

Audit & Governance Committee 29th September 2014

Review of the Council's Financial Procedure Rules



Report of the Corporate Head of Financial Management

Ward(s) affected: All

1. Purpose of Report

- 1.1 To update members and seek approval for the revised Financial Procedure Rules (FPR's) following recommendations by Internal Audit and other changes.

2. Recommendations

- 2.1 To recommend that the revised format of the Financial Procedure Rules is adopted

3. The Report

Background

- 3.1 The Council's Financial Procedure Rules are an integral part of the Council's constitution. Their purpose is to ensure that public funds are managed effectively in the delivery of the Council's services and the achievement of the corporate priorities.
- 3.2 The Council's Financial Procedure Rules (FPR's) were last updated in 2011. Since that time there have been a number of changes relating to the both staffing and or improvements in working practices which has resulted in the Financial Procedure Rules not currently reflecting the current situation.
- 3.3 The Financial Procedure Rules apply to all departments and sections of the Council and all members of staff, who shall, where appropriate, seek the advice of their CLT Manager or the Section 151 Officer on any matter covered by the rules.
- 3.4 A breach of the Financial Procedure rules may be subject to the Council's disciplinary procedures.

The Changes

3.5 Job Titles :

All job titles within the FPR's have been amended to reflect the current structure of the Council.

- 3.6 Recommendations following internal Audit reviews:
- (a) Bad Debt write Offs – A review by internal audit revealed that the recommendation to “Amend Financial Procedure Rules to reflect 25/7/07 Policy Committee decision on Corporate Head - Financial Management's authority to write off bad debts in prescribed circumstances.
 - (b) Creditor invoice authorisations limit amended to reflect current practice with the on-line invoicing system.

4. Implications

4.1 Financial and Value for Money Implications

There are no specific financial implications arising from the changes referred to in this report.

4.2 Legal implications

The Council is required to have Financial Procedure Rules as part of its Constitution under the Local Government Act 2000, which must be kept up-to-date.

4.3 Contribution to Council Priorities

The Financial Procedure Rules assist in the delivery of the Council's priorities.

4.4 Risk Management

Regular review and where appropriate updating of the Financial Procedure Rules ensures that the Council is able to operate effectively and efficiently and supports the delivery of the Corporate Priorities.

4.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

5. Consultations with Others

None

6. Access to Information : Background Documents

None

7. Author of the Report

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8. Appendices

Appendix A – Updated Financial Procedure Rules

Craven District Council

Financial Procedure Rules

Constitution Part D (5) Financial Procedure Rules

(Revised: September 2014)



Financial Procedure Rules

CONTENTS

1. Status of Financial Procedure Rules
2. Financial Procedure Rules
 - A: Financial Management
 - B: Financial Planning
 - C: Risk Management and Control of Resources
 - D: Systems and Procedures
 - E: External Arrangements

Appendices:

Appendix A: Financial Management Standards

Managing expenditure
Accounting policies
Accounting records and returns
The annual statement of accounts

Appendix B: Financial Planning

Performance plans
Budgeting
Maintenance of reserves

Appendix C: Risk Management and Control of Resources

Risk management
Internal controls
Audit requirements
Preventing fraud and corruption
Assets
Treasury management
Staffing

Appendix D: Financial Systems and Procedures

General
Income and expenditure
Taxation
Trading accounts and business units

Appendix E: External Arrangements

Partnerships
External funding
Work for third parties

STATUS OF FINANCIAL PROCEDURE RULES

- These Financial Procedure Rules provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf.
- They identify the financial responsibilities of the full Council, Committees, the Head of Paid Service (i.e. the Chief Executive), the Monitoring Officer (i.e. the Solicitor to the Council and Monitoring Officer), the Section 151 Officer (i.e. Corporate Head (Financial Management)), the Strategic Officers forming the Corporate Leadership Team (CLT). All CLT officers should maintain a written record where decision making has been delegated to members of their staff, including seconded or temporary staff.
- For the purposes of these Financial Procedures Rules, references to Officers shall include successors to these posts whether original or substituted.
- All Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- The Corporate Head (Financial Management) is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. He/she is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council or relevant Committee.
- The Council's detailed financial procedures, setting out how the regulations will be implemented, are contained in the appendices to these Financial Procedure Rules.
- All members of the CLT are responsible for ensuring that their staff are aware of the existence and content of the Council's Financial Procedure Rules and other internal regulatory documents and that they comply with them.
- The Corporate Head (Financial Management) is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Members, Officers and others acting on behalf of the Council are required to follow.
- Failure to comply with the requirements of Financial Procedure Rules may, if appropriate, lead to action being taken against Officers under the Council's Disciplinary Procedure and against Members by the Council's Standards Committee.
- Where reference is made in these rules to the Section 151 Officer, the rules will also apply to the authorised deputy. Likewise, in the absence of the Monitoring Officer the rules will also apply to the authorised deputy.

