

# **Financial Regulations**

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## STATUS OF FINANCIAL REGULATIONS

1. Financial Regulations provide the framework for managing the Council's financial affairs. These financial regulations apply to every Member and officer of the authority and anyone acting on its behalf.
2. These Financial Regulations supersede all other regulations and financial standing orders issued previously.
3. Nothing in these Regulations shall be construed as overriding the provisions of legislation or any subordinate regulations from time to time in force.
4. The Regulations identify the financial responsibilities of the Council, Cabinet and overview and scrutiny Members, the Head of Paid Service (Chief Executive ), the Monitoring Officer, the Chief Finance Officer and other Chief Officers. Portfolio Holders and Chief Officers should maintain a written record where decision-making has been delegated to Members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, such as nominated spending control officers, references to the Chief Officer in the regulations should be read as referring to them.
5. All 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.
6. All Members and staff must conduct themselves with the highest standards of integrity and must do their utmost to ensure that suspicions do not arise concerning improper motivation. Officers graded as senior or above shall avoid conflicts of interest by not engaging in any other business or taking up any other additional appointments (whether paid or not) without the express consent of the Council.
7. The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Full Council for approval. In any event these regulations will be formally reviewed every five years. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the financial regulations to the Council and/or to the Cabinet.
8. The issuing of these Regulations does not preclude the issuing of further instructions on financial matters by the Chief Finance Officer who must be consulted on any aspects of financial administration not contained within these Regulations.
9. The Council's detailed financial procedures, setting out how the regulations will be implemented, are contained in the appendices to the Financial Regulations. Any procedure notes issued by the Chief Finance Officer in accordance with these financial regulations have the same status as the Financial Regulations and therefore must be complied with as if they were contained within the financial regulations.
10. Chief Officers are responsible for ensuring that all staff in their service areas are aware of the existence and content of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their service areas.

11. The Chief Finance Officer 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. However any question arising on the interpretation of these Financial Regulations shall be referred to Council whose decision shall be final.
12. A separate executive summary of Financial Regulations exists to guide officers who need, from time to time, to refer to a checklist of controls for a particular topic. The guide is complimentary to this full set of Regulations but does not relieve officers of their obligation to refer to these main Financial Regulations in conducting the Council's business.

## **FINANCIAL REGULATION A: FINANCIAL GOVERNANCE**

- A1 Financial governance covers all financial accountabilities in relation to the running of the authority, including the policy framework and budget.

### **THE COUNCIL**

- A2 The Council is responsible for adopting the authority's constitution and Members' code of conduct and for approving the policy framework and budget within which the Cabinet operates.
- A3 The Council is responsible for approving and monitoring compliance with the Council's overall framework of accountability and control and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. The framework is set out in its constitution. Decisions should be referred to the Council by the Monitoring Officer and/or the Chief Finance Officer. The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework
- A4 The Council is responsible for agreeing procedures for year end carrying forward of under and overspendings on budget headings and for agreeing procedures by which the Cabinet may undertake in year virements of expenditure between Portfolios and between individual portfolio budget headings.
- A5 The Council is responsible for approving the annual statement of accounts following detailed scrutiny by the Audit and Governance Committee.
- A6 The Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council, Cabinet and Portfolio Holders. These delegations and details of who has responsibility for which decisions are set out in the constitution. The Council is also responsible for monitoring compliance with the agreed policy and related Cabinet and Portfolio Holder decisions.

### **THE CABINET**

- A7 The Cabinet is responsible for proposing the policy framework and budget to the Council, and for discharging Executive functions in accordance with the policy framework and budget.
- A8 The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits and in accordance with the scheme of virement set by the Council.
- A9 Cabinet decisions can be delegated to a committee of the Cabinet, an individual cabinet member (Portfolio Holder), an officer or a joint committee.
- A10 A scheme of protocols exist to ensure that individual Portfolio Holders consult with relevant Members and officers before taking a decision within his or her delegated authority. In doing so, the individual member must take account of legal and financial liabilities and risk management issues that may arise from the decision.

## **OVERVIEW AND SCRUTINY COMMITTEE**

- A11 The Overview and Scrutiny Committee and Standing or ad hoc Scrutiny Panels are responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. The Overview and Scrutiny Committee is also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Council .

## **AUDIT AND GOVERNANCE COMMITTEE**

- A12 The Council has a number of strategies in place to regulate its activities and demonstrate the robustness of its governance arrangements. The key function of the Audit and Governance Committee is to take a view on whether these strategies have been properly formulated and remain effective, in order to provide independent assurance to the Council on the adequacy of the internal control and risk management frameworks.

## **FINANCE AND PERFORMANCE MANAGEMENT CABINET COMMITTEE**

- A13 The Finance and Performance Management Cabinet Committee is an advisory body and reports to the Cabinet. It has responsibility for advising the Cabinet on all financial matters including the annual revenue and capital budget and the level of Council Tax. It is also responsible for advising the Cabinet on risk management issues.

## **STANDARDS COMMITTEE**

- A14 The Standards Committee is established by the Council and is responsible for promoting and maintaining high standards of conduct amongst councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members' Code of Conduct, and for monitoring the operation of the Code.

## **OTHER REGULATORY COMMITTEES**

- A15 Planning and licensing are not Cabinet functions but are exercised through the multi-party District Development Control Committee and the Licensing Committee under powers delegated by the Council. The District Development Control Committee and the Licensing Committee reports to the Council.

## **THE STATUTORY OFFICERS**

### **Head of Paid Service (Chief Executive)**

- A16 The Head of Paid Service is responsible for the corporate and overall strategic management of the authority as a whole. He or she must report to and provide information for the Cabinet, the Council, the Overview and Scrutiny Committee and other Committees and Standing or ad hoc Panels. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions (see below).

## **Monitoring Officer**

- A17 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee on a range of matters set out in Article 12 of the Constitution. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Council and/or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A18 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that Council Members are aware of decisions made by the Cabinet and of those made by officers who have delegated Executive responsibility.
- A19 The Monitoring Officer is responsible for advising all councillors and officers about who has authority to take a particular decision.
- A20 The Monitoring Officer is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A21 The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Cabinet or Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget.
- A22 The Monitoring Officer is responsible for maintaining an up-to-date Constitution.

## **Chief Finance Officer**

- A23 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
  - The Local Government Finance Act 1988
  - The Local Government and Housing Act 1989
  - The Accounts and Audit Regulations 1996 and subsequent amendments
  - The Local Government Act 2003
- A24 The Chief Finance Officer is responsible for:
- the proper administration of the authority's financial affairs
  - monitoring compliance with financial management standards
  - determining the accounting procedures and records for the authority and advising on the key financial controls necessary to secure sound financial management
  - signing and dating the annual statement of accounts, to certify that it presents fairly the financial position of the Council
- A25 The Chief Finance Officer is required to report to the Council, Cabinet and external auditor if the authority or one of its officers:
- has made, or is about to make, a decision which involves incurring unlawful expenditure

- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- is about to make an unlawful entry in the authority's accounts

The Chief Finance Officer also has a duty to report to the Council on the robustness of the estimates for the purposes of the budget and the adequacy of reserves.

A26 The Chief Finance Officer is also responsible for:

- setting financial management standards
- advising on the corporate financial position
- providing financial information
- preparing the revenue budget and capital programme
- treasury management
- selecting accounting policies and ensuring that they are applied consistently
- ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice On Local Authority Accounting In The United Kingdom: A Statement Of Recommended Practice (CIPFA/LASAAC).

### **CHIEF OFFICERS**

A27 Chief Officers are responsible for:

- ensuring that Portfolio Holders are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- signing contracts on behalf of the authority.

A28 Chief Officers are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required. They must notify the Chief Finance Officer of all virements.

A29 It is the responsibility of Chief Officers to consult with the Chief Finance Officer and seek approval on any matter liable to affect the authority's finances materially, before any commitments are incurred.

## **FINANCIAL REGULATION B: FINANCIAL PLANNING AND MANAGEMENT**

### **INTRODUCTION**

B1 The Council is responsible for agreeing the Authority's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:

- the annual revenue budget
- the annual capital programme
- the medium term (four year) revenue and capital financial forecast

These will be produced in conjunction with the annual best value performance plan and with due regard to the Council Plan as set from time to time by Council.

### **BUDGETING**

#### **Budget Format**

B2 The general format of the budget will be approved by the Council and proposed by the Cabinet on the advice of the Chief Finance Officer. The budget includes the allocation of financial resources to different services and projects, proposed contingency funds, the council tax base, setting the council tax and housing rent levels, and decisions relating to the control of the Council's borrowing requirement, the control of its capital expenditure and the setting of virement limits.

#### **Revenue and Capital Budget Preparation**

B3 The Chief Finance Officer is responsible for ensuring that revenue and capital budgets are prepared together with a medium term (four year) revenue and capital financial forecast on an annual basis, for consideration by the Cabinet, before submission to the Full Council. The budget will be prepared within the framework procedure rules as set out in the Council's Constitution.

B4 The Finance and Performance Management Cabinet Committee on the advice of the Chief Finance Officer, and following proper consultation including the Overview and Scrutiny Committee, is responsible for proposing guidance on the general content of the budget to the Cabinet.

B5 It is the responsibility of Chief Officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

B6 The Cabinet is responsible for developing and maintaining a resource allocation process that ensures due consideration of the Council's policy framework.

B7 It is the responsibility of the Cabinet to ensure that there is proper consultation on the proposed budget prior to its submission to Council. The Council may then amend the budget or ask the Cabinet to reconsider it before approving it.

B8 The inclusion of items in approved revenue and capital estimates shall constitute authority to incur such expenditure, save to the extent to which the Council or the Cabinet shall have placed a reservation on any such item. Expenditure on any such

reserved items may be incurred only when and to the extent that such reservation has been removed.

### **Budget Monitoring and Control**

- B9 It is the duty of every Portfolio Holder to monitor and regulate the financial performance of services for which they are responsible.
- B10 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.
- B11 It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

### **Emergency and Urgent Expenditure**

- B12 Nothing in these financial regulations will prevent expenditure outside of the budgetary framework in the event of an emergency situation or one of overriding urgency, subject to certain criteria and actions being satisfied.

### **Guidelines**

- B13 Guidelines on budget preparation are issued to Members and Chief Officers by the Cabinet following agreement with the Chief Finance Officer . The guidelines will take account of, amongst other things:
- legal requirements
  - medium-term planning prospects
  - the Council plan
  - available resources
  - spending pressures
  - best value and other relevant government guidelines
  - other internal policy documents
  - cross-cutting issues (where relevant)

and any appropriate statutory plans and strategies that form part of the policy framework of the authority such as the:

- Council Plan
- best value performance plan
- asset management plan
- capital strategy
- treasury management policy statement

### **MAINTENANCE OF RESERVES**

- B14 It is the responsibility of the Finance and Performance Management Cabinet Committee, on the advice of the Chief Finance Officer, to propose to the Cabinet and/or the Council prudent levels of reserves for the Authority.

