

# Constitution - Part 6 Financial Regulations

**Date: June 2021**

Version 7a



North Tyneside Council

## Version Control Sheet

The Chief Finance Officer has a duty to ensure that Financial Regulations are developed and kept up to date. This document (Version 7a) will supersede versions 1, 2, 3, 4, 5 and 6 of the Financial Regulations, and incorporates changes made in 2021. As at **23 June 2021** Version **7a** of the Financial Regulations is therefore the most up to date edition of the document.

New pages, incorporating the changes made in Version 7a of the document, will be issued to the Assistant Chief Executive/each Director of Service for distribution within their Service.

To maintain effective version control, this version control sheet will accompany any future issue of updated pages. This version control sheet will summarise those paragraphs in which changes have been agreed and where a new version of these paragraphs has been issued. The version control sheet will also make clear which paragraphs remain unchanged.

The version of each page in the Financial Regulations is shown on the bottom left hand corner.

**An up to date version of the Authority's Financial Regulations will always be available on the Authority's intranet site. Any queries about version control should be directed to Corporate Financial Management (telephone extension 8066) who will be pleased to assist.**

Description	Paragraphs	Most Recent Version
Financial Regulations	All paragraphs	Version 5a (2013)
Financial Regulations	All paragraphs	Version 6a (May 2021)
Financial Regulations	All paragraphs	Version 7a (June 2021)

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***The Authority's Financial Regulations should be read in conjunction with other regulations and guidance published by the Authority, including but not limited to the Constitution, Standing Orders with respect to contracts, Schemes of Delegation, Codes of Conduct, Computer Security Policy, and System User Guidelines.***

***In relation to Maintained Schools: The Scheme for Financing Schools and the Local Bank Account Scheme should be read.***

***The Chief Officer of each service is responsible for ensuring all staff are aware of the existence and content of such documents.***

# **1 Foreword by the Chief Finance Officer**

One of the key characteristics of high performing Authorities is good financial management. Ultimately, the provision and future development of all Authority services rests on a strong and stable financial environment.

Financial management is not only the preserve of specialist finance staff or accountants. Integrity of finance and good stewardship of resources must run throughout all of our operations. These Financial Regulations have been prepared to guide you through the practices and procedures which underpin good financial management. The purpose of the Financial Regulations is to embed the smooth and efficient management of finance.

An up to date copy of the Financial Regulations is always available on the Authority's intranet site, or can be obtained from Resources. If you have any queries on the Financial Regulations, or financial procedures generally, please speak to a finance officer from your service area or contact Resources directly, who will be pleased to assist.

**Janice Gillespie**

**Director of Resources  
(Chief Finance Officer)  
June 2021**

## 2 Introduction to Financial Regulations

- 2.1 To conduct its business efficiently, a Local Authority needs to ensure that it has a sound financial management framework in place and that this is strictly adhered to. Part of this process is the establishment of Financial Regulations that set out the financial policies of the Authority.
- 2.2 The Financial Regulations provide clarity about the financial accountabilities of individuals. Each of the Financial Regulations sets out the overarching financial responsibilities which must be followed by those acting on the Authority's behalf.
- 2.3 A detailed set of financial procedure rules supports the overarching financial responsibilities set out in this document. These financial procedure rules are included in Appendices A to E and **form part of the Authority's Financial Regulations**. Under the Financial Regulations, other financial instructions and guidance manuals may be issued from time to time as appropriate by the Chief Finance Officer and such guidance will have the force of Financial Regulations.
- 2.4 All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to whether a financial proposal is appropriate, or whether a financial action is correct, must be clarified in advance of the decision or action with the Chief Finance Officer.
- 2.5 Failure to follow Financial Regulations or financial instructions issued by the Chief Finance Officer under Financial Regulations may result in action under the Authority's corrective and disciplinary procedures.
- 2.6 The Authority's governance structure is laid down in its Constitution, which sets out how the Authority operates, how decisions are made and the procedures that are followed.



### **3 Status of Financial Regulations**

- 3.1 Financial Regulations provide the framework for managing the Authority's financial affairs. They apply to every Member and officer of the Authority and anyone acting on its behalf.
- 3.2 The regulations identify financial responsibilities of individuals – The Mayor, Cabinet Members, Council Members, officers, the Head of Paid Service, the Monitoring Officer, the Chief Finance Officer, and other Chief Officers. Cabinet Members and Chief Officers should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions are so delegated, the officer to whom the decision has been delegated must provide sufficient information to the Cabinet Member or Chief Officer on request in order to give assurance that tasks or decisions have been performed in accordance with the Financial Regulations. Where decisions have been delegated or devolved to other responsible officers, such as school governors, references to the Chief Officer in the regulations should be read as referring to them.
- 3.3 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, and provides value for money.
- 3.4 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. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Cabinet Members. The Chief Finance Officer is authorised to temporarily suspend Financial Regulations in extreme circumstances.
- 3.5 Chief Officers are responsible for ensuring that all staff in their service are aware of the existence and content of the Authority's Financial Regulations and other internal regulatory documents and that they comply with them. Any person charged with the use or care of the Authority's resources and assets should inform him or herself of the Authority's requirements under Financial Regulations. Any queries should be referred to the Chief Finance Officer.

- 3.6 All Chief Officers should ensure that any financial procedures / guidelines produced by their service in support of financial control are fully compliant with the Financial Regulations. The agreement of the Chief Finance Officer should be obtained for the development of such financial procedures.
- 3.7 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.
- 3.8 The word 'should' in the Financial Regulations implies a duty or obligation to act in the way outlined. Where reference is made to a Chief Officer, this may be construed, depending upon the context, as his or her authorised representative.
- 3.9 Any proposals for changes or amendments to the Financial Regulations should be forwarded to the Chief Finance Officer for consideration.
- 3.10 Employees handling income and financial transactions for non-North Tyneside Council accounts (e.g. amenity funds) must adopt standards which are as high as those set out in these Financial Regulations in the administration of such accounts.
- 3.11 All employees must report to their manager, supervisor or other responsible senior officer any illegality, impropriety, breach of procedure or serious deficiency discovered in the following of financial procedures or Financial Regulations; managers must record and investigate such reports and notify the Chief Finance Officer and Head of Internal Audit where it appears that a breach has occurred.

## **4 Financial Regulation A: Financial Management**

### **INTRODUCTION**

- 4.1 Financial management covers all financial accountabilities in relation to the running of the Authority, including the budget and policy framework.

### **THE FULL COUNCIL**

- 4.2 The full Council is responsible for adopting and revising the Authority's Constitution and Members' Code of Conduct and for approving or adopting the budget and policy framework within which the Cabinet operates. It is also responsible for approving and monitoring compliance with the Authority's overall framework of accountability and control. The framework is set out in its Constitution (Article 4). Further details can be found in points 4.4 and 5.1.
- 4.3 The full Council is responsible for approving procedures for recording and reporting non-executive decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution.

### **THE CABINET**

- 4.4 The Cabinet is responsible for submitting proposals to full Council in respect of the council tax requirement and estimates of amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the general fund revenue budget (including the dedicated schools grant), the Investment plan (including prudential indicators and a proposed minimum revenue provision policy) and the treasury management statement and annual investment. These proposals are in respect of the general fund budget and those appropriate plans/strategies that fall within the policy framework, and for discharging executive functions in accordance with the Constitution.
- 4.5 Cabinet is responsible for setting Housing rents and service charges which are considered by Cabinet in January as part of the Housing Budget report and Business plan.
- 4.6 Although the decision making around the HRA budget is a Cabinet responsibility it is fair to say that there are also responsibilities that fall to Council to decide which will impact on the HRA (and whether it will

balance) and therefore the HRA cannot be viewed as sitting in complete isolation.

- 4.7 Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet Member, an officer or a joint committee.

A report is received by full Council on annual basis that sets out the appointments to outside bodies (executive functions).

- 4.8 The Constitution (Article 13, Point 4) sets out clear principles of decision making to ensure that individual Cabinet Members consult with relevant officers when making 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.

## **COMMITTEES OF THE COUNCIL**

### **Overview, Scrutiny and Policy Development Committee**

- 4.9 The Overview, Scrutiny and Policy Development Committee is responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. The Overview, Scrutiny and Policy Development Committee is responsible for considering and responding to proposals from the Cabinet in respect of the budget and those plans/strategies that fall within the policy framework. The Overview, Scrutiny and Policy Development Committee is also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Authority.

### **Standards Committee**

- 4.10 The Standards Committee is responsible for the promotion of ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, promoting and reviewing the Whistle Blowing Policy for Members and conducting hearings following investigation and determining complaints made against Councillors in respect of alleged breaches of the Code of Conduct.

The Committee reviews complaints made against Members in respect of alleged breaches of the Members' Code of Conduct.

### **Other Regulatory Committees**

- 4.11 Planning, licensing and other regulatory committees do not exercise executive functions but exercise quasi judicial functions through multi-party committees under powers delegated by the full Council.

### **Audit Committee**

- 4.12 The Audit Committee is a key component of the Authority's corporate governance arrangements and is an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. In accordance with its terms of reference, the Audit Committee receives interim and end of year reports from both internal and external audit, and other information appropriate to its programme of work.

## **THE STATUTORY OFFICERS**

### **Head of paid service**

- 4.13 The head of paid service is responsible for the corporate and overall strategic management of the Authority's staff in accordance with section 4 of the Local Government and Housing Act 1989. He or she must report to and provide information for the Cabinet, the full Council, the overview and scrutiny committee and other committees. 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 full Council's decisions (see below).

### **Monitoring Officer**

- 4.14 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Cabinet as set out in section 5(1) of the Local Government and Housing Act 1989, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- 4.15 The Monitoring Officer must ensure that Cabinet decisions, together with

the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible. 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.

- 4.16 The Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Councillors and Officers.
- 4.17 The Monitoring Officer is responsible for advising the Cabinet or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget and policy framework.
- 4.18 The Monitoring Officer is responsible for ensuring lawfulness and fairness of decision making as set out in the Constitution (Article 12).
- 4.19 The Monitoring Officer is responsible for maintaining an up-to-date version of the Constitution and will ensure that it is widely available for consultation by Members, staff and the public.

### **Chief Finance Officer**

- 4.20 The Chief Finance Officer (also known as the Section 151 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 (England) Regulations 2015 as amended,
  - The Local Government Act 2003.
- 4.21 The Chief Finance Officer is responsible for:
- the proper administration of the Authority's financial affairs
  - setting and monitoring compliance with financial management standards

- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital plan
- treasury management
- reporting on the adequacy of reserves and the robustness of the budget estimates when the annual budget is being considered
- ensuring the existence of a financial strategy.

4.22 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full 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
- it appears to the Chief Finance Officer that the expenditure of the Authority incurred (including the expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

Section 114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- the Authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

### **CHIEF OFFICERS**

4.23 Chief Officers are responsible for:

- ensuring that Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- ensuring that the Financial Regulations are observed throughout all areas under their control
- providing the Chief Finance Officer with such information and explanations as

the Chief Finance Officer feels is necessary to meet his or her obligations under Financial Regulations.

- 4.24 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.

## OTHER FINANCIAL ACCOUNTABILITIES

### Virement

- 4.25 The full Council is responsible for agreeing procedures for virement of expenditure between budget headings.
- 4.26 Virement (of both revenue and capital) should only occur occasionally, but is permitted subject to the following procedures (see A.10 - A.28):

Revenue	Capital	Procedure to be followed
Virements up to £24,999 (With an overall limit of £300,000 in one financial year)	Virements up to £49,999 (With an overall limit of £500,000 in one financial year)	Such virements on any one budget head (defined in A.11b) during the year may be made at the discretion of the relevant Chief Officer, but the Chief Finance Officer should be notified promptly of the virement.
Proposed virements of between £25,000 & £49,999 (With an overall limit of £300,000 in one financial year)	Proposed virements of between £50,000 & £99,999 (With an overall limit of £500,000 in one financial year)	Such proposed virements will require the advance approval of the Chief Finance Officer and the relevant Cabinet Member for the service area.
Proposed virements of between £50,000 & £100,000	Proposed virements of between £100,000 & £250,000	Such proposed virements must be reported to Cabinet, and Cabinet approval will be required before the virement can take place. In exceptional circumstances, a virement of this value may be made with the approval of the Chief Finance Officer, in consultation with the Chief Executive and relevant Cabinet Member, and subsequently reported to Cabinet.