Section A: Financial Management

Introduction

- A.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

The Council

- A.2 The full Council is responsible for adopting the Council's constitution and for approving the policy framework and budget within which Standing Committees operate. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Council's Constitution.

Policy Committee

- A.3 The Policy Committee is responsible for proposing the policy framework and budget to the full Council, and for discharging specific functions in accordance with the policy framework and budget.

Audit & Governance Committee

- A.4 The Audit & Governance Committee is responsible for internal and external audit activities, the corporate regulatory framework and financial statements / accounts.

The Statutory Officers

Head of Paid Service (Chief Executive)

- A.5 The Chief Executive is responsible for the corporate and overall strategic management of the Council as a whole. He or she must report to and provide information for the full Council, the Overview and Scrutiny committee and other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the Solicitor to the Council, for the system of record keeping in relation to all Council decisions.

Monitoring Officer (Solicitor to the Council)

- A.6 The Monitoring Officer is responsible for promoting and maintaining high standards of conduct, including financial conduct. He/she is also responsible for reporting any actual or potential breaches of the law or maladministration to the full Council, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A.7 The Monitoring Officer must ensure that Committee decisions are recorded in the Minutes and that these are made public. He/she must also ensure that Council members are aware of decisions made by Committees.
- A.8 The Monitoring Officer is responsible for advising all Councillors and officers about who has authority to take a particular decision.
- A.9 The Monitoring Officer is responsible for advising any Committee or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

A.10 The Monitoring Officer is this Council's nominated Money Laundering Reporting Officer.

Chief Financial Officer (Corporate Head (Financial Management))

A.11 The Corporate Head (Financial Management) is this Council's Chief Financial Officer and is responsible for advising Policy Committee, Audit & Governance Committee or full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget framework.

A.12 The Corporate Head (Financial Management) has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- Section 114 of the Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- Sections 25 and 27 of the Local Government Act 2003
- The Accounts and Audit Regulations 2011

A.13 The Corporate Head (Financial Management) is responsible under Section 151 for the proper administration of the Council's financial affairs.

A.14 Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to report to the full Council, and external auditor if the Council or one of its officers:

- has made, or is about to make, a decision that involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action that has resulted or would result in a loss or deficiency to the Council
- is about to make an unlawful entry in the Council's accounts.

Section 114 of the 1988 Act also requires:

- the Chief Financial 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 Council to provide the Chief Financial Officer with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

A.15 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to:

- report to a meeting of full Council on the robustness of the budget estimates (calculated in accordance with s43 of the Local Government Finance Act 1992)
- to report to a meeting of full Council on the adequacy of proposed reserves

Section 27 of the 2003 Act also requires the Chief Financial Officer if, in relation to the previous financial year, it appears that a controlled reserve is or is likely to be inadequate, to:

- establish the reasons for that situation; and
- determine the action, if any, which he considers it would be appropriate to take to prevent such a situation arising in relating to the corresponding reserve for the financial year under consideration.

A.16 The Corporate Head (Financial Management) is responsible for:

- 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
- presenting the revenue budget and capital programme

- treasury management.

The Corporate Leadership Team members

A.17 The CLT members are responsible for:

- ensuring that any report, paper or statistical information prepared for consideration within the Council, or externally, is approved by the Financial Services department with regard to any (or no) financial implications therein at the final draft stage allowing at least 10 working days before publication wherever possible. Similarly, the Monitoring Officer must be consulted with regard to any legal implications under the same time-frame as for financial implications.
- signing certain contracts on behalf of the Council.

A.18 It is the responsibility of the CLT members to consult with the Corporate Head (Financial Management) and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

Other Financial Accountabilities

Virement

A.19 The full Council is responsible for agreeing procedures for virement of budget between budget headings. The Council's scheme is set out in Appendix A Financial Expenditure (Managing Expenditure).