## **FINANCIAL REGULATION C: RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **INTRODUCTION**

- C1 It is essential that the robust, integrated systems in place for risk management are maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all services in the Council's Risk Management Group.

### **RISK MANAGEMENT**

- C2 The Cabinet is responsible for approving the authority's risk management policy statement and strategy and for promoting it throughout the authority. The Cabinet is also responsible for ensuring that proper insurance exists where appropriate.
- C3 The Finance and Performance Management Cabinet Committee is responsible for preparing the Council's risk management policy statement on the advice of the Chief Finance Officer and Chief Officers, and for advising the Cabinet on proper insurance cover where appropriate. The appropriate Portfolio Holder has lead Member responsibility for risk management.
- C4 The Audit and Governance Committee is responsible for reviewing the effectiveness of the arrangements for risk management.

### **INTERNAL CONTROL**

- C5 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C6 The Chief Finance Officer 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.
- C7 It is the responsibility of Chief Officers to establish sound arrangements for planning, controlling and monitoring their operations in order to achieve continuous improvement and value for money.

### **AUDIT REQUIREMENTS**

- C8 The Accounts and Audit Regulations 2003, as amended, require every local authority to maintain an adequate and effective Internal Audit.
- C9 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by the Audit Commission Act 1998 and the Local Government Act 1999.
- C10 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

## **PREVENTING FRAUD AND CORRUPTION**

- C11 The Chief Finance Officer in liaison with the Chief Internal Auditor is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

## **ASSETS**

- C12 Chief 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.

## **STAFFING**

- C13 The Council is responsible for determining how officer support for Executive and non-Executive roles within the authority will be organised.
- C14 The Head of Paid Service is responsible for overall management of staff. He or she is also responsible for ensuring that there is proper use of an evaluation or other agreed system for determining the remuneration of a job.
- C15 Chief Officers are responsible for controlling total staff numbers by:
- advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
  - adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
  - the proper use of appointment procedures.

## **FINANCIAL REGULATION D: TREASURY MANAGEMENT AND BANK ARRANGEMENTS**

### **TREASURY MANAGEMENT**

D1 The Council, in adopting these financial regulations, has adopted the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).

D2 The key recommendations are:

Key Recommendation 1 – the Council shall put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.

Key Recommendation 2 – the Council's policies and practices shall make clear that the effective management and control of risk are prime objectives of its treasury management activities.

Key Recommendation 3 – the Council shall acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for the Council to employ in support of its business and service objectives; and that within the context of effective risk management, its treasury management policies and practices shall reflect this.

Key Recommendation 4 – in order to achieve the above, the Council shall

- Adopt a treasury management policy statement, as recommended by the Code
- Follow the recommendations in the Code concerning the creation of Treasury Management Practices (TMPs)

D3 The Council shall create and maintain, as the basis for effective treasury management

- A treasury management policy statement, including the policies and objectives of its treasury management activities

Suitable TMPs, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

D4 The Relevant Portfolio Holder will report on the Council's treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs

D5 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer who will act in accordance with the Council's policy statement and TMPs

### **LEASING AND OTHER FINANCIAL FACILITIES**

- D6 The Chief Finance Officer and officers nominated by him or her are the only officers authorised to enter into and sign agreements for leasing and other financial facilities.

### **BANKING ARRANGEMENTS**

- D7 The Chief Finance Officer is the only officer authorised to open, operate and close a bank account on behalf of the Council.
- D8 The Chief Finance Officer and officers nominated by him or her are the only officers authorised to sign cheques and instigate or arrange other methods of payment.

## **FINANCIAL REGULATION E: FINANCIAL SYSTEMS AND PROCEDURES**

### **INTRODUCTION**

- E1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **GENERAL**

- E2 The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Chief Officers to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, Chief Officers are responsible for the proper operation of financial processes in their own service areas.
- E3 Any changes to agreed procedures by Chief Officers to meet their own specific service needs should be agreed with the Chief Finance Officer.
- E4 Chief Officers should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- E5 Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must also ensure that staff are aware of their responsibilities under freedom of information legislation.

### **INCOME AND EXPENDITURE**

- E6 It is the responsibility of Chief Officers to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Chief Officer's behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

### **PAYMENTS TO EMPLOYEES AND MEMBERS**

- E7 The Director of Resources is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

### **TAXATION**

- E8 The Chief Finance Officer is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council .
- E9 The Chief Finance Officer is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

## **TRADING ACCOUNTS/BUSINESS UNITS**

- E10 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts.

## **FINANCIAL REGULATION F: EXTERNAL ARRANGEMENTS**

### **INTRODUCTION**

- F1 The Council provides a leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

### **PARTNERSHIPS**

- F2 The Council has approved a framework for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- F3 The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council’s Constitution. Where functions are delegated, the Cabinet remains accountable for them to the Council.
- F4 The Head of Paid Service represents the Council on partnership and external bodies, in accordance with the scheme of delegation.
- F5 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the authority. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies.
- F6 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- F7 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **EXTERNAL FUNDING**

- F8 External Funding is overseen by the External Funding Working Party, in accordance with the External Funding Strategy. This strategy has been approved by Cabinet and all officers are requested to have regard to the strategy when dealing with any external funding issues. The External Funding Strategy and toolkit are available on the intranet.

### **WORK FOR THIRD PARTIES**

- F9 The Cabinet is responsible for approving the contractual arrangements for any work for third parties or external bodies.

## **Financial Governance**

### **1. FINANCIAL GOVERNANCE STANDARDS**

#### **Why is this important?**

- 1.1 All officers 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 the controls that are in place to ensure that these standards are met.

#### **Key controls**

- 1.2 The key controls and control objectives for financial governance standards are:
- (a) the promotion of good governance throughout the authority;
  - (b) adherence to relevant codes of conduct by members and officers; and
  - (c) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and Council.

#### **Responsibility of the Head of Paid Service (Chief Executive)**

- 1.3 To establish a framework for management direction, style and standards and for monitoring the performance of the organisation.

#### **Responsibility of the Monitoring Officer**

- 1.4 To promote and maintain high standards of financial conduct.
- 1.5 To advise (together with the Chief Finance Officer) the Cabinet or Council 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
- initiating a new policy
  - committing expenditure in future years to above the budget level
  - incurring inter-service transfers above virement limits
  - causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

#### **Responsibilities of the Chief Finance Officer**

- 1.6 To set the financial management standards and ensure the proper administration of the financial affairs of the authority.
- 1.7 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff.

- 1.8 To ensure that financial information is available to enable accurate and timely monitoring.
- 1.9 To complete all grant claims and other financial returns required by government departments and other bodies.
- 1.10 To monitor compliance with financial management standards
- 1.11 To advise on the key financial controls necessary to secure sound financial management.

### **Responsibilities of Chief Officers**

- 1.12 To promote the financial management standards set by the Chief Finance Officer in their services and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- 1.13 To promote sound financial practices in relation to the standards, performance and development of staff in their services.
- 1.14 To maintain such records as are required to enable the Chief Finance Officer to complete all grant claims and other financial returns required by government departments and other bodies.
- 1.15 To consult the Chief Finance Officer prior to the release of financial information to any external persons or parties except where the data relates directly and solely to systems operated by the Chief Officer concerned and where the release of information is in accordance with the Data Protection Policy.

## **2. ACCOUNTING POLICIES AND ANNUAL STATEMENT OF ACCOUNTS**

### **Why is this important?**

- 2.1 The Chief Finance Officer 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 Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP), for each financial year ending 31 March.

### **Key controls**

- 2.2 The key controls for accounting policies are:
  - (a) systems of internal control are in place that ensure that financial transactions are lawful;
  - (b) suitable accounting policies are selected and applied consistently;
  - (c) proper accounting records are maintained; and
  - (d) financial statements are prepared which present fairly the financial position of the authority and its expenditure and income.

### **Responsibilities of the Chief Finance Officer**

- 2.3 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:
- (a) separate accounts for capital and revenue transactions
  - (b) the basis on which debtors and creditors at year end are included in the accounts
  - (c) details on substantial provisions and reserves
  - (d) fixed assets
  - (e) depreciation
  - (f) work in progress
  - (g) stocks and stores
  - (h) accounting for value added tax
  - (i) government grants
  - (j) leasing
  - (k) pensions
- 2.4 To make judgements and estimates that are reasonable and prudent.
- 2.5 To comply with the SORP.
- 2.6 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- 2.7 To sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March each year.

### **Responsibilities of Chief Officers**

- 2.8 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

## **3. ACCOUNTING RECORDS AND RETURNS**

### **Why is this important?**

- 3.1 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 to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit which provides assurance that the accounts are prepared properly and that proper accounting practices have been followed.

### **Key controls**

- 3.2 The key controls for accounting records and returns are:
- (a) all Portfolio Holders, finance staff and spending control officers operate within the required accounting standards and timetables;
  - (b) all the authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;

- (c) business continuity procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
- (d) reconciliation procedures are carried out to ensure transactions are correctly recorded; and
- (e) prime documents are retained in accordance with legislative and other requirements.

### **Responsibilities of the Chief Finance Officer**

- 3.3 To determine the accounting procedures and records for the authority and to arrange for the compilation of all such accounts and accounting records under his or her direction.
- 3.4 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2003.
- 3.5 To comply with the following principles when allocating accounting duties:
  - (a) separating the duties of providing information about sums due to or from the authority and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
  - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 3.6 To ensure that all claims for funds including grants are made by the due date.
- 3.7 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and with the requirement for Council to approve the statement of accounts before 30 June.
- 3.8 To administer the authority's arrangements for under and overspendings to be carried forward to the following financial year.
- 3.9 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

### **Responsibilities of Chief Officers**

- 3.10 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- 3.11 To comply with the principles outlined in paragraph 3.5 when allocating accounting duties.
- 3.12 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 3.13 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

## Financial Planning and Management

### 1. PERFORMANCE PLANS

#### Why is this important?

- 1.1 Each local authority has a statutory responsibility to publish various performance plans, including the best value performance plan. The purpose of these plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The authority is required to publish annually the best value performance plan (BVPP), which is a key element in the authority's programme of engaging with the public. External audit is required to report on whether the authority has complied with statutory requirements in respect of the preparation and publication of the BVPP.

#### Key controls

- 1.2 The key controls for performance plans are:
- (a) to ensure that all relevant plans are produced and are consistent;
  - (b) to produce plans in accordance with statutory requirements and timetables;
  - (c) to ensure that all performance information is accurate, complete and up to date; and
  - (d) to provide improvement targets which are meaningful, realistic and challenging.

