Governance
Financial Regulations 2025 – 2035

The Chief Executive performs the role of Clerk to the Commissioners as set out in the Middle Level Acts. References in these Regulations to the Chief Executive in his/her role as Clerk, shall be a reference to such officers of the Middle Level Commissioners (MLC) as may from time to time undertake the relevant work or functions on behalf of the Commissioners and references to "the Chairman" shall also include the Vice Chairman.

The Head of Finance performs the role of Treasurer to the Commissioners as set out in the Middle Level Acts.

A SUMMARY

1. These Financial Regulations should be read in conjunction with the Commissioners', Standing Orders, Regulations as to proceedings, Schedule of Reserved Matters and Scheme of Delegations to ensure that its resources are properly managed, accounted for and controlled.

2. The level at which decisions relating to the finances and functions of the Commissioners are to be taken are as set out in the Schedule of Reserved Matters and the Scheme of Delegations

3. The Clerk shall be responsible for maintaining adequate and effective controls and procedures in the manner and format he/she considers to be best and shall where appropriate, prepare additional rules of procedure or guidance, supplementary to these Regulations.

4. The Head of Finance shall be responsible for setting up and maintaining the financial and management accounting/reporting systems, processes, procedures and coding lists. Such systems shall be properly documented and shall not be changed without the approval of the Clerk. The Head of Finance shall be the Commissioners' Responsible Financial Officer, as defined in and for the purposes of the Accounts and Audit Regulations. The MLC finance team will support the Head of Finance in providing this function.

5. The Clerk shall advise the Commissioners', the Middle Level Board and any sub-committees and carry out their instructions in securing economy, efficiency and effectiveness in its use of resources and for ensuring that value for money is provided.

6. The Head of Finance shall ensure that the Commissioners' Financial Statements for each Financial Year ending 31 March are prepared in compliance with the requirements of the Accounts and Audit Regulations and the Financial Reporting Standard for Smaller Entities and, so far as may be appropriate, the Practitioners' Guide to the Preparation of Financial Statements for IDBs (and any subsequent requirements) applicable at the time of preparation. They shall be responsible for navigation accounting in line with the Middle Level Act (2018).

7. The Head of Finance shall ensure that the Commissioners considers and approves its Financial Statements for a Financial Year in accordance with the provisions of the Accounts and Audit Regulations.

8. All employees, Commissioners and Middle Level Board members have a responsibility for health and safety, compliance with policies and legislation, procedures and codes of practice, for the general

security of the Commissioners' property, and, for economy efficiency and effectiveness in the use of resources.

9. All employees, Commissioners and Middle Level Board members shall familiarise themselves with and observe the Schedule of Reserved Matters, the Scheme of Delegations and these Regulations.

10. Failure to comply with any aspect of these Regulations may result in disciplinary action being taken against the individual(s) concerned. Serious breaches by Commissioners or Middle Level Board members may result in action being taken against them, in accordance with the Members Code of Conduct.

B SCHEME OF BUDGET DELEGATION

1. The Chief Executive shall be a budget holder and is responsible to the Commissioners for the overall management of the Commissioners' finances, the expenditure estimates and all budgets.

2. The Chief Executive with the Head of Finance have authority to delegate ownership of specific budgets to department leads/line managers, apply a financial scheme of delegation for low risk/low value expenditure and introduce delegated powers for absence. This will be appended to these Regulations.

3. The Chief Engineer is responsible to the Commissioners to the extent that he/she is so authorised by the Commissioners and is allocated funds for the purpose of preparing and managing the Board's operational, maintenance, plant & equipment and capital works budgets.

4. The Head of Finance is responsible for the management and authorised use of any ring-fenced funds and reserves.

5. Other than as set out in the Scheme of Delegations or where authorised to do so by a resolution of the Commissioners, no other person shall be empowered to enter contracts on behalf of the Commissioners unless authorised to do so by the Chief Executive or Chief Engineer. Nor shall any other person commit the Commissioners to a particular course of action or provide an undertaking or assurance to any third party without the prior consent of the Chief Executive and/or Head of Finance and/or the Chairman.

6. Save for delegated power during absence, no budget holder other than the Chief Executive shall procure goods and services, charge, allocate or otherwise commit expenditure against a budget that they have no budgetary responsibility for.