Proposed virements exceeding £100,000	Proposed virements exceeding £250,000	Such proposed virements must be reported to Council, and Council approval will be required before the virement can take place. In exceptional circumstances, a virement of this value may be made with the approval of the Chief Finance Officer, in consultation with the Chief Executive, Mayor and opposition group leaders, and subsequently reported to Council.
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- 4.27 In addition to the procedures outlined in 4.26 above, any proposed virement relating to employees' basic pay, national insurance or superannuation should comply with any staffing procedures established by the Director of Resources, and include approval under delegated matters where appropriate. This is in addition to the approvals required from other officers / Members outlined above.
- 4.28 Virements must not be broken down into smaller values in order to circumvent the procedures outlined in 4.26 above.

### **Budget realignment**

- 4.29 From time to time, it may be considered appropriate to realign the budget for part or all of a service area, for example if a service area's budget moves out of line with actual levels of service provision, or if there is a restructure. In such cases, a budget realignment exercise may need to be carried out to bring actual spend in line with cost centre budgets. It is important that any budget realignment is transparent and that the process can be subject to proper scrutiny.
- 4.30 Budget realignment should only be considered if material permanent changes to the budget are necessary, and should usually only occur once in any financial year. The realignments proposed should be notified by the Chief Officer of the service area concerned to the Chief Finance Officer in advance of the annual budget setting process. The approval of the Chief Finance Officer should be obtained before any realignment is implemented.

### **Treatment of year-end balances**

- 4.31 The full Council is responsible for agreeing procedures in respect of carrying forward under and overspendings on budget headings in line with the budget and policy framework, as part of the budget setting process each year.

### **Accounting policies**

- 4.32 The Chief Finance Officer is responsible for setting accounting policies in accordance with statute and best practice and ensuring that they are applied consistently throughout the Authority.

### **Accounting records and returns**

- 4.33 The Chief Finance Officer is responsible for determining the accounting procedures and records for the Authority.

### **The annual statement of accounts**

- 4.34 The Chief Finance Officer is responsible for 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)*.

The draft Accounts are to be approved by the Director of Resources by 31 May each year. Approval by the Audit Committee would not take place until the Accounts had been audited, so that the Members were approving the final set of information. This needs to be done in advance of 30 September so that the external audit opinion can be issued ahead of the statutory deadline (Note that due to the impact of Covid-19 the Audit and Accounts Regulations (amendment) 2021 moved the draft accounts publication date to no later than 1 August for 2020/21 and 2021/22 financial years.)

### **Sound financial management**

- 4.35 The Authority is responsible for ensuring its financial management is adequate and effective, and that sound systems of risk management are in place (as required by the Accounts and Audit (England) Regulations 2011 as amended). The Authority is also responsible for ensuring that a budget monitoring system is in place, and if there is a deterioration in the Authority's financial position during the year it must consider what action to take to deal with the situation (as required by the Local Government Act 2003).

### **Budget setting**

- 4.36 The Chief Finance Officer has a duty under the Local Government Act 2003 in relation to budget setting. When the Authority is deciding its annual budget and council tax level, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the budget and the adequacy of the Authority's reserves. The Authority's service & resource planning framework integrates service planning and budget setting processes to develop the financial strategy and to ensure that the budget setting process is priority led.

## **5 Financial Regulation B: Financial Planning**

### **INTRODUCTION**

5.1 The full Council is responsible for approving or adopting the Authority's budget and policy framework, within which the Cabinet operates. In terms of financial planning, the key elements are:

- the Council Plan
- the budget on which the Council Tax requirement and the associated levels are based
- the Investment Plan, including the Prudential and Treasury indicators

More details are contained in point 4.2.

### **POLICY FRAMEWORK**

5.2 The full Council is responsible for approving the budget and policy framework and the Authority's Council Tax requirement. The policy framework comprises those statutory plans and strategies set out in the Constitution.

5.3 The Council's and Cabinet's responsibilities in respect of budget and policy are set out in the budget and policy framework procedure rules, contained in the Authority's Constitution.

5.4 The responsibility for setting Housing Rents and Service charges and therefore the Housing Revenue Account budget are an Executive function and therefore rests with Cabinet. Cabinet will consider and approve the annual Housing capital plan and associated prudential and treasury indicators, but will need to ensure that these are delivered within the overall limits of the Investment plan and indicators approved by full Council.

5.5 The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework within the financial limits set by the full Council as part of the budget and policy framework.

5.6 However any plan agreed is subject to constraint, Cabinet cannot be required to comply with a policy/strategy where the function/responsibility rests with the executive.

## **BUDGETING**

5.7 [ Paragraph Removed ]

### **Budget preparation**

5.8 The Chief Finance Officer is responsible for ensuring that a revenue budget is prepared on an annual basis and a financial strategy on an appropriate basis for consideration by the Cabinet, before submission to the overview and scrutiny committee and full Council (where appropriate) in accordance with the Authority's Constitution.

The full Council may amend the Council Tax level or ask the Cabinet to reconsider it before approving it.

5.9 The Cabinet may issue guidance on the general content of the budget in consultation with the Chief Finance Officer following approval by the full Council. The Chief Finance Officer will issue guidelines on the budget to appropriate officers throughout the Authority.

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

### **Budget monitoring and control**

5.11 Under the Local Government Act 2003 the Authority has a duty to monitor its budget during the year. If, as a result of this monitoring, it appears that there has been a deterioration in its financial position, the Authority must take action to deal with the situation.

5.12 The Chief Finance Officer is responsible for providing appropriate financial information and guidance to enable budgets to be monitored effectively. The Chief Finance Officer should report to Cabinet on the overall financial position of the Authority on a regular basis, and at least quarterly.

5.13 It is the responsibility of Chief Officers to control income and expenditure for revenue and capital 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 to the Chief Finance Officer. They should also take any action necessary

(without affecting policy) to avoid exceeding their budget allocation, in accordance with the Financial Regulations. If it becomes apparent to a Chief Officer that, due to exceptional or unforeseen circumstances, there may be difficulty in providing a service within budget, this must be communicated to the Chief Finance Officer at the earliest opportunity. In such circumstances the Chief Officer retains responsibility for the careful monitoring and control of income and expenditure, and must make every effort (without affecting policy) to minimise the impact on the Authority. Regular reports are provided to Cabinet on all aspects of financial management.

### **Resource allocation**

- 5.14 The Chief Finance Officer is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's policy framework.

### **Preparation of the investment plan and prudential indicators**

- 5.15 The Chief Finance Officer is responsible for ensuring that an investment plan (including the HRA investment plan), showing capital expenditure and how that expenditure is funded, is prepared on an annual basis for consideration by the Cabinet before submission to the full Council. The plan should cover an appropriate period, and may in addition include information on capital investment strategy for up to 10 years ahead. In addition to this, the CIPFA prudential code for capital finance in local authorities requires that a set of prudential indicators for capital and treasury management (covering at least a period of 3 years) are agreed by full Council. This CIPFA code is backed by statute in the Local Government Act 2003.
- 5.16 Chief Officers providing information to the Chief Finance Officer for the investment plan shall ensure that for each capital scheme the full financial implications of any proposals are fully evaluated and disclosed. The appropriate gateway form must be completed, detailing both revenue and capital implications of each proposed scheme.

### **Guidelines**

- 5.17 Guidelines on budget preparation will be issued to Members and Chief Officers by the Chief Finance Officer following consultation with the Cabinet. The guidelines will take account of:
- statutory and related requirements
  - the constitution

- financial planning prospects
- the council plan
- available resources
- spending pressures
- value for money, efficiency and other relevant government guidelines
- other internal policy documents cross-cutting issues (where relevant)
- sustainability
- health & wellbeing
- other relevant guidelines which may emerge from time to time

### **MAINTENANCE OF RESERVES**

5.18 It is the responsibility of the Chief Finance Officer to advise the Cabinet and/or the full Council on prudent levels of reserves for the Authority. When the Authority is deciding its annual budget and council tax level it is required (by virtue of the Local Government Act 2003) to take into account a report from the Chief Finance Officer on the adequacy of the Authority's financial reserves and the robustness of the budget. The government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions. The Authority's reserves and balances policy, prepared by the Chief Finance Officer, is subject to annual review.

## **6 Financial Regulation C: Risk Management and Control of Resources**

### **INTRODUCTION**

- 6.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational and strategic risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

### **RISK MANAGEMENT**

- 6.2 A risk management policy statement and strategy has been drafted and approved by Cabinet. The Cabinet is responsible for reviewing the effectiveness of risk management and for ensuring that proper insurance exists where appropriate.
- 6.3 The Chief Finance Officer will be responsible for the Authority's risk management policy statement, which may be prepared by a nominated officer. The risk management policy statement will be promoted throughout the Authority. The Chief Finance Officer will advise the Cabinet on proper insurance cover where appropriate.

### **INTERNAL CONTROL**

- 6.4 Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- 6.5 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.
- 6.6 It is the responsibility of Chief Officers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

## **AUDIT REQUIREMENTS**

- 6.7 The Accounts and Audit (England) Regulations 2015 as amended require every Local Authority to maintain an adequate and effective internal audit.
- 6.8 The responsibilities of the external auditor are derived from statute (principally the Local Audit and Accountability Act 2014). The Code of Audit Practice prescribes the way in which external auditors must carry out their functions.
- 6.9 The Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, who have statutory rights of access.

## **PREVENTING FRAUD AND CORRUPTION**

- 6.10 The Chief Finance Officer is responsible for the development and maintenance of anti-fraud, anti-corruption, anti-money laundering and anti-bribery policies.

## **ASSETS**

- 6.11 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.

## **TREASURY MANAGEMENT**

- 6.12 The Authority has adopted the key principles of *CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017) (the Code)*, as described in Section 4 of the Code.
- 6.13 Accordingly, the Authority will create and maintain, at the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable Treasury Management Practices, setting out the manner in which the Authority will seek to achieve those policies objectives, and



prescribing how it will control and manage those activities.

The content of the Treasury Policy Statement and Treasury Management Practices will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments will not result in the Authority materially deviating from the Code's key recommendations.

- 6.14 All money in the hands of the Authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer.
- 6.15 In accordance with *CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*, the Authority will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 6.16 The execution and administration of treasury management decisions shall be delegated to the Chief Finance Officer, who will act in accordance with the Authority's Treasury Policy Statement and Treasury Management Practices and, if he or she is a CIPFA member, CIPFA's Standard of Professional Practice for Treasury Management. The Treasury indicators include the limits for the Authority's external debt and the operational boundary for external debt which are agreed by full Council, any movements in borrowing limits made under delegation to the Chief Finance Officer will be reported to the Cabinet at its next meeting.
- 6.17 The Authority nominates Overview, Scrutiny & Policy Development Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies through the budget scrutiny process.
- 6.18 The Cabinet is responsible for the monitoring of the Treasury Management Practices. The Chief Finance Officer is responsible for reporting to the Cabinet on a regular basis in each financial year on the activities of the treasury management operation in the form prescribed in the Treasury Management Practices and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30

September of the succeeding financial year.

## **STAFFING**

6.19 The Head of Paid Service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job. The Head of Paid Service has ultimate responsibility for ensuring the Authority's staffing resource meets its needs in terms of capacity and organisation.

6.20 Chief Officers are responsible for controlling total staff numbers by:

- advising the Cabinet on the proposed 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 the Authority's policies and procedures in respect of staffing matters

## 7 Financial Regulation D: Systems and Procedures

### INTRODUCTION

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

### GENERAL

- 7.19 The Chief Finance Officer is responsible for the operation of the Authority'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 after consultation with internal audit. However, Chief Officers are responsible for the proper operation of financial processes in their own service.
- 7.20 Any changes to agreed procedures by Chief Officers to meet their own specific service needs should be agreed with the Chief Finance Officer.
- 7.21 Chief Officers should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- 7.22 Chief Officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Chief Officers must ensure that staff are aware of their responsibilities under freedom of information legislation.