#### Responsibilities of the Chief Finance Officer

- 1.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 1.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.5 To ensure that systems are in place to collect accurate financial information for use with performance indicators.
- 1.6 To ensure that financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

#### Responsibilities of Chief Officers

- 1.7 To contribute to the development of performance plans in line with statutory requirements.
- 1.8 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.9 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

- 1.10 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

## **2. BUDGETING**

### **Format of the Budget**

#### **Why is this important?**

- 2.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

#### **Key controls**

- 2.2 The key controls for the budget format are:
- (a) the format complies with all legal requirements;
  - (b) the format complies with CIPFA's Best Value Accounting Code of Practice; and
  - (c) the format reflects the accountabilities of service delivery.

#### **Responsibilities of the Chief Finance Officer**

- 2.3 To advise the Cabinet on the format of the budget that is approved by the Full Council.

#### **Responsibilities of Chief Officers**

- 2.4 To comply with accounting guidance provided by the Chief Finance Officer .

### **Budget Monitoring and Control**

#### **Why is this important?**

- 2.5 Budget management ensures that once Council has approved the budget, allocated resources 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 to account managers responsible for defined elements of the budget.
- 2.6 By identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements. To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 2.7 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Chief Officer's scheme of delegation.

## **Key controls**

- 2.8 The key controls for managing and controlling budgets are:
- (a) spending control officers should be responsible only for income and expenditure that they can influence;
  - (b) there is a nominated spending control officer for each cost centre heading;
  - (c) spending control officers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
  - (d) spending control officers follow an approved certification process for all expenditure;
  - (e) income and expenditure are properly recorded and accounted for; and
  - (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

## **Responsibilities of the Chief Finance Officer**

- 2.9 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual limits unless Council agrees otherwise;
  - (b) each Chief Officer has available timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
  - (c) expenditure is committed only against an approved budget head with sufficient funds available;
  - (d) all officers responsible for committing expenditure comply with relevant guidance, financial regulations and contract standing orders;
  - (e) each cost centre has a single named spending control officer, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure; and
  - (f) significant variances from approved budgets are investigated and reported by spending control officers regularly.
- 2.10 To administer the authority's scheme of virement.
- 2.11 To submit reports to the Cabinet and to Council, in consultation with the relevant Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.12 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a quarterly basis.

## **Responsibilities of Chief Officers**

- 2.13 To maintain budgetary control within their services, in adherence to the principles in 2.9, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.14 To ensure that an accountable spending control officer is identified for each item of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.15 To ensure that spending remains within the service's overall budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.16 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.17 To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer
- 2.18 To ensure compliance with the scheme of virement.
- 2.19 To agree with the relevant Chief Officer where it appears that a virement proposal may impact materially on another service area or Chief Officer's level of service activity.

## **Budget Preparation and Medium-term Planning**

### **Why is this important?**

- 2.20 The authority is a complex organisation responsible for delivering a wide 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.
- 2.21 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the authority. Budgets are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent.
- 2.22 Medium-term planning 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.

### **Key controls**

- 2.23 The key controls for budgets and medium-term planning are:
  - (a) specific budget approval for all expenditure;
  - (b) spending control officers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within

delegations set by the Cabinet for their budgets and the level of service to be delivered; and

- (c) 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.

### **Responsibilities of the Chief Finance Officer**

- 2.24 To prepare and submit reports on budget prospects to the Finance and Performance Management Cabinet Committee, including resource constraints set by the Government, in accordance with the budget timetable. Reports should take account of medium-term issues, where appropriate.
- 2.25 To determine the detailed form of capital and revenue estimates and the methods for their preparation, consistent with the budget approved by Council, and after consultation with the Cabinet and Chief Officers.
- 2.26 To prepare and submit reports to the Finance and Performance Management Standing Scrutiny Panel on the aggregate spending plans of Portfolio Holders and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax or housing rent levels to be levied.
- 2.27 To advise on the medium-term implications of spending decisions.
- 2.28 To encourage the best use of resources and value for money by working with Chief 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.
- 2.29 To advise Council on the Cabinet's budget proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972 and Section 25 of the Local Government Act 2003.

### **Responsibilities of Chief Officers**

- 2.30 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet by the appropriate Portfolio Holder, in accordance with the budget timetable.
- 2.31 To prepare budgets that are consistent with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with Council's general directions.
- 2.32 To ensure prior approval by Council for new proposals that:
  - (a) increase the budgetary requirement in current or future years, or
  - (b) change existing policies, initiate new policies or cease existing policies, or
  - (c) materially extend or reduce the authority's services.

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Unless Council has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their budget.

Where the proposal is within the existing policy framework, and solely requires an increase in the budgetary requirement, proposals should either be agreed by the Cabinet for bids to be made for a future budget that will subsequently be ratified by Council, or reported to Council if implementation is required for the current budgetary year.

- 2.33 To agree with the relevant Chief Officer where it appears that a budget proposal may impact materially on another service area or Chief Officer's level of service activity.
- 2.34 To integrate financial and budget plans into service planning, so that service plans are fully costed and can be incorporated into medium term budget forecasts.
- 2.35 In consultation with the Chief Finance Officer and in accordance with the guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate Portfolio Holder, including proposals for the setting of fees and charges.
- 2.36 When drawing up draft budget requirements, to have regard to:
  - (a) Spending patterns and pressures revealed through the budget monitoring process;
  - (b) Legal requirements;
  - (c) Policy requirements as defined by Council in the approved policy framework; and
  - (d) Initiatives already in progress.

#### **Responsibilities of the Finance and Performance Management Cabinet Committee**

- 2.37 Following due consultation with Overview and Scrutiny Committee or its relevant panels, to submit reports on budget proposals for the Cabinet, and to propose suitable budget guidelines.
- 2.38 Following due consultation with the appropriate Overview and Scrutiny Committee or relevant Panel, to submit reports to the Cabinet on the aggregate spending plans of Portfolio Holders and the resources available to fund them, identifying, where appropriate, the implications for the level of council tax or housing rent levels to be levied.

#### **Responsibilities of Portfolio Holders**

- 2.39 Following due consultation with the appropriate Overview and Scrutiny Committee or relevant Panel, to present to the Cabinet estimates of income and expenditure, including proposals for the setting of fees and charges, relating to their area of responsibility, in such form and by such date(s) as is required for policy-making and budgeting. Such estimates shall comply with legislation, statutory instruments from time to time in force and the policy framework of the Council.

## **Resource Management**

### **Why is this important?**

- 2.40 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are utilised to fulfil all legal responsibilities and minimise the level of waste, inefficiency or loss. Resources may include staff, money, equipment, goods and materials.

### **Key controls**

- 2.41 The key controls for resource management are:
- (a) resources are obtained in accordance with the law and using an approved authorisation process;
  - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
  - (c) resources are securely held for use when required; and
  - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **Responsibilities of the Chief Finance Officer**

- 2.42 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.43 To determine the method of allocation of resources to spending control officers.

### **Responsibilities of Chief Officers**

- 2.44 To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.
- 2.45 To identify opportunities to minimise resource requirements without having a detrimental effect on service delivery.

## **Capital Programme**

### **Why is this important?**

- 2.46 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.
- 2.47 Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

## **Key controls**

- 2.48 The key controls for capital programmes are:
- (a) Sufficient regard being given to the Capital Strategy adopted by Council;
  - (b) Specific approval by Council for the programme of capital expenditure following recommendation by the Cabinet;
  - (c) A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the relevant Portfolio Holder;
  - (d) Schedules for individual schemes within the overall budget approved by Council must be submitted by the relevant Portfolio Holder to the Cabinet for approval (for example, minor works), or under other arrangements approved by the Council;
  - (e) The development and implementation of asset management plans;
  - (f) Accountability for each proposal is given to a specific postholder; and
  - (g) Monitoring of scheme progress in conjunction with expenditure and comparison with approved budget.

## **Responsibilities of the Chief Finance Officer**

- 2.49 To prepare capital estimates jointly with Chief Officers and the relevant Portfolio Holder, and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- 2.50 To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- 2.51 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.

## **Responsibilities of Chief Officers**

- 2.52 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer .
- 2.53 To ensure that all capital proposals have undergone a project appraisal.
- 2.54 To ensure that adequate records are maintained for all capital contracts.
- 2.55 To proceed with projects only when there is adequate provision in the capital programme.
- 2.56 To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision.

- 2.57 Where the capital project is budgeted to be in excess of £2 million, to prepare and submit reports, jointly with the Chief Finance Officer, to the relevant Portfolio Holder outlining:
- (a) Progress to date;
  - (b) Problems identified and proposals for rectification;
  - (c) Expenditure to date compared to budget; and
  - (d) Decisions required.
- 2.58 In addition to 2.57 above, where the capital project is budgeted to be in excess of £2 million, to establish a multidiscipline project team to:
- (a) Plan, manage and review projects and ensure effective financial management;
  - (b) Monitor expenditure, estimated outturn, variances to budget, potential claims and overspends, levels of contingencies, and implications of deviations from critical paths; and
  - (c) On completion, undertake a post-contract evaluation using appropriate methodology.
- 2.59 To prepare and submit reports, jointly with the Chief Finance Officer to the Cabinet, of any variation in contract costs greater than the approved budget. The Cabinet may meet cost increases of up to £100,000 by virement from savings elsewhere within their capital programme, save that there can be no transfer of approved budgets between the General Fund and the Housing Revenue Account, or between portfolios.
- 2.60 To prepare and submit reports, jointly with the Chief Finance Officer to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the lesser of 10% or £25,000.
- 2.61 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
- 2.62 To consult with the Chief Finance Officer and to seek Cabinet approval where the Chief Officer proposes to bid for specific capital grants to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

### **Emergency and Urgent Expenditure**

- 2.63 Nothing in these financial regulations shall prevent a Portfolio Holder or the Cabinet from incurring expenditure outside of the budgetary framework which is essential to meet any immediate needs created by a sudden emergency, or which is referable to Section 138 of the Local Government Act 1972, or which is outside the Council's control (e.g. by order of the Courts or any body with an equivalent power), or which has some other overriding urgency, subject to:
- (a) It not being practical to convene a quorate meeting of the Council;

- (b) The Chairman of the Overview and Scrutiny Committee, or in his or her absence the Chairman of the Council, or in his or her absence the Vice-Chairman of the Council, agreeing that the expenditure is a matter of urgency; and
- (c) The reasons why it was impractical to convene a quorate meeting of the Council under 2.6 3(a) and the consent under 2.633(b) being noted on the record of the decision

2.64 Following the decision to incur expenditure outside of the budgetary framework on the grounds of urgency, the relevant Portfolio Holder will provide a report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency. The report will also set out the level of expenditure incurred or likely to be incurred under the decision, and proposals for the mitigation of the expenditure by the deferment of other expenditure where possible.

