting staffing as necessary to a level that can be funded within the approved budget.

44. Budget managers may only recruit temporary staff during the year where the costs can be absorbed within directorate budgets approved by Council.

45. Recruitment of permanent staff over and above those included in the annual budget must be approved by the Chief Operating Officer.
Section E - Financial Systems and Procedures

General

46. The Director of Resources and Quality Assurance is responsible for selecting appropriate accounting policies and for ensuring that they are applied consistently, and for determining the accounting procedures to be followed and the accounting records to be maintained.

47. The Director of Resources and Quality Assurance is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Medical Act 1983, the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008, the Statement of Recommended Practice for Accounting and Reporting by Charities, the Charities Accounts (Scotland) Regulations 2006 and the Charities and Trustee Investment (Scotland) Act 2005. The Council is responsible for approving the annual report and accounts.

48. The Director of Resources and Quality Assurance is responsible for ensuring that financial training is available to all relevant staff.

49. Senior managers are responsible for the proper operation of financial procedures within their areas.

50. Where key members of staff with financial responsibilities are absent, senior managers must ensure that named deputies are identified so that financial procedures continue to operate securely and effectively.

51. Arrangements relating to the procurement of goods and services are set out in the GMC’s Procurement Policy and Procurement Manual.

Income and expenditure

52. The Chief Executive and the Chief Operating Officer may authorise expenditure within the constraints of the annual budget approved by Council. Directors and staff may authorise expenditure within the limits set out in the Schedule of Authority, within the constraints of approved directorate budgets.

53. The Director of Resources and Quality Assurance is responsible for maintaining a scheme of financial delegation that identifies staff authorised to act on the GMC’s behalf in respect of raising orders, making payments, and collecting income, together with the limits of their authority. The Director of Resources and Quality Assurance will determine arrangements for the collection, banking and recording of income, and for payments to suppliers and other third parties.

54. Senior managers are responsible for ensuring that the scheme of financial delegation is operating effectively in their area.

55. The Chief Operating Officer will approve the bank mandate authorising bank signatories and their limits.
56. Outstanding debts can only be written off in exceptional circumstances. Individual debts up to £25k can only be written off by the Director of Resources and Quality Assurance, who will provide a periodic summary report to the Performance and Resources Board. Individual debt write offs of more than £25k will be reported to the Performance and Resources Board and be subject to approval by the Chief Operating Officer.

**Staff, members and associates**

57. The Director of Resources and Quality Assurance is responsible for all payments of salaries, allowances and expenses to staff, members and associates.

**Taxation**

58. The Director of Resources and Quality Assurance is responsible for ensuring the GMC complies with the relevant guidance and legislation on all matters relating to taxation.

59. The Director of Resources and Quality Assurance is responsible for maintaining the GMC’s tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

**Trading**

60. No company or commercial enterprise that exploits any activity carried out by, or exploits any rights belonging to the GMC may be established by staff, Council members or associates without the prior written approval of the Chair of Council and the Chief Operating Officer in consultation with the Chief Executive.

61. No trading units can be established without the approval of Council.

**Section F - External Arrangements**

**Partnerships and joint projects**

62. No partnerships or joint projects which create material financial risk can be entered into without the approval of Council.

63. Any partnerships or joint projects should be subject to the same standards of conduct and financial administration that apply to all other GMC activities.

64. The Director of Resources and Quality Assurance should ensure that the accounting arrangements to be adopted for partnerships and joint projects are satisfactory, and that the financial risks have been fully appraised before agreements are entered into.

65. Partnerships and joint projects should be subject to the same level of audit review as other GMC activities.
**External funding**

66. The Director of Resources and Quality Assurance is responsible for ensuring that all funding is received and properly recorded in the GMC’s accounts.

**Work for third parties**

67. Any proposals to undertake work for third parties should be considered by the Performance and Resources Board and must be consistent with the GMC’s charitable purpose and the Medical Act 1983. Contractual arrangements should be approved by the Chief Operating Officer.