A.20 The Chief Executive and CLT members are responsible for agreeing in-year virements in accordance with the virement scheme. They must notify Financial Services of all proposed virements.

Accounting Policies

A.21 The Section 151 Officer is responsible for selecting accounting policies and that they are applied consistently.

Accounting Records and Returns

A.22 The Corporate Head (Financial Management) is responsible for determining the accounting procedures and records for the Council.

The Annual Statement of Accounts

A.23 The Corporate Head (Financial Management) is responsible for ensuring that the annual statement of accounts is prepared in accordance with legislation, the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC) and any other similar guidance. The Audit & Governance Committee is responsible for approving the annual Statement of Accounts.

Section B: Financial Planning

Introduction

- B.1 The full Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements are the:
- Corporate Plan
 - Financial Strategy incorporating the Revenue Budget
 - Treasury Management Strategy (incorporating the Annual Investment Strategy)
 - Capital Strategy & Programme (incorporating the Prudential Limits and Indicators) and Asset Management Plan

Policy Framework

- B.2 The full Council is responsible for approving the policy framework and budget. The policy framework is set out in the Constitution.
- B.3 The full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. Decisions should be referred to the full Council by the Monitoring Officer.
- B.4 The full Council is responsible for setting the level at which the Standing Committees may reallocate budget funds from one service to another. The Standing Committees are responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the overall financial limits set by the Council.

Preparation of the Corporate Plan

- B.5 The Chief Executive is responsible for proposing the Corporate Plan to the Policy Committee for consideration before its submission to the full Council for approval.

Budgeting

Budget Format

- B.6 The general format of the budget will be approved by the full Council and proposed by Policy Committee on the advice of the Corporate Head (Financial Management). The draft budget should include allocation to different services and projects, proposed local taxation levels and any use of reserves and/or balances.

Budget Preparation

- B.7 The Corporate Head (Financial Management) is responsible for ensuring that a revenue budget is prepared on an annual basis together with a medium-term (3-5 years) revenue forecast and presented to the Policy Committee for consideration, prior to submission to the full Council. The full Council may amend the budget or ask the Policy Committee to reconsider it before approving it in accordance with the statutory deadline.
- B.8 As part of their consideration of the budget, Committees may identify studies they wish to request from the Select Committee related to policy issues on which they wish to make recommendations as part of the budget policy framework. Likewise, the Select Committee may choose to undertake such studies and make recommendations as appropriate as part of its own workplan.

- B.9 In approving the budget and policy framework, the Council will also specify the extent of in-year changes to the policy framework that may be undertaken by Committees.

Budget Monitoring and Control

- B.10 The Corporate Head (Financial Management) is responsible for providing Members and Officers with appropriate financial information to enable budgets to be monitored effectively. He/she must put in place arrangements for the monitoring and control of capital and revenue expenditure against budget allocations.
- B.11 It is the responsibility of the CLT members to monitor and control income and expenditure within their capital and revenue budgets and to monitor performance, taking account of financial information made available by Financial Services. In accordance with the arrangements and timetable, they should comment on variances within their own areas and agree the reporting of such information to the appropriate Committee. They should also take any appropriate action necessary to avoid exceeding their budget allocation and alert Financial Services to problems, and proposed remedies, as soon as they are identified.

Resource Allocation

- B.12 The Corporate Head (Financial Management) is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's policy framework.

Preparation of the Capital Programme

- B.13 The Corporate Head (Financial Management) is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by Policy Committee.

Budget Guidelines

- B.14 The Corporate Head (Financial Management) will issue guidelines on budget preparation. The guidelines will take account of:
- ☐ legal requirements
 - ☐ medium-term planning projections
 - ☐ the corporate plan
 - ☐ available resources
 - ☐ spending pressures
 - ☐ best value and other relevant government guidelines
 - ☐ other internal policy documents
 - ☐ cross-cutting issues (where relevant).

Maintenance of Reserves

- B.15 It is the responsibility of the Corporate Head (Financial Management) to advise the Policy Committee and the full Council on prudent levels of balances and reserves for the Authority.
- B.16 The use of reserves will be considered as part of the overall budget framework with their use subject to approval by Policy Committee or full Council where the amount involved exceeds £30,000 and/or where the proposed expenditure relates to a new policy or an extension of existing policy.