### **3. MAINTENANCE OF RESERVES**

#### **Why is this important?**

3.1 The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

#### **Key controls**

- 3.2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.
- 3.3 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 3.4 Authorisation and expenditure from reserves by the appropriate Chief Officer in consultation with the Chief Finance Officer.

#### **Responsibilities of the Finance and Performance Management Cabinet Committee**

3.5 To advise the Cabinet and/or the Council on prudent levels of reserves for the authority, and to take account of the advice of the Chief Finance Officer and the external auditor in this matter.

#### **Responsibilities of Chief Officers**

3.6 To ensure that resources are used only for the purposes for which they were intended.

## **4. MANAGING EXPENDITURE**

### **Scheme of Virement**

#### **Why is this important?**

- 4.1 The scheme of virement is intended to enable the Cabinet, Portfolio Holders Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

#### **Key controls**

- 4.2 Key controls for the scheme of virement are:
- (a) it is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council;
  - (b) the overall budget is agreed by the Cabinet and approved by the Council. Chief Officers and their nominated Spending Control Officers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources within approved estimates within the same cost centre or between costs centres. For the avoidance of doubt, the Chief Finance Officer will maintain a list of approved cost centres budget heading;
  - (c) virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should 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. Chief Officers must plan ahead to fund such commitments from within their own budgets, so as to avoid the need for supplementary estimates;
  - (d) in exceptional circumstances where a request for a supplementary estimate, i.e. an increase in the overall budgetary requirement of the authority is needed, the approval of Council will be required;
  - (e) virement between budgets of the Housing Revenue Account and the General Fund, and between revenue and capital budgets is prohibited;
  - (f) for the purposes of the virement scheme only, the Housing Portfolio is considered to consist of two budget portfolios (Housing Revenue Account and Housing General Fund);
  - (g) no virement relating to a specific financial year should be made after 31 March in that year; and
  - (h) any reference to a budget percentage threshold for virement refers to the gross budget unless otherwise specified.
- 4.3 Where an approved budget is a lump-sum budget or contingency under the control of the Finance and Performance Management Portfolio Holder, intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- (a) the amount is used in accordance with the purposes for which it has been established; and
- (b) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated.

#### **Responsibilities of Chief Officers**

- 4.4. A Chief Officer may exercise virements on budgets under his control for cumulative amounts up to £20,000 between detailed account codes within the budget headings on the same budget page during the year, subject to the agreement of the Chief Finance Officer.
- 4.5. Where a virement is required, the Chief Officer (or other Officer delegated by them) must send a signed written request to Accountancy detailing the amount and detailed cost codes involved.

#### **Responsibilities of Portfolio Holders**

- 4.6. A Portfolio Holder, in consultation with the appropriate Chief Officer, may exercise virements on budgets under their control, within the same cost centre or between cost centres, for cumulative amounts between £20,000 up to the greater of £50,000 or 2% of the gross cost centre expenditure during the year, following notification to the Chief Finance Officer, and subject to the conditions at 4.9 below. These limits are inclusive of amounts vired under 4.4 above, not in addition to.
- 4.7. Cumulative amounts of between £50,000 and £100,000 or 2% of the gross cost expenditure, whichever is the greater, within the same cost centre or between cost centres during the year require the approval of the Cabinet, following a report to the relevant Portfolio Holder in conjunction with the Chief Finance Officer and the Chief Officer. The report must specify the proposed expenditure and the source of funding and must explain the implications in the current and future financial year.

#### **Responsibilities of the Chief Finance Officer**

- 4.8. To prepare jointly with the relevant Chief Officer a report to the Cabinet or Council as appropriate, where revenue virements within the same cost centre, or between cost centres within the same portfolio, in excess of the greater of £25,000 or 2% of gross cost centre expenditure are proposed.

To maintain a list of approved budget headings.

To maintain a register of all approved virements.

To monitor that any allocation of an approved budget that is a lump sum budget or contingency intended for allocation during the year is in accordance with the purposes for which it was established and the Cabinet approved scheme for its release. Where any proposed allocation falls outside of these conditions, the allocation will be deemed to be a virement and treated accordingly.

#### **Responsibilities of Cabinet and Council**

- 4.9. Cumulative virements within a Portfolio greater than £100,000 or 2% of the total portfolio, whichever is the greater, require the approval of the Council, following a

report of the Cabinet in conjunction with the Chief Finance Officer and the relevant Chief Officer(s). The report must specify the cumulative expenditure and sources of funding and must explain the service delivery implications in the current and future financial year.

The Cabinet may vire resources between individual capital projects within the General Fund or the Housing Revenue Account, subject to a report to Council, if the cumulative virement exceeds £100,000 on either fund.

The prior approval of the Cabinet is required for any virement, of whatever amount, where it is proposed to:

- (a) vire between budgets of different accountable Portfolio Holders;
- (b) vire between budgets managed by different Chief Officers; and
- (c) change the level of the Council's manpower.

## **Risk Management and Control of Resources**

### **1. RISK MANAGEMENT**

#### **Why is this important?**

- 1.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and mitigation of risk. Its objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to mitigate these risks effectively.
- 1.2 It is the overall responsibility of the Cabinet through the Finance and Performance Management Cabinet Committee, to approve the authority's risk management strategy, and to promote a culture of risk management awareness throughout the authority.

#### **Key controls**

- 1.3 The key controls for risk management are:
- (a) The maintenance and regular review of the Corporate Risk Register and individual service Risk Registers;
  - (b) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls;
  - (c) Managers know that they are responsible for managing relevant risks and are provided with appropriate training;
  - (d) Acceptable levels of risk are determined and insured against where appropriate; and
  - (e) The authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

#### **Responsibilities of the Head of Paid Service**

- 1.4 To promote the authority's risk management policy statement.

#### **Responsibilities of the Chief Finance Officer**

- 1.5 To develop risk management controls in conjunction with other Chief Officers.
- 1.6 To chair the Corporate Risk Management group.
- 1.7 To arrange appropriate training for staff and Members.

### **Responsibilities of Chief Officers**

- 1.8 To take responsibility for risk management, within their service having regard to advice from the Chief Finance Officer and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 1.9 To ensure that there are regular reviews of risk within their service areas.
- 1.10 To nominate a senior member of staff to represent the service at the Corporate Risk Management Group.
- 1.11 To provide guidance to staff on the application of the principles of risk management in their service.

### **Responsibilities of Individuals**

- 1.12 To conduct their duties having due regard to the principles of risk management, as set out above, and to seek guidance from their Head of Service where necessary.

### **Responsibilities of the Finance and Performance Management Cabinet Committee**

- 1.13 To propose the authority's risk management strategy and policy statement, on the advice of the Head of Paid Service, the Chief Finance Officer and appropriate Chief Officers, for adoption by the Cabinet.
- 1.14 To advise the Cabinet on proper insurance cover on the advice of the Chief Finance Officer.

### **Responsibilities of the Audit and Governance Committee**

- 1.15 To conduct an annual review of the effectiveness of the Council's arrangements for risk management.

## **2. INTERNAL CONTROLS**

### **Why is this important?**

- 2.1 The authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 2.2 The authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 2.3 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.
- 2.4 The system of internal controls is established in order to provide assurance of:
  - (a) Efficient and effective operations;
  - (b) Reliable financial information and reporting;
  - (c) Compliance with laws and regulations; and
  - (d) Risk management.

## **Key controls**

- 2.5 The key controls and control objectives for internal control systems are:
- (a) Key controls should be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
  - (b) 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;
  - (c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems; and
  - (d) 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.

## **Responsibilities of the Chief Finance Officer**

- 2.6 To assist the authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

## **Responsibilities of Chief Officers**

- 2.7 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 2.8 To review existing controls in the light of changes affecting the authority and to establish and implement new controls in line with guidance from the Chief Finance Officer. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 2.9 To ensure staff have a clear understanding of the consequences of lack of control.
- 2.10 To provide written assurance annually on the effectiveness of the internal controls operating within their service and identify controls in need of improvement.

### **3. AUDIT REQUIREMENTS**

#### **Internal Audit**

##### **Why is this important?**

- 3.1 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 2003 more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.
- 3.2 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.

##### **Key controls**

- 3.3 The key controls for internal audit are:
- (a) That it is independent in its planning and operation;
  - (b) The Chief Internal Auditor has direct access to the Head of Paid Service, all levels of management and directly to elected members; and
  - (c) 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.

##### **Responsibilities of the Head of Paid Service**

- 3.4 To ensure that internal auditors have the authority to:
- (a) Access authority premises at reasonable times;
  - (b) Access all assets, records, documents, correspondence and control systems;
  - (c) Receive any information and explanation considered necessary concerning any matter under consideration;
  - (d) Require any employee of the authority to immediately account for cash, stores or any other authority asset under his or her control;
  - (e) Access records belonging to third parties, such as contractors, when required; and
  - (f) Directly access the Management Board, the Cabinet and the Audit and Governance Committee.

Pursuant to this regulation, the same access rights apply to the Chief Finance Officer in relation to the internal control of the Council.

- 3.5 To approve the strategic and annual audit plans prepared by the Chief Internal Auditor, which take account of the characteristics and relative risks of the activities involved.
- 3.6 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

#### **Responsibilities of the Chief Internal Auditor**

- 3.7 Whenever appropriate, to consult with the relevant Chief Officer on the timing and nature of audits to avoid unnecessary service disruption.
- 3.8 To consult with the relevant Chief Officer on the findings and recommendations of an audit prior to publication.

#### **Responsibilities of Chief Officers**

- 3.9 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.10 To ensure that auditors are provided promptly with any information and explanations that they seek in the course of their work.
- 3.11 To consider and respond promptly to recommendations in audit reports.
- 3.12 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.13 To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority's property or resources. Pending investigation and reporting, the Chief Officer should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.14 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.
- 3.15 To arrange for procedural and operational notes to be issued to all members of staff operating financial systems or procedures.
- 3.16 To ensure that the duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated from the duty of collecting or disbursing those sums.

#### **External Audit**

##### **Why is this important?**

- 3.17 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.

- 3.18 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. The code of audit practice issued in April 2005 sets out the auditor's objectives to review and report upon:
- (a) The financial aspects of the audited body's corporate governance arrangements;
  - (b) The audited body's financial statements; and
  - (c) Aspects of the audited body's arrangements to manage its use of resources.
- 3.19 The authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'present fairly' the financial position of the authority and its income and expenditure for the year in question and complies with the legal requirements.