C MANAGING BUDGETS & REPORTING

1. The Head of Finance shall be responsible for preparing the Commissioners' Estimates/Budgets, for monitoring income and expenditure during the course of the year, for alerting the Chief Executive and Executive Committee to any material variances, and, for providing budget holders with the financial information that they require and assisting them as necessary to enable them to properly prepare/manage their budgets. The Head of Finance shall further ensure that the Commissioners and Middle Level Board are presented with and consider the proposed expenditure estimates in order that the Rates and Special Levies can be determined for each financial year in due time in accordance with the Land Drainage Act 1991 and it is the individual budget holder's responsibility to provide him/her with their detailed budgets and supporting information in order that this may be done.

2. Any drainage rate refunds due for whatever reason shall be approved by the Chief Executive or Head of Finance prior to being paid or otherwise accounted for.

3. All correcting journal entries shall always be authorised and approved by the Head of Finance.

4. The Head of Finance shall ensure that appropriate mechanisms are in place for alerting the Chief Executive immediately should a Local Authority fail to make their Special Levy payment at the agreed time, or where Drainage Rates are outstanding following reminder. The Chief Executive and Chairman will agree a course of action and whether a special meeting of the Middle Level Board is required.

5. Every budget holder is responsible for seeking to ensure that actual expenditure on each of their budgets does not exceed the budget as approved and shall regularly monitor income/expenditure to this end. Budget holders shall, whenever practicable, get approval for material adverse variances to any of their budgets that are anticipated. Approval shall be sought in accordance with the Schedule of Reserved Matters and the Scheme of Delegations.

6. The Chief Executive or Head of Finance may convene a meeting of the Commissioners, Middle Level Board or a Sub-Committee. The Chairman or any member of the Executive Committee shall also have the power to convene such a meeting.

7. The Chief Executive, Chief Engineer and Head of Finance will prepare reports for the Middle Level Board and Commissioners.

8. In considering its financial health, estimates, rates, levels of reserves and investment strategy, the Middle Level Board and Commissioners will consider as a minimum:
   I. Whether it has sufficient General Fund Reserves to cater for above average annual expenditure due to, for example, excessive pumping and urgent works.
   II. Whether it is utilising and planning for use its ring-fenced funds appropriately.
   III. Whether it has sufficient Asset Improvement/Future Works budget taking account of its asset base, asset age/reliability, capital programme requirements and likely grant eligibility.
   IV. Its financial ability to secure and pay off a suitable value Public Works Loan to bridge any gap between its Asset Improvement/Future Works budget and likely value of works.

D PURCHASING GOODS & SERVICES (INCLUDING PLANT)

1. Unless otherwise authorised by the Executive Committee by resolution or required under the terms of any formal procedures relating to such work, budget holders shall always comply with the following procedures when procuring goods and services.

   Use of suitable Frameworks eg Local Authority, Cabinet Office, Environment Agency should be part of the commercial decision making process. Where these have been discounted Quotations/Tenders will be sought as follows, other than in emergency situations where approved buying groups or agreed contractors/consultants/suppliers for a particular area of work or expertise have been appointed or are used or where approved service level agreements are in force. These threshold amounts may be amended from time to time by resolution of the Board:

Estimated Value of Goods/Services Quotes/	Quotation/Tenders to be sought
<= £5,000	No quotations/tenders required
> £5,000 and <= £10,000	Obtain 1 written quotation
> £10,000	Seek 3 quotations or 3 tenders as Appropriate

2. The budget holder shall be responsible for ensuring that quotations or tenders are sought when required by the above table. Where it is not possible to get the required quotations or tenders, the Head of Finance's approval must be obtained prior to awarding any contract.

3. Any agreed contractors, consultants or suppliers list shall be maintained and kept up to date by the Chief Engineer.

4. A budget holder must never agree to permit a third party to provide them with goods/services where tenders or quotations are required without obtaining a copy of their terms of business beforehand.

5. Budget holders shall fully comply with all Competition Law, the Bribery Act 2010 and the Modern Slavery Act 2015 and shall so far as is reasonable, satisfy themselves as to the insurance policies of contractors, and their systems of work before awarding works contracts.

6. Budget holders shall not enter into any contract that has been reserved to the Commissioners or delegated without obtaining the Chief Executive's approval beforehand. The Chief Executive shall not permit any budget holder to enter in to such a contract if he/she considers it to be inappropriate or that the required approval has not been given.