Section C: Risk Management and Control of Resources

Introduction

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- C.2 The Policy Committee is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management including the content of the Council's Risk Register. The Policy Committee is responsible for ensuring that proper insurance exists where appropriate.
- C.3 The Chief Executive and Corporate Head (Financial Management) are jointly responsible for preparing the Council's risk management policy statement and for promoting it throughout the Council. The Corporate Head (Financial Management) is responsible for advising Policy Committee on the proper level of insurance cover where appropriate.

Internal Control

- C.4 Internal control refers to the systems of control devised to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.5 The Corporate Head (Financial Management) 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.
- C.6 It is the responsibility of the CLT members 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 and service performance targets.

Audit Requirements

- C.7 Part 2 of the Accounts and Audit Regulations 2011 requires every local authority to maintain an adequate and effective internal audit.
- C.8 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by Section 15 of the Local Government Finance Act 1982, as amended by Section 5 of the Audit Commission Act 1998.
- C.9 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

Preventing Fraud and Corruption

- C.10 The Corporate Head (Financial Management) is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

Assets

- C.11 The CLT members shall ensure that records and assets are properly maintained and securely held. They shall 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

- C.12 The Council has adopted the key recommendations of CIPFA's *Code of Practice for Treasury Management in the Public Services 2001* (as described in Section 4 of the Code).
- C.13 Accordingly the Council will create and maintain, as the cornerstones for effective treasury management,
- ❑ a treasury management policy statement (TMPS), stating the policies and objectives of the Council's treasury management activities;
 - ❑ suitable treasury management practices (TMP's) setting out the manner in which the Council will seek to achieve those policies and objectives, and describing how it will manage and control those activities.
- C.14 The Policy Committee 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, and an annual report after its close, in the form prescribed in the TMPs.
- C.15 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Policy Committee. The Council delegates responsibility for the execution and administration of treasury management decisions (including all decisions on borrowing, investment and financing) to Corporate Head (Financial Management) and or the Finance Manager (Deputy s151) who will act in accordance with the Council's policy statement and TMPs and, if he/she is a CIPFA member, the Institute's Standard of Professional Practice on Treasury Management.
- C.16 All money in the hands of the Council is controlled by the officer designated for the purposes of Section 151 of the Local Government Act 1972.
- C.17 The Corporate Head (Financial Management) is responsible for reporting to the Policy Committee during the financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers.

Section D: Systems and Procedures

Introduction

- D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

General

- D.2 The Corporate Head (Financial Management) is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by the CLT members to the existing financial systems or the establishment of new systems must be approved in advance by the Corporate Head (Financial Management). However, all service managers are responsible for the proper operation of financial processes in their own service areas.
- D.3 Any changes to agreed procedures by the CLT members to meet their own specific service needs must be agreed with the Corporate Head (Financial Management).
- D.4 The CLT members must ensure that their staff receive relevant financial training that has been approved by the Corporate Head (Financial Management).
- D.5 The CLT members must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation. All such systems must be notified to the Council's Data Protection Officer (The Information Services Manager). The CLT members must ensure that staff are aware of their responsibilities under Freedom of Information and Data Protection legislation.

Income and Expenditure

- D.6 It is the responsibility of the CLT members to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the service manager's behalf in respect of payments, income collection and placing orders, together with the limits of their authority. The Policy Committee 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

- D.7 The Corporate Head (Financial Management) is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for applying statutory deductions. The Corporate Head (Financial Management) is also responsible for the payment of allowances and travel and subsistence expenses to Members of Council.

Taxation

- D.8 The Corporate Head (Financial Management) is responsible for advising, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- D.9 The Corporate Head (Financial Management) is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Trading Accounts/Business Units

- D.10 It is the responsibility of the Corporate Head (Financial Management) to advise on the establishment and operation of any trading accounts and business units.

Section E: External Arrangements

Introduction

- E.1 The Council provides a leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

Partnerships

- E.2 The Council is responsible for approving delegations, including frameworks for partnerships. The Council's Standing Committees are the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.3 Functions including those relating to partnership can be delegated to officers. These are set out in the Scheme of Delegation that forms part of the Council's Constitution. Where functions are delegated, the appropriate Standing Committee remains accountable for them to the full Council.
- E.4 The Members and Chief Executive where approved by Council to represent the Council on a range of partnerships and external bodies.
- E.5 The Corporate Head (Financial Management) and the Monitoring Officer are responsible for promoting the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- E.6 The Corporate Head (Financial Management) must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues in conjunction with the Monitoring Officer when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- E.7 The Chief Executive, Chief Financial Officer other CLT members are responsible for ensuring that appropriate approvals from the Standing Committee concerned are obtained before any negotiations are concluded in relation to work with external bodies.