### INCOME AND EXPENDITURE

- 7.23 It is the responsibility of Chief Officers to ensure the Officers' scheme of delegation is complied with within his or her service. In addition, each Chief Officer should ensure that an authorised signatory list is held and regularly updated, identifying staff authorised to act on the Chief Officer's behalf in respect of payments, income collection and placing orders, together with the limits of their authority. When hard copy documentation in this regard is produced, signatures should always be made in manuscript. 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**

- 7.24 The Chief Finance Officer is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

## **TAXATION**

- 7.25 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 Authority.
- 7.26 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**

- 7.27 It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of trading accounts, business units and Local Authority controlled companies.

## **RETENTION OF RECORDS**

- 7.28 Each Chief Officer shall make arrangements for the retention of financial and personnel records as follows:
- financial matters relating to the payment of creditors, income or other tax matters, national insurance, pensions and debts of any nature should be retained for at least six years plus the present year
  - all other records should be retained in accordance with retention schedules maintained by Information Governance
  - where legislation or professional guidance stipulates a longer retention period, documentation should be retained in accordance with this.
- 7.29 Requests to maintain financial records in paper based media should be made in writing to the Chief Finance Officer.
- 7.30 In the case of invoices relating to grant claims, these must be kept for a minimum of six years or until satisfaction of grant audit requirements, whichever is longer.

- 7.31 Where documents are disposed of after the relevant retention periods have expired, any sensitive or confidential information should be shredded.

## 8 Financial Regulation E: External Arrangements

### INTRODUCTION

- 8.18 The local authority provides a distinctive 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.
- 8.19 It is important that the Authority assesses the costs and benefits of partnership working as it would its own performance. The purpose of partnership governance arrangements is to enable the Authority and its partners to assess whether a partnership is delivering the intended outcomes.

### PARTNERSHIPS

- 8.20 A partnership is an agreement to work collectively between two or more independent bodies to achieve a joint objective. Such a broad definition means that the term is frequently applied to a wide range of collaborative arrangements, ranging from special interest groups to joint venture companies.

While many forms of partnership working have particular legal or financial structures that minimise potential risks, some forms of collaborative working do not. It is important to have appropriate governance arrangements in place in all partnerships, to ensure that risks will be minimised and the advantages of partnership working will be achieved.

Good governance combines robust systems and processes (such as risk management, financial management, performance management and internal controls) with effective leadership and high standards of behaviour.

- 8.21 The Cabinet is responsible for approving delegations, including frameworks for partnerships, although in certain specific instances full Council approval may be required. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.

- 8.22 The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the schemes of delegation. Where functions are delegated, the Cabinet remains accountable for them to the full Council.
- 8.23 Where the Authority is the nominated lead or accountable body for partnership arrangements, the Authority's Financial Regulations will apply.
- 8.24 The Authority's Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct that apply throughout the Authority, including those standards relating to financial conduct / administration, to partnerships.
- 8.25 The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and provide value for money to the taxpayer. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised and allocated between the parties to the agreement before agreements are entered into with external bodies.
- 8.26 Chief Officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies, as set out in section 7 of the external partnership arrangements handbook (available from the Chief Finance Officer). In all cases, this must include approval of the Chief Finance Officer and Monitoring Officer.

### **EXTERNAL FUNDING**

- 8.27 The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

### **WORK FOR THIRD PARTIES**

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

**CONFIDENTIALITY CLAUSES**

- 8.29 All information held by or on behalf of the Authority will be available to the public upon written request from January 2005, unless it falls into one of the statutory exemptions set out in the Freedom of Information Act 2000. Officers must therefore secure that when negotiating or entering into a contract on behalf of the Authority that any confidentiality clause proposed by a third party has been approved by the Director of Law and Governance.



## **APPENDIX A**

### **Financial Procedure Rules: Financial Management**

#### **FINANCIAL MANAGEMENT STANDARDS**

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

- A.1 All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

##### **Key controls**

- A.2 The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the Authority
  - (b) 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 full Council.

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

- A.3 To ensure the proper administration of the financial affairs of the Authority, and to determine on behalf of the Authority the accounting records and the accounting control systems in accordance with the Accounts and Audit (England) Regulations 2015 as amended.
- A.4 To set the financial management standards and to monitor compliance with them in accordance with the relevant codes of practice and accounting standards.
- A.5 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 throughout the Authority.
- A.6 To advise on the key strategic controls necessary to secure sound financial management.
- A.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

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

- A.8 To promote the financial management standards set by the Chief Finance Officer in their service and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- A.9 To promote sound financial practices in relation to the standards, performance and development of staff in their service.

## **MANAGING EXPENDITURE**

### ***Scheme of virement***

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

- A.10 In February/March each year, full Council will set a budget for the following financial year. Inevitably in a large and complex organisation, changes will need to be made to this approved budget during the year

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

To ensure that there is appropriate approval and control over virement changes. The Authority operates two main approaches. These are:

1. Changes that have a material policy impact will generally require the approval of Directors/Chief Officers and/or Members. The type and level of approval required will depend on the value of the proposed changes. Specific guidance on the approvals process is set out below. These changes are known as policy virements
2. Changes which are essentially of an administrative nature can generally be approved by officers at or below Chief Officer level. The approval limits for individual officers are set out in each service's scheme of delegation. These changes are known as administrative virements

#### **Key controls**

- A.11 Key controls for the scheme of virement are:
- (a) it is administered by the Chief Finance Officer within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council.
  - (b) the overall budget envelope for General fund is approved by full Council. Chief Officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates

that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be a cost centre in the revenue budget, or a project set out in the investment plan.

- (c) virement will only be used where there is a confirmed change to the spending plans agreed by executive, it will not be used purely to offset budget variances.
- (d) 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 aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan to fund such commitments from within their own budgets.

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

- A.12 To prepare jointly with the Chief Officer a report to the Cabinet where revenue virements in excess of £49,999, or capital virements in excess of £99,999 are proposed; to prepare jointly with the Chief Officer a report to full Council where revenue virements in excess of £100,000, or capital virements in excess of £250,000 are proposed.

### **Responsibilities of Chief Officers**

- A.13 A Chief Officer may exercise virement on revenue budgets under his or her control for amounts up to £24,999 on any one budget head during the year (with an overall limit of £300,000 in one financial year). A Chief Officer may exercise virement on capital budgets under his or her control for amounts up to £49,999 on any one budget head during the year (with an overall limit of £500,000 in one financial year). This must follow notification to the Chief Finance Officer and be subject to the conditions in paragraphs A.17 to A.20 below.
- A.14 Revenue virement amounts greater than £25,000 but less than £50,000 require the approval of the Chief Finance Officer and relevant Cabinet Member (with an overall limit of £300,000 in one financial year). Capital virement amounts greater than £50,000 but less than £100,000 require the approval of the Chief Finance Officer and relevant Cabinet Member (with an overall limit of £500,000 in one financial year).
- A.15 Revenue virement amounts greater than £50,000 but less than £100,000, and capital virement amounts greater than £100,000 but less than £250,000, require the approval of the Cabinet, following a joint report by the Chief Finance Officer and the Chief Officer, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years. In exceptional circumstances, a virement of this value can be made with

the approval of the Chief Finance Officer, in consultation with the Chief Executive and relevant Cabinet Member, but must be subsequently reported to Cabinet.

- A.16 Revenue virement amounts greater than £100,000, and capital virement amounts greater than £250,000, require the approval of the full Council, following a joint report by the Chief Finance Officer and the Chief Officer, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years. In exceptional circumstances, a virement of this value can be made with the approval of the Chief Finance Officer, in consultation with the Chief Executive, Mayor and opposition group leaders, but must be subsequently reported to Council.
- A.17 Proposed virements on employees' basic pay, national insurance or superannuation must in addition to the above comply with any staffing procedures established by Human Resources, and requirements to obtain delegated matters approval where appropriate.
- A.18 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 Cabinet Members
  - (b) vire between budgets managed by different Chief Officers.
- A.19 Virement that is likely to impact on the level of service activity of another Chief Officer should be implemented only after agreement with the relevant Chief Officer.
- A.20 No virement relating to a specific financial year should be made after 31 March in that financial year. Virement is a one-off, temporary adjustment made in-year (and should not be confused with budget realignment, described in paragraphs 4.27, 4.28 and A.23, which relates to permanent budget variations).
- A.21 Where services wish to undertake an activity not originally identified in the approved budget, or there is an overall increase in the cash income and expenditure of the Authority, approval must be sought for a supplementary revenue estimate or a funding virement. It is expected that this process is used when additional external funding or new grants are received after the annual budget is approved. The level of approval required will depend upon the amount of funding/grant.

<b>Revenue</b>	<b>Capital</b>	<b>Procedure to be followed</b>
Virements up to £24,999 (With an overall limit of £300,000 in one financial year)	Virements up to £49,999 (With an overall limit of £500,000 in one financial year)	Such virements on any one budget head (defined in A.11b) during the year may be made at the discretion of the relevant Chief Officer, but the Chief Finance Officer should be notified promptly of the virement.
Proposed virements of Between £25,000 & £49,999 (With an overall limit of £300,000 in one financial year)	Proposed virements of between £50,000 & £99,999 (With an overall limit of £500,000 in one financial year)	Such proposed virements will require the advance approval of the Chief Finance Officer and the relevant Cabinet Member for the service area.
Proposed virements of Between £50,000 & £100,000	Proposed virements of Between £100,000 & £250,000	Such proposed virements must be reported to Cabinet, and Cabinet approval will be required before the virement can take place. In exceptional circumstances, a virement of this value may be made with the approval of the Chief Finance Officer, in consultation with the Chief Executive and relevant Cabinet Member, and subsequently reported to Cabinet.
Proposed Virements Exceeding £100,000	Proposed Virements Exceeding £250,000	Such proposed virements must be reported to Council, and Council approval will be required before the virement can take place. In exceptional circumstances, a virement of this value may be made with the approval of the Chief Finance Officer, in consultation with the Chief Executive, Mayor and opposition group leaders, and subsequently reported to Council.

A.22 Some revenue virements are essentially of an administrative nature as they do not involve changes from existing approved policies. Administrative virement would include the following examples:

- Re-analysis of school “on-line” budgets
- Implementing of restructuring and re-organisations proposals that have already received the appropriate level of Officer and Member approval
- Routine changes to the structure of the accounting system
- Changes to notional accounting budgets which are required for reporting purposes but which do not impact on the Authority’s cash expenditure. Examples include changes to the depreciation and central support charges.

- A.23 Where the virement is of an administrative nature, Member approval is not required and therefore approval will be based on the service scheme of delegation. Corporate Finance should be consulted where there is uncertainty as to whether a proposed virement constitutes a change of approved policy.
- A.24 A school's governing body may transfer budget provision, above a value which will be declared annually, between heads of expenditure within the delegated school budget following notification to the Chief Education Officer.
- A.25 Where an approved budget is a lump-sum budget or contingency 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, as set out in the budget-setting report to Council in advance of each financial year
  - (b) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.
- A.26 Transfers by way of virement cannot be made from rates, insurance, car allowances and leasing charges (non-controllable budgets) without consultation with Corporate Finance.
- A.27 Budget realignment is described in paragraphs 4.29 and 4.30 of the Financial Regulations. Any proposal to realign all or part of a service area budget must be notified (by the Chief Officer of the service area) in writing to the Chief Finance Officer. Budget realignment should usually only occur once in any financial year, and be notified to and agreed by the Chief Finance Officer in advance of the Authority's budget setting process. Budget realignment is a permanent change to the budget.
- A.28 Any virements made during the year together with budget realignments will be reported to Cabinet through the budget monitoring reports.

### ***Treatment of year-end balances***

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

- A.29 The Authority's scheme of virement sets out the Authority's treatment of year-end balances. It is administered by the Chief Finance Officer within guidelines set by the full Council. Any variation from the scheme of virement (as set out above) requires the approval of the full Council.
- A.30 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget heading is a line in the revenue budget.

#### **Key controls**

- A.31 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

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

- A.32 To administer the scheme of carry-forward within the guidelines approved by the full Council.
- A.33 To report all overspends and underspends on service estimates carried forward to the Cabinet and to the full Council.