### **Key controls**

- 3.20 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which external auditors follow when carrying out their audits.

### **Responsibilities of the Chief Finance Officer**

- 3.21 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work, including records belonging to third parties, such as contractors, when required
- 3.22 To ensure there is effective liaison between external and internal audit.
- 3.23 To work with the external auditor and advise the Council, Cabinet, Audit and Governance Committee and Chief Officers on their responsibilities in relation to external audit.

### **Responsibilities of Chief Officers**

- 3.24 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- 3.25 To ensure that all records and systems are up to date and available for inspection.

## **4. PREVENTING FRAUD AND CORRUPTION**

### **Why is this important?**

- 4.1 The authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the authority.
- 4.2 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.

- 4.3 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.

#### **Key controls**

- 4.4 The key controls regarding the prevention of financial irregularities are that:
- (a) The authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
  - (b) All Members and staff act with integrity and lead by example;
  - (c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt;
  - (d) High standards of conduct are promoted amongst members by the standards committee;
  - (e) The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded;
  - (f) Whistle blowing procedures are in place and operate effectively;
  - (g) Legislation including the Public Interest Disclosure Act 1998 is adhered to; and
  - (h) Codes of conduct exist to guide both Members and staff.

#### **Responsibilities of the Chief Finance Officer**

- 4.5 To develop and maintain an anti-fraud and anti-corruption policy in liaison with the Chief Internal Auditor;
- 4.6 To maintain adequate and effective internal control arrangements; and
- 4.7 To ensure that all suspected irregularities are reported to the Chief Internal Auditor, the Head of Paid Service, the Audit and Governance Committee and the Cabinet.

#### **Responsibilities of Chief Officers**

- 4.8 To ensure that all suspected irregularities are reported to the Chief Internal Auditor.
- 4.9 To instigate the authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 4.10 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 4.11 To maintain a departmental register of interests (the Hospitality Book) in the manner prescribed below.

- 4.12 Each Chief Officer shall maintain a hospitalities book which shall contain details of all hospitalities and gifts offered to any officer, and whether attended or received, which is organised by an external organisation or person who is or could gain financial advantage from dealings with the Council. Such hospitalities and gifts must be acceptable within the codes of conduct adopted by the Council.
- 4.13 Included in the hospitalities book shall be the name of the organiser, the date of the event and details of any gift or gifts in kind, whether offered or received, which have a monetary value (such as accommodation, meals, travel vouchers etc.). Excluded from this regulation are any refreshments received during the course of a business meeting.

## **5. ASSETS**

### **Security**

#### **Why is this important?**

- 5.1 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.

#### **Key controls**

- 5.2 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- (a) Resources are used only for the purposes of the authority and are properly accounted for;
  - (b) Resources are available for use when required;
  - (c) Resources no longer required are disposed of in accordance with the law and the regulations of the authority so as to maximise benefits;
  - (d) An asset register is maintained for the authority, assets are recorded when they are acquired by the authority and this record is updated as changes occur with respect to the location and condition of the asset;
  - (e) All staff are aware of their responsibilities with regard to safeguarding the authority's assets and information, including the requirements of the Data Protection Act as set out in the Council's Data Protection Policy and software copyright legislation; and
  - (f) All staff are aware of their responsibilities with regard to safeguarding the security of the authority's computer systems, including maintaining restricted access to the information held on them and compliance with the authority's computer and Internet security policies.

### **Responsibilities of the Chief Finance Officer**

- 5.3 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £5,000 or any such higher de minimis figure as may be set from time to time for a particular class of asset. The function of the asset register is to provide the authority with information about fixed assets so that they are:
- (a) Safeguarded;
  - (b) Used efficiently and effectively; and
  - (c) Adequately maintained.
- 5.4 To receive the information required for accounting, costing and financial records from each Chief Officer.
- 5.5 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

### **Responsibilities of Specific Chief Officers**

- 5.6 The Director of Governance shall maintain a record of title deeds owned or in the charge of the Council and arrange for the safe custody thereof and all receipts, disposals, extensions or other alterations shall be recorded promptly.
- 5.7 The Director of Communities shall maintain a property database for dwellings and any other Housing Revenue Account asset, with the exception of commercial and retail properties, and all receipts, disposals, extensions or other alterations shall be recorded promptly.
- 5.8 The Director of Governance shall maintain a property database in a form approved by the Chief Finance Officer for all properties, with the exception of Housing Revenue Account dwellings and other associated residential property, and plant and machinery currently owned or used by the authority and all receipts, disposals, extensions or other alterations shall be recorded promptly. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.9 The Director of Neighbourhoods shall arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.

### **Responsibilities of Chief Officers**

- 5.10 To ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Chief Finance Officer and the Director of Neighbourhoods, has been established as appropriate.
- 5.11 To ensure the proper security of all buildings and other assets under their control.
- 5.12 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Officer, the Chief Finance Officer and the Director of Neighbourhoods.

- 5.13 To notify the Director of Neighbourhoods promptly of all matters arising that shall cause entry to be made in the land and property records.
- 5.14 To pass title deeds to the Director of Governance who is responsible for custody of all title deeds.
- 5.15 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- 5.16 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the authority.
- 5.17 To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.
- 5.18 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 5.19 To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 5.20 To ensure cash holdings on premises are kept to a minimum.
- 5.21 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- 5.22 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer the Cabinet agrees otherwise.
- 5.23 To ensure that all employees are aware that they 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.

## **Inventories**

### **Responsibilities of Chief Officers**

- 5.24 To maintain inventories and record an adequate description of IT equipment, furniture, fittings, equipment, tools, plant and machinery above £100 in replacement value used by their service area:
- 5.25 To carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Any deficiencies identified must be notified to the Chief Finance Officer promptly, indicating where possible the reasons for such deficiency (e.g. theft, loss). Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the authority.

- 5.26 Each Chief Officer shall be authorised to dispose of the items that are surplus, damaged or obsolete in the best possible terms and in such manner as is deemed appropriate provided that where the estimated realisable value exceeds £500 the Chief Officer shall invite either quotations or tenders as is deemed appropriate. The inventory shall be updated promptly once disposal has occurred. A record of the manner of disposal shall also be maintained and the recipient.
- 5.27 Any such disposal shall exclude IT equipment or any item thought liable to constitute a Health and Safety risk. Any proposal in respect of such equipment should be referred by the Chief Officer concerned to the Chief Internal Auditor. The latter will consult the Chief Finance Officer and the Director of Neighbourhoods as appropriate before granting any exemption to the policy of not disposing of such items. There will also be a presumption against disposal of surplus items to staff unless this is waived by the Chief Internal Auditor after consulting the appropriate Chief Officer.
- 5.28 To make sure that property is only used in the course of the authority's business.

### **Stocks and Stores**

#### **Responsibilities of Chief Officers**

- 5.29 To make arrangements for the care and custody of stocks and stores in the department, in consultation with the Chief Financial Officer.
- 5.30 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to the satisfaction of the Chief Financial Officer. Certified records of such stocktaking shall be maintained. Each Chief Officer shall certify and forward promptly to the Chief Financial Officer a statement of stockholding as at the 31 March of each year.
- 5.31 To investigate and remove from the authority's records (i.e. write off) discrepancies as necessary, or to obtain Portfolio Holder approval if they are in excess of £2,500.
- 5.32 To authorise for write off and disposal redundant stocks and equipment. Procedures for disposal of such stocks and equipment should, where the estimated value exceeds £2,500, be by competitive quotations or auction, unless, following consultation with the Chief Financial Officer the Portfolio Holder decides otherwise in a particular case. In all cases disposal should ensure that the best price is obtained, bearing in mind other factors, such as environmental issues.
- 5.33 To seek Portfolio Holder approval to the write-off of redundant stocks and equipment in excess of £2,500.

### **Intellectual Property**

#### **Why is this important?**

- 5.34 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

- 5.35 Certain activities undertaken within the authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

#### **Key controls**

- 5.36 In the event that the authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.

#### **Responsibilities of the Chief Finance Officer**

- 5.37 To develop and disseminate good practice through the authority's intellectual property procedures.

#### **Responsibilities of Chief Officers**

- 5.38 To ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

#### **Moveable Asset Disposal**

##### **Why is this important?**

- 5.39 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the authority.

##### **Key controls**

- 5.40 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
- 5.41 Procedures protect staff involved in the disposal from accusations of personal gain.

#### **Responsibilities of the Chief Finance Officer**

- 5.42 To issue guidelines representing best practice for disposal of assets.
- 5.43 To ensure appropriate accounting entries are made to remove the value of disposed assets from the authority's records and to include the sale proceeds if appropriate.

#### **Responsibilities of Chief Officers**

- 5.44 To seek appropriate advice on the disposal of surplus or obsolete materials, stores or equipment.
- 5.45 To ensure that income received for the disposal of an asset is promptly and properly banked and coded.

## **6. STAFFING**

### **Why is this important?**

- 6.1 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.

### **Key controls**

- 6.2 The key controls for staffing are:
- (a) An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched;
  - (b) Procedures are in place for forecasting staffing requirements and cost;
  - (c) Controls are implemented that ensure that staff time is used efficiently and to the benefit of the authority; and
  - (d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### **Responsibilities of the Head of Paid Service**

- 6.3 To provide overall management to staff.
- 6.4 To ensure that there is proper use of an evaluation or other agreed system for determining the remuneration of a job.

### **Responsibilities of the Chief Finance Officer**

- 6.5 To ensure that budget provision exists for all existing and new employees.
- 6.6 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

### **Responsibilities of Chief Officers**

- 6.7 To produce an annual staffing budget consistent with the approved staff establishment.
- 6.8 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.9 To monitor staff activity to ensure adequate control over such issues as sickness, overtime, training and temporary staff.
- 6.10 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 6.11 To ensure that the Chief Finance Officer is immediately informed if the staffing budget is likely to be materially over or underspent.

## **7. LOST PROPERTY**

- 7.1 A register shall be maintained by each Chief Officer of lost property handed in or reported lost within premises for which they are responsible.

- 7.2 In accordance with the Local Government (Miscellaneous Provisions) Act 1982 Section 41 the Chief Officer concerned shall give not less than one month's notice to the owner to collect the property.
- 7.3 When any items of money or valuables are involved the Chief Officer concerned should seek advice from the Chief Finance Officer.

## **Treasury Management and Bank Arrangements**

### **1. TREASURY MANAGEMENT**

#### **Why is this important?**

- 1.1 Many millions of pounds pass through the authority's books each year. This led to the establishment of codes of practice. These aim 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 capital sum.