7. The relevant budget holder is responsible for ensuring that the procurement of all goods and services is authorised by the Commissioners or in accordance with the Scheme of Delegations. All emergency work must be approved by the Chief Executive.

8. All procurement of goods and services shall be authorised by the signing and dating of an official purchase order or purchase instruction. On so authorising the procurement of goods or services the budget holder will have satisfied themselves that the Financial Regulations have been complied with and that any approval required by the Schedule of Reserved Matters and the Scheme of Delegations has been obtained.

9. The budget holder must never break down a job and string a number of purchase orders or authorisations together simply to avoid having to get 3 written quotations/tenders.

10. The following information must be clearly stated on each purchase order or instruction:

    i. The name of the supplier.
    ii. The agreed price of the goods/services required, other than in an emergency or where impractical to do so.
    iii. The Unique Order No as approved by the budget holder.

11. The Head of Finance shall ensure that procedures are in place for establishing when goods or services, have been charged, allocated or otherwise expenditure has been committed against an unauthorised budget.

12. All quotes/tenders, delivery notes, invoices for payment and credit notes shall be matched to the official purchase order or instruction, examined and coded before they are proposed for payment or set off. If the budget holder or the Head of Finance deems any invoice/credit note to be incorrect they shall not process such invoices/credit notes for payment or set off until satisfied that payment or set off is properly due. The quotes/tenders, purchase orders and delivery notes where required to be signed or where amended, shall all be filed together with the invoices/credit notes as otherwise directed by the Head of Finance.

13. The Head of Finance shall ensure that all Invoices which have been approved for payment are duly scheduled for payment.

14. All Invoices shall be authorised by the budget holder and checked by the Chief executive or Chief Engineer prior to making payment.

15. Where it is considered that there are valid reasons for departing from these procedures the approval of the Chairman shall be obtained. Any such departure shall be reported to the Middle Level Board.

E BANK MANDATE AND INVESTMENTS

1. No changes shall be made to the Commissioners' bankers or the bank mandate without the prior consent of the Middle Level Board.

2. Approved signatories for the Commissioners' bank accounts are as follows:

    1. The Chairman
    2. Such other member(s) as shall from time to time be authorised by the Middle Level Board
    3. Such officers of the Middle Level Commissioners as shall from time to time be authorised by the Board

3. All cheque books, deposit books, banking cards, online access and other documentation or materials relating to the Commissioners' bank accounts shall be retained in the custody of the Head of Finance.

4. All payments, bank transfers and Investments shall be made in the most efficient/secure manner as determined from time to time by the Head of Finance.

5. The Head of Finance shall maintain contact details relating to financial transactions. All bank accounts shall be reconciled monthly and checked at regular intervals by separate officers in line with Internal Controls.

F INVESTMENTS AND BORROWINGS STRATEGY

1. All investments made by the Commissioners are made within guidance received from CIPFA (Chartered Institute of Public Finance Accountants) Guidance for the Public Sector, and relevant legislation:

    - The Commissioners' investment activities are limited by statute
    - The Commissioners' may invest with major Banks and/or Building Societies
    - The Commissioners' investments are to be regarded as low/medium risk
    - The Commissioners' investments must be made in the name of the Commissioners' and not any named individual

2. All investments shall be negotiated by the Head of Finance and reported to the Middle Level Board. They must be for an appropriate period.

3. All borrowings shall be effected in the name of the Commissioners and shall be from the Public Works Loans Board. In an emergency there may be an exception.

4. No borrowings shall be taken out without a resolution of the Middle Level Board.

5. All investment certificates and other documents relating thereto shall be retained in the custody of the Head of Finance.

G COLLECTING MONEY

1. The Head of Finance shall be responsible for ensuring that all monies received are properly recorded in the accounting records.
2. Electronic copies of all receipts issued shall be retained for at least six years.

3. The Head of Finance shall be responsible for ensuring that the Drainage Rates and Special Levies are substantially collected by **1 November** each year. Penalty Charges, Outstanding Rates/Levies shall be pursued in a timely manner after that date.

4. The Head of Finance shall ensure that procedures are in place for all debts to be substantially collected within 30 days from the Debtor Invoice tax point date and for when a debt becomes 3 months overdue or whenever a debt becomes doubtful or is disputed.