### **Responsibilities of Chief Officers**

- A.34 The Chief Finance Officer may decide, in consultation with the Chief Executive and Cabinet Member for finance, that an overspend on service estimates in total on budgets under the control of a Chief Officer be carried forward to the following year. This overspending may thus constitute the first call on service estimates in the following year. The application of this financial regulation will apply when determined to be appropriate by the Chief Finance Officer. The Chief Finance Officer will report the extent of overspends carried forward to the Cabinet and to the full Council.
- A.35 Net underspends on service estimates under the control of a Chief Officer may occur. Where this is the case, options exist for the treatment of the underspend. The Chief Finance Officer will recommend to Cabinet and / or Council one of the following treatments:
- (a) where the Authority's overall financial position is such that the carry forward of an underspend would create a deficit in balances, the Chief Finance Officer (in consultation with the Chief Executive and Cabinet Member for finance) may recommend to Cabinet and / or Council that this should not be allowed. In making such a recommendation, the Chief Finance Officer will take into account the Authority's overall financial position including balances and general reserves, and the requirements of the reserves and balances policy.
  - (b) where in the opinion of the Chief Finance Officer the Authority's overall financial position is favourable, the Chief Finance Officer may (in consultation with the Chief Executive and Cabinet Member for finance) advise the Cabinet and / or Council that the carry forward of underspends by services may be considered. Where this is the case, the carry forward of the underspend will be contingent upon the relevant Chief Officer reporting to the Cabinet the source of underspending or additional income and the proposed application of those resources. The approval of the full Council will be required where the underspending exceeds a set percentage of the individual budget heading or a set financial value, whichever is less. The set percentage and set annual value will be announced on an annual basis.

- A.36 All internal business unit surpluses shall be retained for the benefit of the Authority and their application shall require the approval of the Cabinet.
- A.37 Schools' balances shall be available for carry-forward to support the expenditure of the school concerned. Where an unplanned deficit occurs, the governing body shall prepare a detailed financial recovery plan for evaluation by the Chief Education Officer and the Chief Finance Officer. The relevant Cabinet Member should then consider the plan based on the evaluation prepared by the Chief Education Officer and the Chief Finance Officer. Schools will normally be expected to agree a plan with the Chief Education Officer and Chief Finance Officer to recover the deficit within a defined period. Further reference should be made to section 4 of the *Scheme for Financing Schools* (available from the Chief Education Officer) which covers the treatment of school balances in more detail.

## **ACCOUNTING POLICIES**

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

- A.38 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* (CIPFA/LASAAC), for each financial year ending 31 March. In addition the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 as amended set out statutory requirements governing the Authority's accounts and budget setting process.

### **Key controls**

- A.39 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 set out and applied consistently throughout the Authority
  - (c) proper accounting records are maintained
  - (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**

- A.40 To select suitable accounting policies and to ensure that these 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) capital charges
- (g) work in progress
- (h) stocks and stores
- (i) deferred charges
- (j) accounting for value added tax
- (k) government grants
- (l) leasing
- (m) pensions
- (n) investments
- (o) capital receipts.

### **Responsibilities of Chief Officers**

A.41 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

### **ACCOUNTING RECORDS AND RETURNS**

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

A.42 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. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

#### **Key controls**

A.43 The key controls for accounting records and returns are:

- (a) all Cabinet Members, finance staff and budget managers 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) 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
- (e) prime documents are retained in accordance with legislative and other requirements.

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

A.44 To determine on behalf of the Authority suitable accounting records,

accounting statements and accounting control systems for the Authority. Where records are maintained outside the finance service, the Chief Finance Officer should consult the Chief Officer concerned. The Chief Finance Officer must also ensure that the accounting control systems are observed and that the accounting records of the Authority are maintained in accordance with proper practices and kept up to date.

- A.45 To arrange for the compilation of all accounts and accounting records under his or her direction.
- A.46 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
  - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- A.47 To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit (England) Regulations 2015 as amended.
- A.48 To ensure that all claims for funds including grants are made by the due date.
- A.49 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 the full Council or delegated Committee of Council to approve the statement of accounts by the dates prescribed by statute.
- A.50 To administer any arrangements for under- and overspendings to be carried forward to the following financial year.
- A.51 To ensure the proper retention of financial documents in accordance with the requirements set out in paragraphs 7.11 - 7.14 of the Financial Regulations.

### **Responsibilities of Chief Officers**

- A.52 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- A.53 To comply with the principles outlined in paragraph A.41 when allocating accounting duties.
- A.54 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- A.55 To supply information required to enable the statement of accounts to be

completed in accordance with guidelines issued by the Chief Finance Officer.

## **THE ANNUAL STATEMENT OF ACCOUNTS**

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

A.56 The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The accounts are approved by full Council or by a delegated Committee of Council.

### **Key controls**

A.57 The key controls for the annual statement of accounts are:

- (a) the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Chief Finance Officer.
- (b) The Authority is required to comply with the Accounts and Audit (England) Regulations 2015 as amended which set out the statutory dates for approval and publication of the annual accounts.
- (c) the Authority's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).
- (d) The Authority is required to adhere to the Service Reporting Code of Practice (SeRCOP) which establishes 'proper practice' with regard to consistent financial reporting.

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

A.58 To set out correct accounting policies and to apply them consistently throughout the Authority.

A.59 To prepare the statement of accounts and present this to Council by the statutory date set out in the Accounts and Audit (England) Regulations 2015 as amended.

A.60 To comply with the SORP and SeRCOP.

A.61 To sign and date the statement of accounts (that is the revenue account and balance sheet).

A.62 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

### **Responsibilities of Chief Officers**

A.63 To comply with accounting guidance provided by the Chief Finance Officer in relation to the preparation of the Authority's statement of

accounts, and to supply the Chief Finance Officer with information when required.

## APPENDIX B

### Financial Procedure Rules: Financial Planning

#### SERVICE PLANS

##### Why is this important?

- B.1 The purpose of service plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The Authority is no longer required to publish its council plan annually, but continues to produce a council plan which summarises its performance and priorities for the coming financial planning period.

##### Key controls

- B.2 The key controls for service plans are:
- (a) to ensure that all relevant plans are produced and that they are consistent
  - (b) to produce plans to deliver services in accordance with statutory requirements
  - (c) to meet the timetables set
  - (d) to ensure that all performance information is accurate, complete and up to date
  - (e) to provide improvement targets which are meaningful, realistic and challenging.

##### Responsibilities of the Chief Finance Officer

- B.3 To advise and supply the financial information that needs to be included in service plans in accordance with statutory and Authority requirements and agreed timetables.
- B.4 To contribute to the development of corporate and service targets and objectives and performance information.
- B.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- B.6 To ensure that performance information is monitored frequently to allow corrective action to be taken if targets are not likely to be met.

##### Responsibilities of Chief Officers

- B.7 To contribute to the development of service plans in line with statutory requirements.
- B.8 To contribute to the development of corporate and service targets and objectives and performance information, and deliver these plans.

## **BUDGETING**

### ***Format of the budget***

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

- B.9 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 budget allocations and sets the level at which funds may be reallocated within budgets.

#### **Key controls**

- B.10 The key controls for the budget format are:
- (a) the format complies with all legal requirements
  - (b) the format complies with CIPFA's *Service Reporting Code of Practice*
  - (c) the format reflects the accountabilities of service delivery.

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

- B.11 To advise the Cabinet on the format of the budget that is approved by the full Council.

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

- B.12 To comply with accounting guidance provided by the Chief Finance Officer.

### ***Revenue budget preparation, monitoring and control***

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

- B.13 Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- B.14 By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual budget allocation, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the budget allocated to it.

B.15 For the purposes of budgetary control by officers, a budget will normally be the planned income and expenditure for a service area or cost centre.

### **Key controls**

B.16 The key controls for managing and controlling the revenue budget are:

- (a) The responsibility of the Authority for budget monitoring and control, under the Local Government Act 2003, is acknowledged
- (b) there is a nominated budget manager and budget holder for each cost centre heading
- (c) budget holders should be responsible only for income and expenditure that they can influence, and act under the direction of their budget manager
- (d) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- (e) budget holders follow an approved certification process for all expenditure
- (f) income and expenditure are properly recorded and accounted for
- (g) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget
- (h) Appropriate forms of reporting are identified and put in place.

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

B.17 To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual budget allocations unless the full Council agrees otherwise
- (b) each Chief Officer has available timely information on receipts and payments 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
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the Financial Regulations
- (e) each cost centre has a single named officer, determined by the relevant budget manager (Chief Officer or senior manager), to act as the budget holder for that cost centre. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

B.18 To administer the Authority's scheme of virement.

B.19 To submit reports to the Cabinet and to the full 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.

B.20 To prepare and submit reports on the Authority's projected income and

expenditure compared with the budget on a regular basis.

### **Responsibilities of Chief Officers**

- B.21 To maintain budgetary control within their service, in adherence to the principles in B.17 and in accordance with the budget management handbook, and to ensure that all income and expenditure is legal and is properly recorded and accounted for.
- B.22 To ensure that one accountable budget holder, who will act under the direction of a nominated budget manager, is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- B.23 To ensure that spending remains within the service's overall budget allocation, 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.
- B.24 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.
- B.25 To prepare and submit to the Chief Finance Officer reports on the service's projected expenditure compared with its budget, and to keep the Chief Finance Officer informed of any actual or likely changes which may / will have a significant impact on current or future budgets.
- B.26 To ensure prior approval by the full Council or Cabinet (in accordance with the Authority's Constitution) for new proposals, of whatever amount, that:
- (a) create financial commitments in future years
  - (b) change existing policies, initiate new policies or cease existing policies
  - (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 the full Council or Cabinet has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their budget allocation.

- B.27 To ensure compliance with the scheme of virement.
- B.28 To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Chief Officer's level of service activity.
- B.29 To ensure that the Authority's standing orders with respect to contracts are complied with whenever expenditure is proposed to be incurred.



- B.30 To seek agreement from the Chief Finance Officer and Cabinet Member for finance where it is proposed to fund an item of expenditure from contingencies. Where the use of a contingency is agreed, this will be reported to Cabinet as part of the budget monitoring process.

### ***Budgets and financial planning***

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

- B.31 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.
- B.32 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an Authority to budget for a deficit.
- B.33 Financial planning involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the financial plan. This ensures that the Authority is always preparing for events in advance.

#### **Key controls**

- B.34 The key controls for budgets and financial planning are:
- (a) specific budget approval for all expenditure
  - (b) budget managers (Chief Officers and senior managers) 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;
  - (c) budget managers nominate designated budget holders to be responsible for the day to day control of income and expenditure against a set budget for a cost centre, or group of cost centres, as directed by the budget manager
  - (d) 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
  - (e) under the Local Government Act 2003 there is a requirement for the Chief Finance Officer to prepare a report, for use when the Authority is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Authority's reserves. The government has a back-up power to impose a minimum level of reserves on an Authority that it considers to be making inadequate provisions.

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

- B.35 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government, the robustness of the budget and the adequacy of the Authority's reserves. Reports should take account of financial prospects, where appropriate.
- B.36 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full Council, and after consultation with the Cabinet and Chief Officers.
- B.37 To prepare and submit reports to the Cabinet on the aggregate spending plans of service and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- B.38 To advise on the financial implications of spending decisions.
- B.39 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.
- B.40 To advise the full Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

### **Responsibilities of Chief Officers**

- B.41 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet.
- B.42 To prepare budgets that are consistent with any relevant budget allocations, with the Authority's annual budget cycle and with guidelines issued by the Chief Finance Officer. The format should be prescribed by the Chief Finance Officer in accordance with the full Council's general directions.
- B.43 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- B.44 In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Cabinet and / or the Council in accordance with the budget and policy framework.
- B.45 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 the full Council in the approved policy framework
- (d) service developments
- (e) efficiency savings
- (f) the priorities of the elected mayor, the shared plan, the council plan and service plans.

### ***Resource allocation***

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

B.46 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 properly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

#### **Key controls**

B.47 The key controls for resource allocation are:

- (a) resources are acquired 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
- (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

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

B.48 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

B.49 To assist in the allocation of resources to budget managers.