#### **Key controls**

- 1.2 That the authority's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the authority's treasury policy statement.
- 1.3 All monies held by the Council shall be under the control of the Chief Finance Officer who shall aggregate them for the purposes of Treasury Management.
- 1.4 All investments of money shall be made in the name of the Council and securities held in the custody of the Chief Finance Officer.

#### **Responsibilities of the Chief Finance Officer**

- 1.5 To 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.
- 1.6 To advise the relevant Portfolio Holder on the Treasury Management Policy Statement to be proposed to the Cabinet for adoption by Council.
- 1.7 To advise the relevant Portfolio Holder on suitable Treasury Management Practices to be proposed to the Cabinet for adoption.
- 1.8 To report annually on treasury management activities undertaken and results achieved to Cabinet.
- 1.9 To ensure that all investments of money are made in the name of the authority or in the name of nominees approved by the Full Council.
- 1.10 To ensure that all securities that are the property of the authority or its nominees and the title deeds of all property in the authority's ownership are held in the custody of the appropriate Chief Officer.
- 1.11 To effect all borrowings in the name of the authority and in accordance with the borrowing determinations approved by Council from time to time.
- 1.12 To act as the authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the authority.

#### **Responsibilities of Chief Officers**

- 1.13 To 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 Council, following consultation with the Chief Finance Officer.

#### **Responsibilities of the Relevant Portfolio Holder**

- 1.14 To propose to the Cabinet, on the advice of the Chief Finance Officer, the Treasury Management Policy Statement for adoption by Full Council.
- 1.15 To propose to the Cabinet for adoption, on the advice of the Chief Finance Officer, suitable Treasury Management Practices.
- 1.16 To propose to the Cabinet, on the advice of the Chief Finance Officer, the annual borrowing determinations under Section 45 of the Local Government and Housing Act 1989, before the commencement of each forthcoming financial year and at any such subsequent time during the financial year as is required, for adoption by Council. The Council must determine an overall borrowing limit for the year. In addition they must also determine a short term borrowing limit, and a limit on the proportion of the total amount of interest payable by the authority that is at a rate or rates that can be varied. The Council must make these determinations, and although they may subsequently be varied at any time, the Council must likewise determine variations.
- 1.17 To report annually to the Cabinet, on the advice of the Chief Finance Officer, about the treasury management strategy and plan to be adopted for the forthcoming financial year

## **2. LEASING AND OTHER FINANCIAL FACILITIES**

### **Key Controls**

- 2.1 The Chief Finance Officer is the only officer authorised to enter into an agreement for leasing and other financial facilities.

### **Responsibilities of the Chief Finance Officer**

- 2.2 To evaluate and arrange all leasing and other financial facilities, excluding the short term hiring of equipment for periods of less than one year.

### **Responsibilities of Chief Officers**

- 2.3 To consult the Chief Finance Officer about all proposals for the use of leasing and other financial facilities other than the short term hiring of equipment for periods of less than one year.
- 2.4 The Director of Governance shall organise and administer all facilities relating to staff car leasing arrangements subject to 2.2 above and to the certification of individual leases by the Chief Finance Officer.

### **3. BANK ACCOUNTS AND CHEQUE SECURITY**

#### **Key Controls**

- 3.1 The key controls for bank accounts and cheque security are:
- (a) The Chief Finance Officer is the only officer authorised to open, operate and close a bank account; and
  - (b) The Chief Finance Officer and officers nominated by him are the only officers authorised to sign cheques and instigate or arrange other methods of payment.

#### **Responsibilities of the Chief Finance Officer**

- 3.2 To make arrangements for the opening, operation and closing of Bank, Building Society, Post Office, Giro Accounts and other appropriate accounts in respect of Council monies.
- 3.3 To make arrangements for the ordering, safe custody and issue of all cheque forms. All cheques issued shall be crossed "Account Payee" unless otherwise agreed by the Chief Finance Officer. The Chief Finance Officer shall also maintain adequate and effective systems for the receipt and control of returned cheques.
- 3.4 To make suitable arrangements for the machine signing of all computer generated cheques.
- 3.5 To nominate officers responsible for the hand countersigning of any cheque over £10,000, and all cheques drawn manually.
- 3.6 The Chief Finance Officer, or the officers nominated by him, shall certify alterations to cheques. Alterations to cheques shall, subject to the discretion of the Chief Finance Officer, be limited to the correction of the date and to the correction of a misspelling of the name of the payee.

#### **Responsibilities of Chief Officers**

- 3.7 To follow the instructions on banking issued by the Chief Finance Officer.

### **4. TRUST FUNDS AND UNOFFICIAL FUNDS**

#### **Responsibilities of Chief Officers**

- 4.1 To arrange for all trust funds to 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 Chief Finance Officer, unless the deed otherwise provides.
- 4.2 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- 4.3 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.

- 4.4 Unofficial funds (for example contributions towards the Chairman's Charity) shall be accounted for and kept separately from all Council monies.
- 4.5 Bank accounts for unofficial funds shall be operated through the Chief Finance Officer.
- 4.6 Receipts shall be issued for all sums collected for any unofficial fund except where deemed unnecessary after consultation with the Chief Finance Officer.
- 4.7 The Chief Finance Officer may consult with any Chief Officer on the form of records and the arrangements for the preparation of accounts for any unofficial fund and may carry out an audit thereon.
- 4.8 The Chief Finance Officer shall be consulted where there is doubt about the utilisation or operation of any unofficial fund.

## **Financial Systems and Procedures**

### **1. GENERAL**

#### **Why is this important?**

- 1.1 Service areas have many systems and procedures relating to the control of the authority's assets, including purchasing, costing and management systems. Service areas 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.
- 1.2 The Chief Finance Officer has a professional responsibility to ensure that the authority's financial systems are sound and should therefore be notified of any new developments or changes.

#### **Key controls**

- 1.3 The key controls for systems and procedures are:
- (a) Basic data exists to enable the authority's objectives, targets, budgets and plans to be formulated;
  - (b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis;
  - (c) Early warning is provided of deviations from target, plans and budgets that require management attention; and
  - (d) Operating systems and procedures are secure.

#### **Responsibilities of the Chief Finance Officer**

- 1.4 To make arrangements for the proper administration of the authority's financial affairs, including to:
- (a) Issue advice, guidance and procedures for officers and others acting on the authority's behalf;
  - (b) Determine the accounting systems, form of accounts and supporting financial records;
  - (c) Establish arrangements for audit of the authority's financial affairs;
  - (d) Approve any new financial systems to be introduced;
  - (e) Approve any changes to be made to existing financial systems; and
  - (f) Issue the Data Protection Policy and related guidance notes.

## **Responsibilities of Chief Officers**

- 1.5 To ensure that accounting records are properly maintained and held securely.
- 1.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- 1.7 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 1.8 To incorporate appropriate controls to ensure that, where relevant:
  - (a) All input is genuine, complete, accurate, timely and not previously processed;
  - (b) All processing is carried out in an accurate, complete and timely manner; and
  - (c) Output from the system is complete, accurate and timely.
- 1.9 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 1.10 To ensure there is a documented and tested business continuity plan to allow information system processing to resume quickly in the event of an interruption.
- 1.11 To ensure that systems are documented and staff trained in operations.
- 1.12 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- 1.13 To establish a scheme of delegation identifying officers authorised to act upon the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 1.14 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- 1.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- 1.16 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation and the Data Protection Policy issued by the Director of Governance.
- 1.17 To ensure that relevant standards and guidelines for computer systems issued by the Chief Finance Officer are observed.
- 1.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.

- 1.19 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) Only software legally acquired and installed by the authority is used on its computers;
  - (b) Staff are aware of legislative provisions; and
  - (c) In developing systems, due regard is given to the issue of intellectual property rights.

## **2. INCOME**

### **Why is this important?**

- 2.1 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 promptly and 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.

### **Key controls**

- 2.2 The key controls for income are:
- (a) All income due to the authority is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
  - (b) All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
  - (c) The method(s) of payment for all systems is determined in conjunction with the Chief Finance Officer;
  - (d) All money received by an employee on behalf of the authority is paid without delay to the Chief Finance Officer or if so directed, to the authority's bank or National Giro account, and properly recorded. The responsibility for cash collection should be separated from that for:
    - identifying the amount due
    - reconciling the amount due to the amount received
  - (e) Effective action is taken to pursue non-payment within defined timescales;
  - (f) Formal approval for debt write-off is obtained;
  - (g) Appropriate write-off action is taken within defined timescales;
  - (h) Appropriate accounting adjustments are made following write-off action;
  - (i) All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule; and
  - (j) A person who is not involved in the collection or banking process reconciles money collected and deposited to the bank account.

## **Responsibilities of the Chief Finance Officer**

### **General**

- 2.3 To order and supply to service areas all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.

### **Billing**

- 2.4 To approve all debts to be written off in consultation with the relevant Chief Officer and the Director of Governance and to keep a record of all sums written off up to the approved limit and to adhere to the requirements of the Accounts and Audit Regulations 2003.
- 2.5 To agree the write-off of bad debts up to the approved limit of £2,500 in each case and to refer larger sums to the Portfolio Holder.
- 2.6 To obtain the approval of the Portfolio Holder in consultation with the relevant Chief Officer for writing off debts in excess of the approved limit.
- 2.7 To ensure that appropriate accounting adjustments are made following write-off action.

### **Income Collection**

- 2.8 To agree arrangements for the collection of all income due to the authority and to approve the procedures, systems and documentation for its collection.

### **Banking**

- 2.9 To arrange facilities for the banking and/or collection by a security courier of income as is deemed necessary. Money deposited and collected must be reconciled to the bank account on a regular basis.

### **Responsibility of the Director of Communities**

- 2.10 To agree in consultation with the Director of Resources the write-off of rent arrears and credits of former tenants up to the approved limit of £2,500 in each case and to refer larger sums to the Portfolio Holder.

### **Responsibilities of Chief Officers**

- 2.11 To establish a charging policy for the supply of goods or services in consultation with the Chief Finance Officer, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 2.12 To ensure that only Council employees, or where appropriate agents working to a formal contract, are authorised to bill, collect, bank or otherwise handle council monies, unless prior agreement is obtained from the Chief Finance Officer. Each authorised officer or agent shall use such systems, make such returns and keep such records as the Chief Finance Officer requires or approves.

- 2.13 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

### **Billing**

- 2.14 To render accounts for any sums due as soon as possible.
- 2.15 To notify the Chief Finance Officer promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of monies by the Council.
- 2.16 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. In circumstances in which legal action for recovery is necessary the matter shall be referred to the Director of Governance for appropriate action. Chief Officers have a responsibility to assist the Chief Financial Officer and the Director of Resources in collecting debts that they have originated, by providing promptly any evidence required for the recovery process to proceed. Chief Officers similarly should not unreasonably withhold any further information requested by the debtor.
- 2.17 To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. An adjustment to a debt can only be made to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.
- 2.18 To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.
- 2.19 To keep a record of every transfer of money between employees of the authority and/or any security courier. The receiving officer must sign for the transfer and the transferor must retain a copy.