Accountable Body Status

- E.8 Subject to E9 below, CLT members are responsible for obtaining appropriate approvals from the Policy Committee for the Council to act as Accountable Body. The Corporate Head (Financial Management) will maintain a register of bodies for which the Council acts as Accountable Body.
- E.9 The Corporate Head (Financial Management), in consultation with the Monitoring Officer, Lead Members and Local Ward representatives has delegated authority to give approval to the Council acting as Accountable Body for specific projects provided that the total maximum value of the project does not exceed £100,000. In all other circumstances, the approval of the Policy Committee is required.

External Funding

- E.10 The Chief Executive, and CLT members are responsible for notifying the Corporate Head (Financial Management) of all potential sources of external funding and consult him/her on any applications proposed to be submitted in the name of the Council. The Corporate Head (Financial Management) is responsible for ensuring that all funding notified by

external bodies is received and properly recorded in the Council's accounts in accordance with any specific requirements that may apply to it as the "accountable body" where the Council has agreed to operate as such.

Work for Third Parties

- E.11 The relevant Committee is responsible for approving the contractual arrangements for any work for third parties or external bodies.

APPENDICES

Appendix A

FINANCIAL MANAGEMENT STANDARDS

Why is this important?

- 1.01 *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

- 1.02 The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the Council;
 - (b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to Managers, Members, Committees and full Council as appropriate.

Responsibilities of the Corporate Head (Financial Management)

- 1.03 To ensure the proper administration of the financial affairs of the Council.
- 1.04 To set the financial management standards and to monitor compliance with them.
- 1.05 To ensure proper professional practices are adhered to and to act as “Head of Profession” in relation to the standards, performance and development of finance staff.
- 1.06 To advise on the key controls necessary to secure sound financial management.
- 1.07 To ensure that financial information is made available for the purposes of national and local financial performance indicators.

Responsibilities of the Corporate Leadership Team

- 1.08 To promote the financial management standards set by the Corporate Head (Financial Management) and to monitor adherence to the standards and practices, liaising as necessary with the Corporate Head (Financial Management).
- 1.09 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

Managing Expenditure

Scheme of Virement (Revenue) - Why is this important?

- 1.10 *The scheme of virement is intended to enable Standing Committees, the Chief Executive, the CLT members 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.*

Key Controls

1.11 Key controls for the scheme of virement are:

- (a) it is administered by the Corporate Head (Financial Management) within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council;
- (b) the overall budget is approved by the full Council. The CLT members and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover:
 - a. virement; that is, switching resources between approved estimates or heads of expenditure;
 - b. supplementary revenue estimates; that is, additional revenue budget provision over and above that approved by Members as part of the annual budget round;
 - c. budget slippage; that is unspent budget provision in one financial year that relates to an expenditure commitment in the following financial year;

For the purposes of this scheme, a budget estimate is considered to be a line in the approved revenue budget book;

- (c) Virement does not create additional overall budget provision. The CLT members are expected to exercise their discretion in managing their budgets responsibly and prudently and;
 - fortuitous or one-off savings shall not be used to fund new continuing or longer term commitments;
 - any savings in the budget for, capital financing costs (including lease rentals), investment income, internal recharges and insurances shall not be used to fund new expenditure on other heads of expenditure; and
 - in the case of a budget for employee costs, any virement must be net of the annual vacancy (or turnover) factor budget;
 - any additional costs arising in the following financial year are to be financed from further savings in the budget, unless agreed otherwise by full Council as part of the annual budget framework.
 - virement will not be permitted from any income budget until the budgeted level of income in any one financial year has been achieved within that financial year.
- (d) Where the effect of a virement is to change the total approved budget the relevant CLT member, in conjunction with the Corporate Head (Financial Management), must seek the approval of the Policy Committee before undertaking the virement.