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

B.50 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

B.51 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

#### ***Capital plans***

## Why is this important?

- B.52 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. As capital expenditure can involve very large sums of money it is important that capital projects are carefully appraised and managed to ensure that the project objectives are delivered.
- B.53 The Local Government Act 2003 established a new system for capital financing based on a prudential framework. Local Authorities now have the freedom to borrow funds to finance their capital programmes, without government consent. The framework requires that local authorities ensure their plans are affordable, prudent and sustainable. Capital expenditure should form an essential part of the Authority's asset management strategy and should be carefully prioritised in line with Authority policy in order to maximise the benefit of scarce resources.

## Key controls

- B.54 The key controls for capital plans are:
- (a) specific approval by the full Council for the overall Capital Plan, this includes approval of the financing of the plan
  - (b) responsibility for project proposals within the approved capital plan and subsequent delivery of the Capital Plan is a matter for Cabinet
  - (c) approval by the Cabinet where capital schemes are to be financed by Authority funding (ie by borrowing, capital receipts or revenue contribution), up to a specified amount, and subject to the approval of the Council, when the expenditure exceeds this amount
  - (d) approval by the Cabinet where capital schemes are to be financed from the revenue budget, up to a specified amount, and subject to the approval of the full Council, where the expenditure exceeds this amount in line with the Constitution
  - (e) proposals for improvements and alterations to buildings must be approved by the appropriate Chief Officer
  - (f) schedules for individual schemes within the overall budget approved by the full Council must be submitted to the relevant Chief Officer, in association with the Chief Finance Officer, Chief Executive and Elected Mayor, for approval (for example, minor works).
  - (g) the development and implementation of asset management plans
  - (h) accountability for each proposal is accepted by a named manager
  - (i) monitoring of progress in conjunction with expenditure and comparison with approved budget. Regular reports of capital monitoring are required to be presented to the Cabinet as part of the financial management reports.
  - (j) the prioritisation of the Investment Plan Reserve list is reviewed and approved by the Mayor and the Cabinet Member for Finance at the start of each financial year.

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

- B.55 To prepare the Authority's investment (capital) plan jointly with Chief Officers and the head of paid service and to report it to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the full Council. Approval from the Council is required where a Chief Officer proposes additional unsupported borrowing not anticipated in the investment plan, above an amount that will be specified on an annual basis by the Chief Finance Officer. The ranking process will include the Chief Finance Officer, the Chief Executive and Cabinet, so that statutory or unforeseen matters relating to capital can be given consideration in the context of overall capital resources available to the Authority.
- B.56 To prepare and submit reports to the Cabinet on the capital outturn as compared with capital budget.
- B.57 To issue guidance concerning capital schemes and regulations, for example, on project appraisal techniques. The definition of 'capital expenditure' will be in accordance with standard accounting practice and government regulation.
- B.58 To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the investment plan provision by more than a specified amount which will be from time to time declared.

### **Responsibilities of Chief Officers**

- B.59 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- B.60 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer, regardless of the source of funding of the proposed project.
- B.61 To prepare regular reports for the Chief Finance Officer reviewing the capital plan provisions for their services. They should also prepare a quarterly return of estimated final costs of schemes in the approved investment plan for submission to the Chief Finance Officer.
- B.62 To ensure that adequate records are maintained for all capital contracts.
- B.63 To proceed with projects only when there is adequate provision in the investment plan and the project has been approved by Cabinet with the agreement of the Chief Finance Officer, where required. The funding of proposed projects must be clearly identified together with full financial implications (both revenue and capital) and a capital investment appraisal form must be completed for every capital project, regardless of the source of funding of the project.
- B.64 To prepare and submit reports, jointly with the Chief Finance Officer, to

the Cabinet, of any variation in contract costs greater than the approved limits. The Cabinet may meet cost increases of up to a specified percentage (which will be from time to time declared) by virement from savings elsewhere within the investment plan.

- B.65 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 specified amount.
- B.66 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, approval of the scheme through the investment plan.
- B.67 To consult with the Chief Finance Officer and to seek Cabinet approval where the Chief Officer proposes to bid for funding to finance a project where expenditure has not been included in the current year's investment plan.
- B.68 To comply with standing orders with respect to contracts in the administration of contracts.
- B.69 Where projects in the investment plan are included on the assumption of resources becoming available, no financial commitments should be entered into on these projects unless resources are confirmed as being available to the satisfaction of the Chief Finance Officer.
- B.70 To ensure that one accountable manager is identified for the management of each capital project, ensuring that approved funding is spent in accordance with the capital plan, and the project is delivered within the timeframes set down in the investment plan.

## **MAINTENANCE OF RESERVES**

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

- B.71 The local authority must decide the level of general reserves (balances) 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. When an Authority is deciding its annual budget and council tax level it is required to take into account a report from the Chief Finance Officer on the adequacy of the Authority's reserves and robustness of the budget. The government has a backup power to impose a minimum level of reserves on an Authority that it considers to be making inadequate provisions.

### **Key controls**

- B.72 To establish and maintain reserves in accordance with the Local Government Act 2003, *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice*

(CIPFA/LASAAC) and agreed accounting policies.

- B.73 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- B.74 Transfers to and from reserves require authorisation by the appropriate Chief Officer in consultation with the Chief Finance Officer.

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

- B.75 To advise the Cabinet and/or the full Council on prudent levels of reserves for the Authority, and to take account of the advice of the external auditor in this matter. The Chief Finance Officer is also required to prepare a report on the adequacy of the Authority's reserves for use when the Authority is deciding its annual budget and council tax level.

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

- B.76 To ensure that reserves are used only for the purposes for which they were intended.

## APPENDIX C

### Financial Procedure Rules: Risk Management and Control of Resources

#### RISK MANAGEMENT

##### Why is this important?

- C.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 control 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 control these risks effectively.
- C.2 It is the overall responsibility of the Cabinet to approve the Authority's risk management strategy, once this has been agreed, and to promote a culture of risk management awareness throughout the Authority.

##### Key controls

- C.3 The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority
  - (b) a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
  - (c) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
  - (d) provision is made for losses that might result from the risks that remain
  - (e) procedures are in place to investigate claims within required timescales



- (f) acceptable levels of risk are determined and insured against where appropriate
- (g) 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 Chief Finance Officer**

- C.4 To ensure that the Authority's risk management policy statement is prepared and promoted throughout the Authority by the nominated officer.
- C.5 To develop risk management controls in conjunction with other Chief Officers.
- C.6 To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.
- C.7 To offer insurance cover to schools.
- C.8 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

### **Responsibilities of Chief Officers**

- C.9 To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers.
- C.10 To take responsibility for risk management, having regard to advice from the Chief Finance Officer or nominated officer on behalf of the Chief Finance Officer and other specialist advice (e.g. crime prevention, fire prevention, health and safety).
- C.11 To ensure that there are regular reviews of risk within his or her service, in accordance with Authority policies and procedures.
- C.12 To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- C.13 To consult the Chief Finance Officer and the head of legal services on the terms of any indemnity that the Authority is requested to give.

- C.14 To ensure that employees, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## **INTERNAL CONTROLS**

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

- C.15 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- C.16 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- C.17 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.
- C.18 The system of internal controls is established in order to provide measurable achievement of:
- (a) efficient and effective operations
  - (b) reliable financial information and reporting
  - (c) compliance with laws and regulations
  - (d) risk management.

### **Key controls**

- C.19 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
  - (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**

- C.20 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**

- C.21 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.
- C.22 To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Chief Finance Officer and internal audit. Chief Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- C.23 To ensure staff have a clear understanding of the consequences of lack of control.

## **AUDIT REQUIREMENTS**

### ***Internal audit***

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

- C.24 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 (England) Regulations 2015 as amended, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control”.
- C.25 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. Internal audit assists management in delivering the objectives of the Authority through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. To this end, internal audit will have no executive responsibilities. Internal Audit’s remit includes:
- assessing if operations are being carried out as planned, and if objectives / goals are being achieved
  - assessing the adequacy of systems established to ensure

compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation or externally

- assessing the completeness, reliability and integrity of information, both financial and operational
- assessing the extent to which the Authority's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money.
- assessing the economy, efficiency and effectiveness with which resources are deployed.

### **Key controls**

C.26 The key controls for internal audit are:

- (a) that it is independent in its planning and operation
- (b) the head of internal audit has direct access to the head of paid service, all levels of management and directly to elected Members
- (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 Chief Finance Officer**

C.27 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 account for cash, stores or any other Authority asset under his or her control
- (e) directly access the head of paid service, the Cabinet and appropriate committees, in accordance with the terms of reference agreed for internal audit.

Internal audit shall also have access to all Officers, buildings, information, explanations and documentation required to discharge the audit role in respect of:

- organisations to whom the Authority has given grants
- organisations with whom the Authority contracts
- partner organisations in any scheme for which the Authority has responsibility as lead or accountable body.

Such rights of access shall be written into the appropriate agreements with these organisations.

- C.28 To approve the strategic and annual audit plans prepared by the head of internal audit, which take account of the characteristics and relative risks of the activities involved. In producing such audit plans, the head of internal audit shall have an unrestricted range of coverage of the Authority's operations; the head of internal audit will have freedom to determine the priorities of internal audit in consultation with the Chief Finance Officer and Chief Officers.
- C.29 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

### **Responsibilities of Chief Officers**

- C.30 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.
- C.31 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- C.32 To consider and respond promptly to recommendations in audit reports.
- C.33 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- C.34 To notify the Chief Finance Officer and head of internal audit 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. If a serious irregularity is confirmed, the matter shall also be reported to the head of paid service, the mayor and the head of human resources.
- C.35 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by Chief Finance Officer prior to implementation.

### **External Audit**

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

- C.36 The external auditor has rights of access to all documents and information necessary for audit purposes.
- C.37 The basic duties of the external auditor are defined in the Local Audit and Accountability Act 2014 which sets out the framework for audit of local authorities and the auditor's main objectives to review and report upon:
- (a) the audited body's accounts

- (b) the audited body's arrangements for securing economy, efficiency and effectiveness in the use of resources

C.38 The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents 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**

C.39 External auditors are appointed normally for a minimum period of five years. The Comptroller and Auditor General has the responsibility of producing and issuing Codes of Audit Practice and guidance to auditors.

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

C.40 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.

C.41 To ensure there is effective liaison between external and internal audit.

C.42 To work with the external auditor and advise the full Council, Cabinet and Chief Officers on their responsibilities in relation to external audit.

### **Responsibilities of Chief Officers**

C.43 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.

C.44 To ensure that all records and systems are up to date and available for inspection.

## **PREVENTING FRAUD AND CORRUPTION**

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

C.45 The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.

C.46 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.

C.47 The Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers and partners) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

## Key controls

- C.48 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 Governance Committee
  - (e) the maintenance of a register of interests in which any interests, or offers of gifts or hospitality 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.

## Responsibilities of the Chief Finance Officer

- C.49 To develop and maintain anti-fraud, anti-corruption, anti-money laundering and anti-bribery policies.
- C.50 To maintain adequate and effective internal control arrangements.
- C.51 To ensure that all suspected irregularities are reported to the head of internal audit; to report fraud or irregularity necessitating police involvement to the mayor, head of paid service and Director of Resources.

## Responsibilities of Chief Officers

- C.52 To ensure that all suspected irregularities are reported to the Chief Finance Officer and head of internal audit.
- C.53 To instigate the Authority's corrective and disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- C.54 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.
- C.55 To maintain a service register of interests, gifts and hospitality, and to ensure that all staff within the service are made aware of their duty to declare interests, or offers of gifts or hospitality, which may conflict with their role as a Authority employee; to disseminate and publicise the Authority's anti-fraud and corruption policy and strategy to all staff within the service of the Chief Officer.

## **ASSETS**

### ***Security***

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

C.56 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**

C.57 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 General Data Protection Regulation (GDPR), Data Protection Act and software copyright legislation
- (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**

C.58 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of an amount which will be declared from time to time. The function of the asset register is to provide the Authority with information about fixed assets so that they are safeguarded, used efficiently and effectively adequately maintained.

C.59 To receive the information required for accounting, costing and financial records from each Chief Officer, and to determine the method of valuation of stores.