### **Income Collection**

- 2.20 To issue official receipts or to maintain other documentation for all income collection. In no circumstances must any form of receipt be used which has not been approved by the Chief Finance Officer.
- 2.21 To ensure that at least two employees are present when post is opened so that money received by post is properly identified, recorded and banked. The form of these systems is to be agreed with the Chief Finance Officer.
- 2.22 To ensure that no unsolicited business cheques are accepted for personal debts.
- 2.23 To ensure that cheques are not accepted for casual income without a valid bankers/building society cheque guarantee card.
- 2.24 To hold securely receipts, tickets and other records of income for the appropriate period.
- 2.25 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Only up to approved levels of cash can be held on the premises.

- 2.26 To ensure income is not used to cash personal cheques or make any other payments. Cheques drawn by the Council for the reimbursement of petty cash endorsed by the recipient are not covered by this regulation and may be encashed from monies collected.
- 2.27 To ensure the separation of all monies collected from the collecting officer's personal monies and from other official funds.

### **Banking**

- 2.28 To ensure that each authorised officer or agent who prepares money for banking to the credit of the Council's account shall enter on the paying-in slip and on the duplicate(s) thereof, particulars of such payments including, in the case of each cheque paid in, the amount of the cheque and suitable reference to identify the payee and the account for which the cheque was rendered. The name of the receiving establishment shall be recorded on the back of each cheque received.
- 2.29 Unless otherwise authorised by the Chief Finance Officer, collecting officers or agents shall bank, pass to an authorised security courier or pay over to the Chief Finance Officer each weekday, all monies collected to the time of banking, collection or payment over.

## **3. EXPENDITURE**

### **Ordering and Paying for Work, Goods and Services**

#### **Why is this important?**

- 3.1 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. The authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the authority's contract standing orders and its procurement strategy.

#### **General**

- 3.2 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.
- 3.3 Official orders must be in a form approved by the Chief Finance Officer. 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 or other exceptions specified by the Chief Finance Officer. Where due to an emergency situation goods are supplied or works are executed without the authority of an official order, a confirmatory order shall be issued no later than two working days after the verbal order.
- 3.4 Where items of similar work require to be undertaken, similar goods to be purchased or similar services to be provided, individual elements may not be placed by the issue of orders without consideration of the total sum with reference to Contract Standing Orders.

- 3.5 Apart from petty cash, the normal method of payment from the authority shall be by BACS transfer or other instrument or approved method, drawn on the authority's bank account or by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer.
- 3.6 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of authority contracts.

### **Key controls**

- 3.7 The key controls for ordering and paying for work, goods and services are:
- (a) All goods and services are ordered only by appropriate persons and are correctly recorded;
  - (b) All goods and services shall be ordered in accordance with the authority's contract standing orders using the Marketplace system;
  - (c) Except in the case of emergency or extreme urgency, orders will only be made where there is sufficient uncommitted budgetary provision to fund the proposed purchase;
  - (d) Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order;
  - (e) Payments are not made unless goods have been received by the authority to the correct price, quantity and quality standards;
  - (f) All payments are made to the correct person, for the correct amount and are properly recorded;
  - (g) All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule; and
  - (h) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected

### **Responsibilities of the Chief Finance Officer**

- 3.8 To approve the form of official orders and associated terms and conditions.
- 3.9 To make payments from the authority's funds on the Chief Officer's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- 3.10 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 3.11 To make payments to contractors on the certificate of the appropriate Chief Officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

- 3.12 To provide advice and encouragement on making payments by the most economical means.
- 3.13 To ensure that all the authority's financial systems and procedures are sound and properly administered.
- 3.14 To approve any changes to existing financial systems and to approve any new financial systems before they are introduced.

#### **Responsibilities of Chief Officers**

- 3.15 To ensure that all expenditure incurred and committed is in accordance with the Council's standing orders and these financial regulations.
- 3.16 To ensure that official orders as approved by the Chief Finance Officer are used for all goods and services, other than the exceptions specified in 3.3.
- 3.17 To ensure that orders are only used for goods and services provided to the directorate. All orders raised must contain adequate details of the goods and services to be supplied and the best possible estimate of the cost. Individuals must not use official orders to obtain goods or services for their private use.
- 3.18 To ensure that the department maintains and reviews periodically a list of staff approved to authorise orders and/or invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Chief Finance Officer.
- 3.19 To ensure that only those staff designated by him or her authorise orders. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the authority's approach to procurement. Value for money should always be achieved; in a demonstrable way.
- 3.20 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. A different officer from the person who authorised the order should where possible, carry out this check. Appropriate entries should then be made in inventories or stores records.
- 3.21 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
  - (a) Receipt of goods or services;
  - (b) That the invoice has not previously been paid;
  - (c) That the invoice has been prepared by the supplier and not by any employee of the Council;
  - (d) That expenditure has been properly incurred and is within budget provision;
  - (e) That prices are arithmetically correct and accord with quotations, tenders, contracts or catalogue prices;

- (f) Correct accounting treatment of tax;
  - (g) That the invoice is correctly coded;
  - (h) That discounts have been taken where available; and
  - (i) That appropriate entries will be made in accounting records.
- 3.22 To ensure that invoices are passed for payment to the Chief Finance Officer in a timely fashion and in any case in sufficient time to enable any discounts or other rebates to be obtained.
- 3.23 To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. A different officer from the person who authorised the order shall certify the invoice for payment, ideally the receipt of the goods should also be confirmed by a different officer.
- 3.24 To ensure that payments are not made on a faxed invoice, statement or other document other than the formal invoice. Formal invoices may include e-invoices received in PDF format via the dedicated e-mail address provided by the Chief Finance Officer in the Resources Directorate;
- 3.25 To ensure that payment is authorised only by an invoice in which details are recorded in ink, type or other acceptable permanent method. All amendments to original invoices shall be made in ink and the reason for alteration, if not otherwise clear, briefly stated on the account. The authorising officer shall sign all such amendments. Invoices containing correction fluid (such as Tippex) will not be accepted.
- 3.26 For payments, other than for goods, services and work, for which an invoice is not available (for instance the payment of grant aid) an expenditure voucher form shall be duly completed and certified and dealt with as an invoice under these regulations.
- 3.27 To encourage suppliers of goods and services to receive payment by the most economical means for the authority. It is essential, however, that payments made by direct debit have the prior approval of the Chief Finance Officer.
- 3.28 To ensure that the service obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the procurement strategy
- 3.29 To ensure that employees are aware of the local staff code of conduct.
- 3.30 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. This is because of the potential impact on the authority's borrowing powers, to protect the authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 3.31 To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer and, in any case, not later than 30 April.

- 3.32 To arrange for any invoice or request for payment that falls within the purview of the “Construction Industry Scheme” (CIS) to be duly stamped in red with “Within Construction Industry”. Each Chief Officer shall maintain a register of CIS exemption certificates showing expiry dates and ensure any supplier within the purview of the scheme has an up to date certificate. No supplier within the construction industry that is unregistered shall be used. Copies of any new exemption certificates shall be forwarded to the Chief Finance Officer.
- 3.33 To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 3.34 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

### **Contract Payments**

- 3.35 Contracts within the scope of this section are defined as those that require completion of formal contract documentation by the Director of Resources to enable compliance with Contract Standing Orders. This section should be read in conjunction with those Standing Orders. This includes work under a schedule of rates and those instances where individual items of work or services placed by orders require a formal contract for the totality of the services or works.

### **Responsibilities of the Chief Finance Officer**

- 3.36 To keep a register of contracts and enter therein particulars of all contracts entered into by the Council and of payments made under such contracts.
- 3.37 To comment on the financial viability of the potential contractor and recommend if appropriate contract and/or annual limits, unless otherwise determined by some other method adopted by the Council.
- 3.38 To issue appropriate guidelines concerning the calculation of bonds and liquidated damages.

### **Responsibilities of Chief Officers**

- 3.39 Before compiling a select list or otherwise entering into a contract, each Chief Officer shall ensure that the Chief Finance Officer has sufficient opportunity to comment on the financial viability of the potential contractor concerned unless this has already been determined in accordance with 3.37 above.
- 3.40 To adhere to any guidelines issued by the Chief Finance Officer concerning the calculation of bonds and liquidated damages.
- 3.41 To inform the Chief Finance Officer forthwith, and in any case before the first payment of monies becomes due, of every contract entered into.
- 3.42 To ensure that all interim certificates issued under contract conditions by the Chief Officer or consultant named in the contract are verified by adequate and accurate valuations of work executed to the certificate date. Interim certificates shall be issued for all contracts entered into and shall show the total amount of the contract, the value of work executed to date, retention money, amount paid to date, amount now certified due and any tax levied. Interim certificates shall be authorised by the client Chief Officer for the project or the authorised spending control officer.

- 3.43 To ensure that, on completion of the contract and before final payment (including the issue of the Certificate for final payment where appropriate) the responsible officer complies with the following Contract Standing Orders:

completion of a Final Account Certificate and supply of a copy to the Chief Internal Auditor;

for contracts if more than £500,000 in value, submission to the Chief Internal Auditor of all details of the contract at the time of practical completion.

The Chief Internal Auditor shall have the right to examine all accounts, vouchers and documents before final payments are made. The Chief Internal Auditor shall be entitled to such further information and explanations as may be required. Nothing under this regulation shall remove or modify the responsibility of the officer or consultant designated in the contract or other responsible officer concerned.

- 3.44 Claims received from contractors in respect of matters not clearly within the terms of the appropriate contract shall before agreement is reached be referred to the Director of Resources for consideration of legal liability and to the Chief Internal Auditor for financial consideration.

#### **4. PETTY CASH ACCOUNTS AND CASH FLOATS**

##### **Why is this important?**

- 4.1 There are numerous petty cash accounts and cash floats used throughout the Council that facilitate the smooth operation of services and enable the local collection of cash. These accounts and floats must have proper controls to prevent loss.

##### **Key Controls**

- 4.2 The Key controls for petty cash accounts and cash floats are:
- (a) Defined procedures are in place for the operation and reconciliation of petty cash accounts and cash floats;
  - (b) Only designated employees will hold and operate petty cash accounts; and
  - (c) Cash floats are only provided to designated cash collection points.

##### **Responsibilities of the Chief Finance Officer**

- 4.3 To issue defined procedures for the operation and reconciliation of petty cash accounts and cash floats.
- 4.4 To provide designated employees of the authority with petty cash accounts to meet minor expenditure on behalf of the authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed the prescribed amount.
- 4.5 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.