Responsibilities of all Corporate Leadership Team members

- 1.14 Subject to 1.11(c) and (d) above, members of the CLT may exercise virement without limit on budgets within his or her Department, in consultation with the Corporate Head (Financial Management) and the Monitoring Officer, in order to achieve the Departmental objectives as set out in the Corporate Plan.
- 1.15 Virement that will impact on the budget of a service activity of another Department may only be implemented after agreement with that Department's CLT member and following consultation with the Corporate Head (Financial Management) and the Monitoring Officer.
- 1.16 To submit a joint report to the Policy Committee with the Corporate Head (Financial Management) when it is proposed to change the total approved budget.

- 1.17 To notify Financial Services of virements agreed so that the necessary changes can be made to the budget.

General

- 1.18 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;
 - (b) the relevant Standing Committee has approved the basis and the terms, including financial limits, on which it will be allocated. Allocations in excess of the financial limits should be reported back to the relevant Committee for approval.

Supplementary Revenue Estimates

- 1.19 No revenue expenditure shall be incurred in connection with the adoption of any new policy without the prior approval of the Council.
- 1.20 Subject to FPR 1.23 and 1.24 below, any proposed expenditure that is not included in the approved Budget Estimates or any likely overspending which cannot be met by a budget transfer in accordance with the approved scheme of virement as outlined above shall **not** be incurred without the granting of a supplementary estimate approved by the Council after consideration of a report from the relevant Policy Committee.
- 1.23 Supplementary Revenue Estimates up to £10,000 can be approved by the Chief Executive, in consultation with the Corporate Head (Financial Management) and the Monitoring Officer, provided that:-
- (a) the total of all Supplementary Revenue Estimates, whether approved by the Chief Executive or by the relevant Policy Committee, in any one financial year does not exceed £30,000;
 - (b) any such Supplementary Revenue Estimates do not create an ongoing financial commitment for the Council. In the event of such a Supplementary Revenue Estimate, it must be approved by Council after consideration of a report from the Policy Committee;
 - (c) due regard is given to the effect of the Supplementary Revenue Estimate(s) on the Council's Medium Term Financial Strategy;
 - (d) that any such Supplementary Revenue Estimates do not result in the Council's General Fund Balance falling below 8% of net revenue budget.
- 1.24 Where the total of Supplementary Revenue Estimates in any one year exceeds £30,000, any subsequent Supplementary Revenue Estimates for that same financial year must be approved by the Council after consideration of a report from the Policy Committee. Any such report must be prepared by the relevant CLT member in conjunction with the Corporate Head (Financial Management).
- 1.25 Where, as a result of a proposed Supplementary Revenue Estimate, the Council's approved Minimum Working Balance would be breached, any such Supplementary Revenue Estimate must only be approved by the Council after consideration of a report to the Policy Committee from the Corporate Head (Financial Management) on the adequacy of the General Fund Working Balance.
- 1.26 Where the Council receives external funding related to specific proposed revenue expenditure, either by virtue of conditions associated with the external funding or by a decision of the relevant Policy Committee, the CLT may, in consultation with the Corporate Head (Financial Management), create additional budget provision and incur expenditure as appropriate, equivalent to the amount of external funding receivable.

- 1.27 Any such external funding receivable must, before any additional budget provision is created or expenditure is incurred, either have been received or be confirmed in writing by the Funder. Under no circumstances should the CLT member commit to, or incur expenditure without written confirmation of, and agreement to, the funding and associated conditions. The CLT must consult both the Corporate Head (Financial Management) and the Monitoring Officer on any such conditions prior to accepting an offer of external funding.

Budget Slippage

- 1.28 Budget Slippage relates to an unspent budget estimate for which there is an actual, and not possible, commitment to incur expenditure in the future. Ordinarily, this will apply when the commitment is to be incurred in a financial year following the budget underspend.
- 1.29 Subject to the approval of the Corporate Head (Financial Management), in consultation with the Corporate Head (Financial Management), the CLT may carry forward from one financial year to the next financial year, an unspent budget estimate relating to an actual commitment provided that:-
- (a) the maximum amount for each item of slippage within this delegated authority shall not exceed £5,000;
 - (b) the [controllable] budget for which the CLT member is responsible is not overspent in total
- 1.30 Any proposals for budget slippage which exceed £5,000 must be approved by the Policy Committee.
- 1.31 It is for the CLT to demonstrate to the Corporate Head (Financial Management) that there is an actual, and not possible, commitment to incur expenditure, For the purposes of this Procedure Rule, an actual commitment is defined as one where, for example:
- (a) there is a specific Committee resolution to incur the expenditure;
 - (b) an order has been placed for goods and services;
 - (c) the works for which the budget estimate relates are ongoing and not yet complete;
 - (d) an offer of grant has been made by the Council but has not yet been taken up (subject to time limits placed on the grant offer);

Accounting Policies

Why is this important?