- C.60 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 Chief Officers**

- C.61 The appropriate Chief Officer shall maintain a property database in a form approved by the Chief Finance Officer for all properties, plant and machinery and moveable assets currently owned or used by the Authority. Any use of property by a service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- C.62 To ensure that lessees and other prospective occupiers of Authority land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Chief Officer in consultation with the Director of Law and Governance and the Chief Finance Officer, has been established as appropriate.
- C.63 To ensure the proper security of all buildings and other assets under their control.
- C.64 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the Chief Officer and the Chief Finance Officer; any such recommendation must comply with the relevant provisions as detailed in standing orders with respect to contracts.
- C.65 To pass title deeds to the appropriate Chief Officer who is responsible for custody of all title deeds.
- C.66 To ensure that no Authority asset is subject to personal use by an employee without proper authority. The Authority will adopt a Policy on the Acceptable Use of Authority Equipment and Resources which Chief Officers must distribute and enforce.
- C.67 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- C.68 To ensure that the service maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.
- C.69 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- C.70 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.
- C.71 To ensure cash holdings on premises are kept to a minimum, and take cognisance of the Authority's insurance arrangements for such holdings.

- C.72 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 and internal audit as soon as possible.
- C.73 To examine on a regular basis, at not more than twelve monthly intervals, all stocks. Any slow-moving items or obsolete stocks should be identified and appropriate remedial action taken.
- C.74 To record all disposal or part exchange of assets in accordance with the Authority's standing orders with respect to contracts.
- C.75 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Finance Officer.
- C.76 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***

- C.77 To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery with an individual value exceeding £200.
- C.78 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. Significant variations should be brought to the attention of the Chief Finance Officer and head of internal audit. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority. Guidance on the disposal of obsolete inventory or that surplus to requirements is given in C.83.
- C.79 To make sure that property is only used in the course of the Authority's business, unless the Chief Officer concerned has given permission otherwise.

### ***Stocks and stores***

- C.80 To make arrangements for the care and custody of stocks and stores in the service.
- C.81 To ensure stocks are maintained at reasonable levels (which do not exceed normal business requirements) and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion; significant discrepancies

should be brought to the attention of the Chief Finance Officer and head of internal audit.

- C.82 To investigate and remove from the Authority's records (i.e. write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of a predetermined limit which will be announced on an annual basis.
- C.83 To authorise or write off disposal of redundant stocks, equipment or inventory after consultation with the Chief Finance Officer. Separate asset disposal guidelines will be drafted by the Chief Finance Officer and these guidelines should be explicitly followed in the case of redundant stocks, equipment or inventory. The asset disposal guidelines will require that first consideration should be given to transfer of the items to another service, in which case this should be clearly recorded in the records of each service. Where there is no demand for the items by other service within the Authority, the asset disposal guidelines will require that items must be valued and disposed of in accordance with the guidelines available from the Chief Finance Officer. Procedures for disposal of such items will usually require the invitation of competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case. Where stock is disposed of by quotations / open tender, the highest offer shall be accepted and documentary evidence shall be retained in respect of all tenders received. Proposed disposal of art works or property held in trust must in the first instance be checked with Legal Services, as there may be special circumstances pertaining to such assets which must be examined on a case by case basis.
- C.84 To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum.
- C.85 To ensure that all stores issues, except in the case of small value materials, are supported by a requisition stating the quantity required which is signed by an authorised signatory.
- C.86 To ensure that delivery notes are obtained in respect of all goods received into store and that the goods are checked with both the delivery note and official order as regards quantity and specification compliance as soon as possible.
- C.87 To provide the Chief Finance Officer with such information as he or she requires in relation to stores for accounting, costing and financial records.

### ***Intellectual property***

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

- C.88 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.

- C.89 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**

- C.90 In the event that the Authority decides to become involved in the commercial exploitation of intellectual property, guidelines for this should be drafted.

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

- C.91 To develop and disseminate good practice and guidelines on the ownership and exploitation of intellectual property, in conjunction with other relevant Officers of the Authority (e.g. the Director of Law and Governance).

### **Responsibilities of Chief Officers**

- C.92 To ensure that controls are in place to ensure that staff do not carry out private work in Authority time and that staff are aware of an employer's rights with regard to intellectual property.

### **Asset disposal**

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

- C.93 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**

- C.94 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.
- C.95 Procedures protect staff involved in the disposal from the potential for accusations of personal gain.

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

- C.96 To issue guidelines representing best practice for disposal of assets (see C.83).

- C.97 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**

- C.98 To seek advice from the Chief Finance Officer on the disposal of surplus or obsolete materials, stores or equipment, and to follow the asset disposal guidelines prepared by the Chief Finance Officer (see C.83).
- C.99 To ensure that maximum income is received for the disposal of an asset (see C.83), and is properly banked and coded.

## **TREASURY MANAGEMENT**

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

- C.100 Many millions of pounds pass through the Authority's books each year. Codes of practice governing the appropriate way of administering these funds have become established. 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**

- C.101 That the Authority's borrowings and investments comply with the CIPFA *Treasury Management in the Public Services: Code of Practice* and with the Authority's Treasury Management Policy Statement.

### **Responsibilities of Chief Finance Officer – treasury management and banking**

- C.102 To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA *Treasury Management in the Public Services: Code of Practice* and the Authority's Treasury Management Policy Statement and Strategy.
- C.103 In accordance with CIPFA's *Treasury Management in the Public Services: Code of Practice*, to report on a regular basis on treasury management activities to Cabinet and the Finance sub-Committee. This is approved by Council on an annual basis.
- C.104 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Finance Officer, and all such accounts must be in the name of the Authority.

### **Responsibilities of Chief Officers – treasury management and banking**

- C.105 To follow the instructions on banking issued by the Chief Finance Officer, and to comply with the Authority's treasury management policy

statement; to ensure that Authority cheques held within (or being transported from or to) the Chief Officer's service are securely stored, administered and controlled.

### **Responsibilities of Chief Finance Officer – investments and borrowing**

- C.106 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.
- C.107 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.
- C.108 To effect all borrowings in the name of the Authority.
- C.109 To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.
- C.110 To ensure that arrangements exist which provide for an officer other than the officer who usually makes investments to monitor investment levels, which should be periodically reviewed.
- C.111 To ensure that an adequate division of duties exists between the arranging and settling of transactions.

### **Responsibilities of Chief Officers – investments and borrowing**

- C.112 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 the full Council, following consultation with the Chief Finance Officer.

### **Responsibilities of Chief Officers – trust funds and funds held for third parties**

- C.113 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.
- C.114 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.
- C.115 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

### **Responsibilities of the Chief Finance Officer – imprest accounts**

- C.116 To provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. For petty cash imprests, expenditure on goods should not usually exceed £25 for any one transaction; payments may not be broken down in order to avoid this limit. For cheque accounts (see C.117), individual cheques should be signed by at least two authorised signatories, a list of whom should be

provided to the Chief Finance Officer and regularly updated. Cheques should never be 'pre-signed', or signed when the account payee or value of the cheque is blank.

C.117 Where appropriate, to open an account with the Authority's bankers for use by the imprest holder who shall not overdraw the account. It shall be a standing instruction to the Authority's bankers that the amount of any overdrawn balance shall forthwith be notified to the Chief Finance Officer.

C.118 To determine the petty cash advance 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.

C.119 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

C.120 To inform all Chief Officers of the Authority's insurance cover with regard to cash holdings.

### **Responsibilities of Chief Officers – imprest accounts**

C.121 To ensure that employees operating an imprest account:

- obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained, to ensure that VAT may be reclaimed where appropriate
- make adequate arrangements for the safe custody of the account, having regard to the Authority's insurance cover where appropriate
- produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest amount
- record transactions promptly
- respect the £25 limit for petty cash payments, unless in exceptional circumstances the Chief Officer has allowed a higher value for a particular purchase
- reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- ensure a petty cash payment slip is completed for every reimbursement which is made, signed by the claimant, authorised by his or her line manager, and signed by the person making the petty cash payment (who shall be an authorised signatory for such purposes). Receipts must be obtained to back up all expenditure made and reclaimed through the petty cash account and attached to the petty cash payment slip to comply with the requirements of the Inland Revenue
- provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year
- ensure that the float 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 float and change relating to purchases where an advance has been made. Income should never be paid into a petty cash account, but banked separately as required by these Financial Regulations

- on leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Finance Officer for the amount advanced to him or her, and surrender the imprest and associated records to the Chief Officer or their nominated senior representative
- Advises the Chief Officer of any significant imbalances which cannot be reconciled; the Chief Officer should then contact the Chief Finance Officer for advice.

## **STAFFING**

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

C.122 In order to provide the highest level of service, it is critical that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

### **Key controls**

C.123 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
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

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

C.124 To ensure that budget provision exists for all existing and new employees.

C.125 To act as an advisor to Chief Officers on areas such as National Insurance and pension contributions, as appropriate.

### **Responsibilities of Chief Officers**

C.126 To produce an annual staffing budget.

C.127 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to appropriate revenue budget provision (including on-costs and overheads).

C.128 To monitor staff activity to ensure adequate control over such costs as



sickness, overtime, training and temporary staff.

- C.129 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.
- C.130 To ensure that the Director of Resources and the Chief Finance Officer are immediately informed if the staffing budget is likely to be materially over- or under-spent.
- C.131 To ensure that adequate employment checks are made in respect of any individuals to whom it is proposed to make an offer of employment, in line with instructions issued by the Director of Resources. This should include the obtaining of employment references, evidence of qualifications where such qualifications are a requirement of the offer of employment, identity and Criminal Records Bureau (CRB) checks where appropriate. Such employment checks should be performed in respect of both new employees, and (if appropriate) where existing staff are redeployed from elsewhere within the Authority.
- C.132 To ensure that a record is maintained within the service of all identity cards, safe keys, building keys, equipment (including mobile telephones), and clothing belonging to the Authority which have been issued to employees. Staff leaving the employment of the Authority must be required to return on, or by their last working day, all such items.

## APPENDIX D

### Financial Procedure Rules: Financial Systems and Procedures

#### GENERAL

#### Why is this important?

- D.1 Services have many systems and procedures relating to the control of the Authority's assets. Management information must be accurate and the systems and procedures sound and well administered. Systems should contain controls to ensure that transactions are properly processed and errors detected promptly.
- D.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

- D.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
  - (d) operating systems and procedures are secure.

#### Responsibilities of the Chief Finance Officer

- D.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.

#### Responsibilities of Chief Officers

- D.5 To ensure that accounting records are properly maintained and held

securely.

- D.6 To ensure that vouchers and documents with financial implications are not destroyed within the document retention periods set out in paragraph 7.11 - 7.14 of the Financial Regulations.
- D.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.
- D.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
  - (c) output from the system is complete, accurate and timely.
- D.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.
- D.10 To ensure there is a documented and tested disaster recovery plan / business continuity plan to allow information system processing to resume quickly in the event of an interruption, and that this plan is shared widely with appropriate staff within the service.
- D.11 To ensure that systems are documented and staff trained in operations.
- D.12 To inform the Chief Finance Officer and internal audit before changing any existing system or introducing new systems; details of the proposed change, anticipated benefits, an estimate of the costs involved and the proposed implementation dates should be provided. Internal audit advice should be sought at as early a stage as possible and approval to implement such systems is to be obtained from the Chief Finance Officer in writing. Any proposed changes to ICT systems should be compatible with the ICT strategy.
- D.13 To comply with the Authority's Officer Delegation Scheme, and to establish a schedule of authorised signatories identifying officers authorised to act on the Chief Officer's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- D.14 To supply the schedule of authorised signatories, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- D.15 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems in accordance with the computer security policy. Wherever possible, back-up information should be

securely retained in a fireproof location, preferably off site or at an alternative location within the building.

- D.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.
- D.17 To ensure that relevant standards and guidelines for computer systems issued by the Chief Officer are observed, and that the computer security policy is observed.
- D.18 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- D.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
  - (c) in developing systems, due regard is given to the issue of intellectual property rights.

## **INCOME AND EXPENDITURE**

### ***Income***

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

- D.20 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Authority's cashflow and also avoids the time and cost of administering debts.