H FUNDING APPLICATIONS

1. Ideally any grant or third-party funding opportunities will be reviewed, supported and approved by the Executive Committee, however bidding windows normally constrain the ability to enact this meaning the Commissioners potentially missing out on funding. Therefore, the Chief Executive shall be empowered to bid for grant and/or other third-party funding on behalf of the Commissioners. This includes being able to determine and accept any risk exposure.

I SUNDRY DEBTORS

1. Each budget holder shall be responsible for providing the Head of Finance with the necessary information to enable rechargeable work to be properly accounted for and invoiced, and, any other debts due to be properly invoiced. The budget holder shall advise the Head of Finance whenever an Invoice is to be raised for goods provided or services rendered, under their control.

2. The Head of Finance shall ensure that all such Invoices are properly raised as soon as practicable after being authorised.

3. The Head of Finance shall be responsible for ensuring that all other debts due to the Commissioners are properly raised when required and collected appropriately.

4. The Head of Finance shall be responsible for ensuring that the Commissioners consider whether any rents payable to them should be reviewed at least once every 5 years.

5. The Head of Finance shall calculate any claims for Highland Water payments from the Environment Agency and send such claims to the Agency by the dates specified by the Agency.

6. Any refunds due to debtors for whatever reason shall be approved by the Chief Executive or Head of Finance prior to being paid or otherwise accounted for.

8. The Chief Executive or Head of Finance shall be empowered to collect all sundry debts due.

9 The Chief Executive or Head of Finance have approval to instigate legal proceedings to collect outstanding amounts in excess of the County Court Small Claims limit.

J EMPLOYING/MANAGING STAFF

1. The Chief Executive shall be responsible to the Commissioners for all matters regarding any employees, including employment policies, procedures, terms and conditions.

2. The Middle Level Board’s approval shall be required for the employment of additional permanent staff.

3. The Chief Executive shall have the authority to employ temporary staff and replace permanent staff provided the employment costs are contained within the Expenditure Estimates/Budgets approved by the Commissioners

K ASSET ACCOUNTING/MANAGEMENT

1. Any assets to be sold will be advertised in the appropriate media or by the method most appropriate for securing best value and will be sold for the highest offer (of legitimate bids from reputable sources) unless they are being part-exchanged or traded-in when acquiring another asset, or otherwise sold for a budget price approved by the Board.

2. The Head of Finance and Chief Engineer shall be responsible for documenting and maintaining the records of the Board's Assets.

L AUDIT

1. As a requirement of the Accounts and Audit Regulations the Head of Finance shall ensure that the Middle Level Board is presented with the Internal Auditor's Report each year. The Middle Level Board is required to review and where necessary take appropriate action.

M SALARIES AND WAGES

1. The Chief Executive shall, where appropriate, seek independent advice before making significant changes to terms and conditions of employment and, save where such changes are as a result of legislative change, no changes shall be made to terms and conditions of employment (deliberately or otherwise) without the prior consent of the Employment Committee.

2. The Head of Finance shall be responsible for the proper compilation of the payroll(s) and for the final determination of pay, as approved by the Middle Level Board.

3. All annual holiday entitlements (including any carried forward provisions) shall be agreed by line managers at the beginning of every financial year and signed off by him/her as such, in accordance with the terms and conditions of employment.

4. All time-off in lieu, sick leave, working-from-home arrangements and other absences from work or the work place shall be approved by line managers.

5. Approval of overtime for those eligible (mainly within Operations and M&E) will be by Line Manager/Department Head.

6. Salary progression shall be approved by the Executive Committee, except where it forms part of the initial offer of employment.

7. One-off payments to employees is at the discretion of the Chief Executive and the Chairman.

8. Expenses to be reviewed and approved by any of an employees line management chain with spot-checks undertaken by the Head of Finance.

N INSURANCES

1. The Head of Finance shall be responsible for expeditiously submitting all insurance claims.

O REVIEW OF FINANCIAL REGULATIONS

1. The Middle Level Board, Executive Committee, Chief Executive and Head of Finance reserves the right to make reasonable changes to these Regulations at any time in future and/or to append specific policies and/or codes to it.

2. Failure to take action against any employee, Commissioner or Middle Level Board member following a breach of the Financial Regulations does not constitute a waiver of the Commissioners' right to take disciplinary action on any future breaches of the Financial Regulations and no single or partial action taken shall prevent any further disciplinary action being taken or other action being taken against any employee, Commissioner or Middle Level Board.