- 4.6 To reimburse petty cash account holders as often as necessary to restore the account, but normally not more than monthly.
- 4.7 To provide cash floats to designated cash collection points.

#### **Responsibilities of Chief Officers**

- 4.8 To designate the employees within their service who will hold and operate each petty cash account and cash float.
- 4.9 Follow the defined procedures for the operation of petty cash accounts and cash floats as issued by the Chief Finance Officer.
- 4.10 To ensure that designated employees operating a petty cash account:
  - (a) Obtain and retain vouchers to support each payment from the petty cash account. Where appropriate, an official receipted VAT invoice must be obtained;
  - (b) Make adequate arrangements for the safe custody of the account;
  - (c) Produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the petty cash amount;
  - (d) Record transactions promptly;
  - (e) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the petty cash account holder;
  - (f) Provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year;
  - (g) Ensure that the petty cash account is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the account and change relating to purchases where an advance has been made; and
  - (h) On leaving the authority's employment or otherwise ceasing to be entitled to hold a petty cash account, an employee shall account to the Chief Finance Officer for the amount advanced to him or her.

## **5. PAYMENTS TO EMPLOYEES AND MEMBERS**

### **Why is this important?**

- 5.1 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 Council.

### **Key controls**

- 5.2 The key controls for payments to employees and Members are:

- (a) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations and enhancements and that where appropriate payments are made on the basis of timesheets or claims;
  - (b) Frequent reconciliation of payroll expenditure against approved budget and bank account;
  - (c) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule; and
  - (d) That the regulations of Her Majesty's Revenue and Customs are complied with.
- 5.3 Officers shall comply with any instructions regarding claims specifically provided from the Head of Paid Service and/or the Director of Resources and may be asked to provide information or evidence to substantiate compliance. This information may relate to the vehicle used for travel and which may include an independent reading of the odometer.

#### **Responsibilities of the Director of Resources**

- 5.4 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 5.5 To record and make arrangements for the accurate and timely payment of tax, pension and other deductions.
- 5.6 To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 5.7 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 5.8 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- 5.9 To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

#### **Responsibilities of the Chief Finance Officer**

- 5.10 To act as the Council's Specified Person for the purposes of the Internal Dispute Resolution Procedure.

#### **Responsibilities of Chief Officers**

- 5.11 To ensure appointments are made in accordance with the regulations of the authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 5.12 To notify the Director of Resources promptly, in the form and to the timescale required by him or her, of:

- (a) All appointments, resignations, dismissals and suspensions;
  - (b) Absences from duty for sickness or any other reason;
  - (c) Changes in remuneration other than normal increments and pay awards and agreements of general application; and
  - (d) Information necessary to maintain records of services and benefits for Income Tax, National Insurance, etc. which may affect the pay or pension of a Member, an employee or a former employee.
- 5.13 To ensure that adequate and effective systems and procedures are operated, so that:
- (a) Payments are only authorised to bona fide employees;
  - (b) Payments are only made where there is a valid entitlement;
  - (c) Conditions and contracts of employment are correctly applied; and
  - (d) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 5.14 In the case of employees whose work activity, hours and / or rates may be variable, to prepare a timesheet in a form determined by the Director Resources, showing such information as he or she may require. The employee shall make out timesheets personally with any alterations personally initialled. Timesheets shall be submitted monthly to the Director of Resources in accordance with the timetable set by him or her.
- 5.15 To send an up-to-date list of the names of officers authorised to sign records, timesheets and claims to the Director of Resources, together with specimen signatures.
- 5.16 To ensure that payroll transactions are processed only through the payroll system. Chief Officers should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in all cases, advice should be sought from the Director of Resources.
- 5.17 To certify travel and subsistence claims and other allowances and expenses. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Director of Resources is informed where appropriate. All claims shall be signed by the employee who has incurred the expenditure and shall be certified as correct by the Chief Officer or authorised representative who (with the sole exception of the Head of Paid Service) shall be the line manager of (or if the line manager is unavailable shall at least be senior in grade to) the claimant. Claim forms shall be submitted monthly to the Director of Resources in accordance with the timetable set by him or her.
- 5.18 To ensure that the Director of Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

- 5.19 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

### **Responsibilities of Members**

- 5.20 To submit claims for Members' travel and subsistence allowances on a quarterly basis and, in any event, within one month of the year-end to the Assistant to the Chief Executive for examination, who shall then pass them to the Director of Resources. The Director of Resources is the only officer authorised to make payments to Members of the Council.

## **6. TAXATION**

### **Why is this important?**

- 6.1 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 role.

### **Key controls**

- 6.2 The key controls for taxation are:
- (a) Budget managers are provided with relevant information and kept up to date on tax issues;
  - (b) Budget managers are instructed on required record keeping;
  - (c) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
  - (d) Records are maintained in accordance with instructions; and
  - (e) Returns are made to the appropriate authorities within the stipulated timescale.

### **Responsibilities of the Chief Finance Officer**

- 6.3 To complete all HMRC returns regarding PAYE.
- 6.4 To complete a monthly return of VAT inputs and outputs to HMRC.
- 6.5 To provide details to HMRC regarding the construction industry tax deduction scheme.
- 6.6 To maintain up-to-date guidance for authority employees on taxation issues.

### **Responsibilities of Chief Officers**

- 6.7 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.

- 6.8 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 6.9 To ensure that all persons employed by the authority are added to the authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 6.10 To follow the guidance on taxation issued by the Chief Finance Officer.

## **7. TRADING ACCOUNTS**

### **Why is this important?**

- 7.1 Trading accounts have become more important as local authorities have developed a more commercial culture. Under best value, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the BVPP.

### **Responsibilities of the Chief Finance Officer**

- 7.2 To advise on the establishment and operation of trading accounts.

### **Responsibilities of Chief Officers**

- 7.3 To observe all statutory requirements in relation to trading, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 7.4 To ensure that the same accounting principles, standing orders and financial regulations are applied in relation to trading accounts as for other services or business units.
- 7.5 To ensure that each business unit prepares an annual business plan.

## **8. CONTROLLED STATIONERY**

- 8.1 All controlled stationery including order books, official receipt forms or books, tickets, licences or other such documents representing money or monies worth or for which fees are chargeable, shall be in a form determined or approved by the Chief Finance Officer.
- 8.2 Procedures for the ordering, receipt, storage and issuing of controlled stationery will be determined by the Chief Finance Officer in conjunction with the Chief Officer concerned. The procedures will include the keeping of controlled stationery register(s).
- 8.3 Chief Officers are responsible for the safe custody of all used and unused documents in their possession. Redundant financial stationery shall be destroyed by shredding or incineration under supervision and a written record kept of such occurrence.

## External Arrangements

### 1. PARTNERSHIPS

#### Why is this important?

- 1.1 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.
- 1.2 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

#### General

- 1.3 The main reasons for entering into a partnership are:
- (a) the desire to find new ways to share risk;
  - (b) the ability to access new resources;
  - (c) to provide new and better ways of delivering services; and
  - (d) to forge new relationships.
- 1.4 A partner is defined as either:
- (a) an organisation (private or public) undertaking, part funding or participating as a beneficiary in a project, or
  - (b) a body whose nature or status give it a right or obligation to support the project.
- 1.5 Partners participate in projects by:
- (a) acting as a project deliverer or sponsor, solely or in concert with others;
  - (b) acting as a project funder or part funder; and
  - (c) being the beneficiary group of the activity undertaken in a project.

- 1.6 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
  - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
  - (c) be open about any conflict of interests that might arise; and
  - (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
  - (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
  - (f) to act wherever possible as ambassadors for the project.

### **Key controls**

- 1.7 The key controls for authority partners are:
- (a) to be aware of their responsibilities under the authority's financial regulations and the code of practice on tenders and contracts;
  - (b) to ensure that risk management processes are in place to identify and assess all known risks;
  - (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise;
  - (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences; and
  - (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

### **Responsibilities of the Chief Finance Officer**

- 1.8 To advise on effective controls that will ensure that resources are not wasted.
- 1.9 To advise on the key elements of funding a project. They include:
- (a) a scheme appraisal for financial viability in both the current and future years;
  - (b) risk appraisal and management;
  - (c) resourcing, including taxation issues;
  - (d) audit, security and control requirements; and
  - (e) carry-forward arrangements.
- 1.10 To ensure that the accounting arrangements are satisfactory.

## **Responsibilities of Chief Officers**

- 1.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- 1.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- 1.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the authority.
- 1.14 To ensure that all agreements and arrangements are properly documented.
- 1.15 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the authority's statement of accounts concerning material items.

## **2. EXTERNAL FUNDING**

### **Why is this important?**

- 2.1 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the single regeneration budget provide additional resources to enable the authority to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the authority's overall plan.

### **Key controls**

- 2.2 The key controls for external funding are:
  - (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood;
  - (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by Council; and
  - (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

### **Responsibilities of the Chief Finance Officer**

- 2.3 To ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.
- 2.4 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

- 2.5 To ensure that audit requirements are met.
- 2.6 To approve and sign all applications for external funding.

#### Responsibilities of Chief Officers

- 2.7 To ensure that any applications for external funding within their service responsibilities are approved and signed by the Chief Finance Officer before submission to the funding agency concerned.
- 2.8 To ensure full compliance with the council's External Funding strategy in respect of any external funding proposals undertaken within each service directorate, including obtaining and acting upon advice on any legal and financial aspects of such proposals from the Solicitor to the Council and the Chief Finance Officer.
- 2.9 To ensure that all claims for funds are made by the due date.
- 2.10 To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded.

### **3. WORK FOR THIRD PARTIES**

#### **Why is this important?**

- 3.1 Current 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 is minimised and that such work is intra vires.

#### **Key controls**

- 3.2 The key controls for working with third parties are:
  - (a) to ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer :
  - (b) to ensure that contracts are drawn up using guidance provided by the Director of Governance and that the formal approvals process is adhered to; and
  - (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

#### **Responsibility of the Chief Finance Officer**

- 3.3 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

#### **Responsibility of the Director of Governance**

- 3.4 To issue guidance with regard to the legal aspects of third party contracts, and provide standard forms of contract to be used.

#### **Responsibilities of Chief Officers**

- 3.5 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- 3.6 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.
- 3.7 To ensure that appropriate insurance arrangements are made.
- 3.8 To ensure that the authority is not put at risk from any bad debts.
- 3.9 To ensure that no contract is subsidised by the authority.
- 3.10 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 3.11 To ensure that the department/unit has the appropriate expertise to undertake the contract.
- 3.12 To ensure that such contracts do not impact adversely upon the services provided for the authority.
- 3.13 To ensure that all contracts are properly documented.
- 3.14 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.