#### **Key controls**

- D.21 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) all money received by an employee on behalf of the Authority is banked without delay (by deposit at a customer services centre, directly into the Authority's bank account or given to an approved security company appointed by the Authority) and properly

recorded. The responsibility for cash collection should be separated from that:

- for identifying the amount due
  - for reconciling the amount due to the amount received
- (d) effective action is taken to pursue non-payment within defined timescales
- (e) formal approval for debt write-off is obtained
- (f) appropriate write-off action is taken within defined timescales
- (g) appropriate accounting adjustments are made following write-off action
- (h) all appropriate income documents are retained and stored for the defined period in accordance with the document retention periods specified in paragraph 7.11 of the Financial Regulations
- (i) money collected and deposited is reconciled to the bank account and / or general ledger system by a person who is not involved in the collection or banking process
- (j) all controlled stationery associated with income collection (e.g. receipt books, paying in books etc) is held in a controlled environment.

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

- D.22 To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- D.23 To issue guidelines to services on appropriate procedures for the order and supply of all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- D.24 To agree the write-off of bad debts up to an approved limit as detailed in the Officers' Scheme of Delegation.
- D.25 To approve debts to be written off, in consultation with the relevant Chief Officer, as detailed in the Officers' Scheme of Delegation and to adhere to the requirements of the Accounts and Audit (England) Regulations 2015 as amended.
- D.26 To obtain the approval of the Cabinet in consultation with the relevant Chief Officer for writing off debts in excess of the approved limits set down in the Officers' Scheme of Delegation.
- D.27 To ensure that appropriate accounting adjustments are made following write-off action.
- D.28 To issue detailed guidance to services regarding VAT and its correct treatment.
- D.29 To examine any proposal for the introduction of, or a variation in, a scale

of charges other than those agreed at national or regional level.

- D.30 To inform Chief Officers of the Authority's insurance limits relating to cash holdings.
- D.31 To make or approve arrangements with the Authority's bankers and to operate such bank accounts as are considered necessary. No bank accounts or similar may be opened without the consent of the Chief Finance Officer. The maintenance of Authority bank accounts shall be in accordance with arrangements determined by the Chief Finance Officer.
- D.32 To make or approve all arrangements in connection with electronic payment and collection of moneys and to ensure that adequate security exists within these arrangements to prevent loss due to error or fraud.
- D.33 To ensure that all cheques and other orders for payment bear the facsimile signature of the Chief Finance Officer or be signed by the Chief Finance Officer or other officers so authorised.

### **Responsibilities of Chief Officers**

- D.34 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it at least annually, in line with corporate policies and in consultation with the Chief Finance Officer and Monitoring Officer. After this consultation, the charging policies proposed by Chief Officers should be referred to Cabinet for approval.
- D.35 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- D.36 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- D.37 To issue official receipts or to maintain other documentation for income collection. All sums shall be immediately acknowledged by the issue of an official receipt or ticket or by other means agreed with the Chief Finance Officer. Payments by cheque or electronic means need not be acknowledged unless requested.
- D.38 To ensure that controlled stationery is administered securely. A register should be maintained of all controlled stationery held and that issued to staff, and blank / unused stationery should only be issued to staff on receipt of their signature in the register. A regular independent reconciliation of physical controlled stationery stocks to the register should be performed, by an officer within the service area who is not directly involved in the administration or use of such stationery.
- D.39 [paragraph removed]
- D.40 To hold securely receipts, tickets and other records of income for the

appropriate period as defined in paragraph 7.11 - 7.14 of the Financial Regulations.

- D.41 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling, having regard to the Authority's insurance provisions for cash holdings.
- D.42 To ensure that safe keys are securely held by named officers at all times and that a register of such keyholders is maintained.
- D.43 To ensure that income is 'banked intact', that is paid fully and promptly into the appropriate Authority bank account, a customer services centre, or to an approved security company appointed by the Authority in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account and / or general ledger system on a regular basis. Payment / banking shall be at least weekly, unless otherwise agreed by the Chief Finance Officer. Where amounts in hand exceed £500, or the insurance limit for cash holdings (whichever is the lesser), they shall be paid in forthwith, unless there is an agreed collection schedule arranged with the Authority's approved security collection service. In these latter circumstances, Chief Officers must ensure by liaison with the Chief Finance Officer that the insurance limit on their safe is adequate to cover the value of moneys received and held.
- D.44 To ensure income is not used to cash personal cheques or other payments, unless such cheques are drawn on the Authority's bank account and the express authority of the Chief Finance Officer has been given to such action, or to finance expenditure.
- D.45 To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Authority and to ensure debtor accounts are sent out promptly. To do this, Chief Officers should use established performance management systems to monitor recovery of income and flag up areas of concern to the Chief Finance Officer. Chief Officers have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf. Only cash holdings of an approved level (as defined by the Authority's insurance arrangements available from the Chief Finance Officer) can be held on the premises.
- D.46 To keep a record of every transfer of money (cash or cheque) between employees of the Authority; such a transfer should be immediately evidenced in writing. The receiving officer must sign for the transfer and the transferor must retain a copy.
- D.47 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. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

- D.48 To obtain the approval of the Chief Finance Officer when writing off debts, in accordance with the provisions of the Officers' Scheme of Delegation, and the approval of the Cabinet where required.
- D.49 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.
- D.50 To ensure that the existence of any sums advanced as change monies by the Chief Finance Officer are periodically verified by an independent officer.
- D.51 To ensure that levels of income received are compared to budgeted figures of income due on a regular basis and that differences are promptly investigated. Where a decision is made by a Chief Officer to offer services at a discount (for example, to increase demand), the 'discount' / reduced income will be borne by the service area. In making such decisions, the Chief Officer must have regard to the overall income targets set for the service area.
- D.52 To obtain the advice of the Chief Finance Officer on any agreements which provide for variable income and the approval of the Chief Finance Officer for arrangements to pay by instalments.
- D.53 To ensure, wherever possible and practical, that income is collected in advance of a service or where this is not possible by an official invoice.
- D.54 To ensure that grant claims requiring certification in the name of the Chief Finance Officer are submitted for approval to the Chief Finance Officer on a timely basis.
- D.55 To ensure that any donations made to the Authority are receipted and banked in accordance with the procedures set out above, and charged against an appropriate income code in the Authority's accounts.

### ***Ordering and paying for work, goods and services***

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

- D.56 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Authority's standing orders with respect to contracts.



## General

- D.57 Every officer and Member of the Authority has a responsibility to declare any links, relationships 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 the Authority's codes of conduct and section 117 of the Local Government Act 1972.
- D.58 Official orders must be in a form approved by the Chief Finance Officer. In the case of goods procured through the electronic ordering system, an electronic order is raised on that system, paper-based ordering books may be used by exception. Official orders must be completed 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 (such as construction works, payments under contract, and purchases made using purchase cards). In the case of periodic payments or contracts, documentary evidence of the instigation of the contractual obligation and terms (e.g. duration of agreement, price charged) should be retained and invoices checked and agreed to the agreement terms prior to payment.
- D.59 Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the Authority shall be by cheque or BACs transmission, drawn on the Authority's bank account by the Chief Finance Officer. The use of direct debit / standing orders shall require the prior agreement of the Chief Finance Officer.
- D.60 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts. Staff involved in ordering or otherwise committing expenditure must ensure that there is budgetary provision before an order is placed, and that standing orders with respect to contracts are complied with.
- D.61 Purchase cards can be used for the purchase of low value / high volume goods and services. Cards must not be used for personal purchases and intentional misuse of a card will constitute gross misconduct. Individuals will be personally responsible for all purchases made using their card and must maintain a record of their transactions.

## Key controls

- D.62 The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by appropriate persons, as detailed on service authorised signatory lists, and are correctly recorded on official order forms (subject to D.58 above)

- (b) where goods or services are purchased from outside the Authority, the Authority's standing orders with respect to contracts must be followed
- (c) goods and services received are checked to ensure they are in accordance with the order.
- (d) payments are not made unless goods have been received by the Authority at the correct price, quantity and quality standards
- (e) all payments are made to the correct person / body, for the correct amount and are properly recorded, regardless of the payment method
- (f) all appropriate evidence of the transaction and payment documents are retained and stored for the period stated in paragraph 7.11 of the Financial Regulations
- (g) all expenditure, including VAT, is accurately recorded against the correct budget
- (h) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

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

- D.63 To ensure that all the Authority's financial systems and procedures are sound and properly administered.
- D.64 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- D.65 To approve the form of official orders (both electronic and hard copy).
- D.66 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.
- D.67 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.
- D.68 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.
- D.69 To provide advice and encouragement on making payments by the most economical means.
- D.70 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

## Responsibilities of Chief Officers

- D.71 To ensure that contractual terms and conditions for the supply of goods and services are in the Authority's best interests.
- D.72 To ensure in the case of the electronic procurement system, official electronic orders, are used for all goods and services, other than in the case of exceptions specified in D.58. Orders must be raised as soon as is practicable and fully completed, especially with regard to the price agreed for the items or services. Only in emergency situations can an order be raised after receipt of an invoice, and the order should then be clearly marked 'confirmation only'.

The policies and procedures set out in 'Contract Standing Orders' should be adhered to at all times.

- D.73 To ensure that orders are only used for goods and services provided to the service; to ensure that adequate systems are in place to prevent the use of official orders by individuals to obtain goods or services for their private use.
- D.74 To ensure that only those staff authorised by him or her, as recorded on the service authorised signatory list, authorise orders; and to ensure that the authorised signatory list is kept up to date, includes specimen signatures and initials and identifies in each case the limits of each authorised signatory's authority. Chief Officers should ensure that those authorised signatories committing the service to expenditure are aware of their responsibilities to be satisfied that goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained in accordance with standing orders with respect to contracts. Best value principles should underpin the Authority's approach to procurement. Value for money should always be achieved.
- D.75 To ensure that goods and services are checked on receipt to verify that they are in accordance with the order and of sufficient quality and quantity. This check should, where possible, be carried out by a different Officer to the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- D.76 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 expenditure has been properly incurred and is within budget provision
  - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
  - (e) correct accounting treatment of tax

- (f) that the invoice is correctly coded
  - (g) that discounts have been taken where available
  - (h) that appropriate entries will be made in accounting records and stores / inventories records.
- D.77 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different officer from the person who signed the order, and in every case, a different officer from the person checking a written invoice, should authorise the invoice.
- D.78 To ensure that the service maintains and reviews periodically a list of staff approved to authorise 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.
- D.79 To ensure that payments are not made on a photocopied invoice, statement or document other than the formal invoice, except where the requirements relating to faxed invoices (see below) are met. Payment should not be made on a photocopied invoice, as this may affect the Authority's ability to reclaim VAT. Where the original invoice has not reached the Authority for whatever reason, an official duplicate invoice (not a photocopy) should be requested from the supplier. Alternatively, it is permissible to accept a faxed invoice from a supplier, where the supplier's name and fax number are shown clearly in machine printed details on the fax receipt. Sufficient checks must be performed to ensure that the duplicate or faxed invoice has not previously been paid. The duplicate or faxed invoice must be clearly marked 'checked and not previously paid' and initialled by the officer performing this check.
- D.80 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 / standing order have the prior approval of the Chief Finance Officer. Payments made by direct debit / standing order should be reviewed by the relevant Chief Officer regularly, at least annually.
- D.81 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.
- D.82 To ensure that standing orders with respect to contracts are explicitly complied with.
- D.83 To ensure that employees are aware of codes of conduct and the requirements to declare any personal or pecuniary interests.
- D.84 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.

- D.85 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.
- D.86 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- D.87 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.
- D.88 To ensure that all appropriate payment records are retained and stored for the periods outlined in paragraph 7.11 - 7.14 of the Financial Regulations.
- D.89 To adhere to the requirements of the Late Payment of Commercial Debts (Interest) Act 1998. Invoices subject to prompt payment shall be passed in sufficient time to enable discounts to be claimed; where credit terms are not stated, invoices should normally be paid within 30 days.
- D.90 To ensure that where grants can be claimed on expenditure incurred, that appropriate grant conditions are known and that arrangements are in place to ensure that payments meet these conditions with regard to types of expenditure, payment dates etc.
- D.91 To review the limits and categories of expenditure in respect of purchase cards used within the services on an annual basis.

### ***Payments to employees and Members***

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

- D.92 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 full Council.

#### **Key controls**

- D.93 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
- enhancements

and that 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 detailed in paragraph 7.11 - 7.14 of the Financial Regulations
- (d) that Inland Revenue regulations are complied with.

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

- D.94 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.
- D.95 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- D.96 To make arrangements for payment of all travel and subsistence claims.
- D.97 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- D.98 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.
- D.99 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

### **Responsibilities of Chief Officers**

- D.100 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.
- D.101 To notify the Chief Finance Officer of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Chief Finance Officer.
- D.102 To ensure that adequate and effective systems and procedures are operated, so that:
  - payments are only authorised to bona fide employees
  - payments are only made where there is a valid entitlement
  - conditions and contracts of employment are correctly applied
  -

employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

- D.103 To send an up-to-date list of the names of officers authorised to sign records to the head of human resources and manager (payroll services), together with specimen signatures.
- D.104 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 cases of doubt, advice should be sought from the Chief Finance Officer.
- D.105 To certify travel and subsistence claims and other allowances. 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. Claims submitted must provide sufficient information to allow such certification to take place. Due consideration should be given to tax implications and that the Chief Finance Officer is informed of such implications where appropriate.
- D.106 To ensure that the Chief Finance Officer is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- D.107 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention periods set out in paragraph 7.11 of the Financial Regulations. This includes completed car mileage books / sheets and holiday cards which should be retained by the service.
- D.108 To ensure that receipts are provided for expenditure claimed wherever possible, as required by the HMRC.
- D.109 To ensure that employees' travel and subsistence claims are usually submitted on a monthly basis. At the discretion of the Chief Officer, however, subsistence claims of less than £20 or travel claims of less than 100 miles may be held by the employee and submitted at a future date when the aggregated claim exceeds these values. All claims in respect of a financial year must however be submitted no later than one month following 31<sup>st</sup> March in any year.
- D.110 To ensure that all timesheets or other pay documents are in a form prescribed or approved by the Chief Finance Officer and shall be duly certified by a nominated officer.
- D.111 To maintain a personal record file for each employee within the approved establishment, containing a copy of the employee's contract of employment together with sufficient information to identify service, salary

scale and current amount payable, sickness leave taken and annual leave due and taken.

D.112 On a regular basis each Chief Officer shall be provided by the Chief Finance Officer with a list of staff currently being paid by the Authority within his or her service, and the rate at which each is currently being paid. The Chief Officer shall certify that every name on the list is a bona fide employee of the service and that the rate of payment to the employee is correct. Any discrepancies discovered should be communicated immediately to the Chief Finance Officer, manager of payroll services and head of internal audit.

### **Responsibilities of Members**

D.113 To submit claims for Members' travel and subsistence allowances on a monthly basis. Where claims are for values of less than £20, these may be held by the Member and submitted at a future date when the aggregated claim exceeds this value. Claims in respect of a financial year must however be submitted within one month of the year end.

## **TAXATION**

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

D.114 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**

D.115 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
- (e) returns are made to the appropriate authorities within the stipulated timescale.

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

D.116 To complete all Inland Revenue returns regarding PAYE.

D.117 To complete a monthly return of VAT inputs and outputs to HM Revenues and Customs.

D.118 To provide details to the HM Revenues and Customs regarding the



construction industry tax deduction scheme.

D.119 To maintain up-to-date guidance for Authority employees on taxation issues, including VAT.

### **Responsibilities of Chief Officers**

D.120 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.

D.121 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

D.122 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.

D.123 To follow guidance on taxation issued by the Chief Finance Officer.

## **TRADING ACCOUNTS AND BUSINESS UNITS**

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

D.124 Trading accounts and business units 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 corporate performance plan.

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

D.125 To advise on the establishment and operation of trading accounts and business units.

### **Responsibilities of Chief Officers**

D.126 To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.

D.127 To observe all statutory requirements in relation to business units, 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.

D.128 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.

D.129 To ensure that each business unit prepares an annual business plan.

## APPENDIX E

### Financial Procedure Rules: External Arrangements

#### PARTNERSHIPS

##### Why is this important?

- E.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.
- E.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

- E.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
  - (d) to forge new relationships
  - (e) to provide value for money to the taxpayer.
- E.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.
- E.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
  - (c) being the beneficiary group of the activity undertaken in a project.
- E.6 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme

- (b) appropriate to the skills and resources of the partner organisation 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
- (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
- (f) to act wherever possible as ambassadors for the project
- (g) to ensure that partnership arrangements are not ultra vires.

### **Key controls**

E.7 The key controls for Authority partners are:

- (a) if appropriate, 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
- (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**

E.8 To advise on effective controls that will ensure that resources are not wasted.

E.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
- (e) carry-forward arrangements.

E.10 To ensure that the accounting arrangements are satisfactory, including determining whether pooled budgets may be considered and if so, the procedures to be followed in the administration of those pooled budgets, and to ensure that value for money is obtained for the taxpayer.

## **Responsibilities of Chief Officers**

- E.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.
- E.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- E.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- E.14 To ensure that all agreements and arrangements are properly documented, legally binding, and that rights of access to information, records and personnel are secured for internal audit. In particular, advice should be sought in advance from Law and Governance and the Chief Finance Officer regarding the form of partnership agreement and the correct Authority signatories to / procedures for such an agreement.
- E.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; and to follow any instructions issued by the Chief Finance Officer where the Chief Finance Officer determines that a pooled budget may be established.
- E.16 To ensure the legality of partnership arrangements before entering into them.
- E.17 To ensure that where the entering into a partnership requires a financial commitment from the Authority, either immediate or potential, for which budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the Chief Officer in conjunction with the Chief Finance Officer shall provide a written report to Council giving a full appraisal of the financial implications for the Authority of the scheme both in the current year and beyond. The approval of the Cabinet must be secured before the Chief Officer commits the Authority to any partnership agreement in these circumstances, after taking advice from the head of legal services.
- E.18 To be responsible and accountable for financial monitoring and evaluation of performance of each partnership entered into by the Chief Officer's applicant service.

## **EXTERNAL FUNDING**

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

- E.19 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 sector providers. Funds from external agencies such as the National Lottery, European and Central Government sources 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**

E.20 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 the full Council
- (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**

E.21 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

E.22 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

E.23 To ensure that audit requirements are met.

### **Responsibilities of Chief Officers**

E.24 To ensure that all claims for funds are made by the due date and signed by the appropriate signatory.

E.25 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

E.26 To nominate a named responsible senior officer to be accountable for the performance and financial monitoring of each project, and to ensure that where external / grant funding is received this is recorded formally into the general ledger system.

E.27 To ensure that written approval is obtained from the funder which clearly shows the approved allocation, the purpose of the grant and the financial period to which it relates.

- E.28 To ensure that project named responsible officers check, prior to submission of a grant claim, that all expenditure declared is eligible in accordance with the relevant funder's criteria. Should there be any uncertainty as to the purpose of such funding, the responsible officer should make such enquiries as are necessary to the funder to ensure the proper use of grant.
- E.29 To ensure that any guidance issued by the Chief Finance Officer on receipt of funds from a third party (i.e. matched funding) in grant submission is adhered to.
- E.30 To ensure that grant claim working papers are maintained in a form agreed by the Chief Finance Officer.
- E.31 To ensure that the manner in which external funding is managed is in accordance with Authority policy and instructions, standing orders with respect to contracts, and Financial Regulations in addition to the funder's own requirements.
- E.32 To ensure that all contracts are properly documented:

<b>Stage</b>	<b>Projects up to £50k Gross Expenditure</b>	<b>Projects over £50k Gross Expenditure</b>
ONE – Submission of application/expression of interest	Approval by Assistant Chief Executive/Director of Service, a senior Client Finance Officer and relevant Cabinet Member assuming no legal, environmental or financial implications	Approval by Assistant Chief Executive/Director of Service, a senior Client Finance Officer and relevant Cabinet Member assuming no legal, environmental or financial implications
TWO – Acceptance of offer of funding	Approval by relevant Chief Officer and Chief Finance Officer	Approval by Chief Finance Officer and Cabinet.

- E.33 To ensure that where the use of external funding for projects requires a financial commitment from the Authority for which budget provision is not available, or where the acceptance of external funding would lead to a financial commitment beyond the current year, the Chief Officer in conjunction with the Chief Finance Officer shall provide a written report to Cabinet giving a full appraisal of the financial implications for the Authority of the scheme both in the current year and beyond. The approval of the Cabinet must be secured before the Chief Officer commits the Authority to any particular agreement. Where external funding is secured for a limited time period, any operational arrangements put in place must not assume the fall-out of grant will be

replaced by mainstream funding.

- E.34 To ensure that where additional financial support is to be sought from other agencies, this is subject to the proper decision making processes of the Authority, as set out in the budget and policy framework, in order to ensure that there is a clear understanding of the action to be taken and clear lines of responsibility and accountability.

## **WORK FOR THIRD PARTIES**

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

- E.35 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**

- E.36 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 Chief Finance Officer and that the formal approvals process is adhered to
  - (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

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

- E.37 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibilities of Chief Officers**

- E.38 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to work for third parties.
- E.39 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.
- E.40 To ensure that appropriate insurance arrangements are made.
- E.41 To ensure that the Authority is not put at risk from any bad debts.
- E.42 To ensure that no contract is subsidised by the Authority unless specifically approved by the Council.



- E.43 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- E.44 To ensure that the service has the appropriate expertise to undertake the contract.
- E.45 To ensure that such contracts do not impact adversely upon the services provided for the Authority.
- E.46 To ensure that all contracts are properly documented.
- E.47 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.
- E.48 To ensure the undertaking of work for third parties falls within the Authority's statutory powers.

## Glossary of Terms

BACS Transmission	Payments made or received electronically through the bank automated clearing system.
Budget head	A cost centre in the revenue budget, or a project set out in the capital plan.
Budget holder	The person responsible for the day to day control of income and expenditure against a set budget for a cost centre or group of cost centres, as directed by a nominated budget manager. The budget holder will also be responsible for budgetary monitoring of their cost centres, including preparation of regular monitoring reports as required by the budget manager, Chief Officer or their representative.
Budget manager	A nominated Chief Officer or senior manager responsible for the overall control of a budget or budgets. The budget manager will be consulted in the preparation of the budgets for which they will be responsible and accept accountability within delegations set by the Cabinet for their budgets and level of service to be delivered. The budget manager will determine a single named officer to act as a budget holder for each cost centre within their budget, and will direct the budget holder in the exercise of their duties.
Budget realignment	Budget realignment is a restating of a budget which occurs only if material permanent changes to the budget are necessary. Budget realignment should occur only once in any financial year and requests for realignment must be agreed with the Chief Finance Officer in advance of the annual budget setting process. It is important that any budget realignment is transparent and the process can be subject to proper scrutiny. The correct procedures are set out in paragraphs 4.29, 4.30 and A.27 of the Financial Regulations.
Chief Finance Officer	the officer designated by the Authority as having the statutory responsibility set out in section 151 of the Local Government Act 1972; also known as the responsible financial officer.
Chief Officer	an officer of the Authority paid under the Joint Negotiating Committee for Chief Executives / Chief Officers' Pay and Conditions Agreement. This refers to the Chief Executive, Assistant Chief Executive and directors.

Contingency	a fund for unforeseen items of expenditure, or known items of expenditure where the exact value cannot be quantified with certainty at the present time.
Head of paid service	the officer designated by the Authority as having the statutory responsibility set out in section 4 of the Local Government and Housing Act 1989.
Monitoring Officer	the officer designated by the Authority as having the statutory responsibility set out in section 5 of the Local Government and Housing Act 1989.
Partnership	Working in collaboration with other bodies to achieve a common goal or purpose.
Service	The Authority is organised into services which deliver activities under one Chief Officer known as a head of service
Virement	the permission to spend more on one budget head when this is matched by a corresponding reduction on another budget head, ie, a switch of resources between budget heads. Virement must be properly authorised in line with paragraphs 4.25 – 4.28, and A.10 – A.28 of the Financial Regulations. Virement is a temporary one-off adjustment which happens in-year. This is different to budget realignment (see budget realignment above).