- 1.32 *The Corporate Head (Financial Management) is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices and set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC), for each financial year ending 31 March.*

Key Controls

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

Responsibilities of the Corporate Head (Financial Management)

- 1.33 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared as 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) fixed assets
 - (d) capital charges
 - (e) work in progress and stocks
 - (f) deferred charges
 - (g) accounting for value added tax
 - (h) government grants
 - (i) leasing
 - (j) pensions.

Responsibilities of Chief Executive, and the Corporate Leadership Team

- 1.34 To adhere to the accounting policies and guidelines approved by the Corporate Head (Financial Management).

Accounting Records and Returns

Why is this important?

- 1.35 *Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council 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 independent assurance that the accounts are prepared properly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.*

Key Controls

- 1.36 The key controls for accounting records and returns are:
- (a) finance staff and budget managers operate within the required accounting standards and timetables
 - (b) all the Council'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 Corporate Head (Financial Management)

- 1.37 To determine the accounting procedures and records for the Council. Where these are maintained outside Financial Services, the Corporate Head (Financial Management) should consult the CLT member concerned.
- 1.38 To arrange for the compilation of all accounts and accounting records under his or her direction.

- 1.39 To comply with the following principles when allocating accounting duties:
- (a) separating the duties of providing information about sums due to or from the Council 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.
- 1.40 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations 2011.
- 1.41 To ensure that all claims for funds including grants are made by the due date.
- 1.42 To prepare, have approved and publish the Statement of Accounts of the Council for each financial year, in accordance with the requirements of the Accounts and Audit Regulations 2003 and any other similar guidance.

Responsibilities of the Corporate Leadership Team

- 1.43 To consult and obtain the approval of the Corporate Head (Financial Management) before making any changes to accounting records and procedures.
- 1.44 To comply with the principles outlined in paragraph 1.39 when allocating accounting duties.
- 1.45 To maintain adequate records to provide a management/audit trail leading from the source of income/expenditure through to the accounting statements.
- 1.46 To supply information required to enable the Statement of Accounts to be completed in accordance with statutory requirements and timescales.

The Annual Statement of Accounts

Why is this important?

- 1.47 *The Council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit & Governance Committee is responsible for approving the statutory Annual Statement of Accounts.*

Key Controls

- 1.48 The key controls for the annual Statement of Accounts are:
- ☐ the Council is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Section 151 Officer.
 - ☐ the Council'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* (CIPFA/LASAAC) and any other relevant guidance.

Responsibilities of Members

- 1.49 In accordance with Section 10 of the Accounts and Audit Regulations 2011, the Council's Statement of Accounts must be signed and dated by the Chairman of the Audit and Governance Committee at the meeting at which it is approved.

Responsibilities of the Corporate Head (Financial Management)

- 1.50 Prior to approval by the Audit & Governance Committee, to sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the financial year ended 31 March.
- 1.51 To select suitable accounting policies and to apply them consistently.
- 1.52 To make judgements and estimates that are reasonable and prudent.
- 1.53 To comply with the CODE and other relevant guidance.
- 1.54 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of the Corporate Leadership Team

- 1.55 To comply with accounting guidance provided by the Corporate Head (Financial Management) and to supply him/her with information when required.

Appendix B

FINANCIAL PLANNING

PERFORMANCE PLANS

Why is this important?

- 2.01 *Each local Council has a statutory responsibility to publish various service plans and strategies. The purpose of service plans is to explain overall priorities and objectives, current performance, and proposals for further improvement.*

Key Controls

- 2.02 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 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 Corporate Head (Financial Management)

- 2.03 To advise and supply the financial information, as required, which is to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 2.04 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.05 To ensure that systems are in place to measure activity and collect accurate information for use as cost based performance indicators.
- 2.06 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of the Corporate Leadership Team

- 2.07 To contribute to the development of service plans in line with statutory requirements.
- 2.08 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.09 To ensure that systems are in place for their area(s) of responsibility to measure activity and collect accurate information for use as performance indicators.
- 2.10 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met for their area(s) of responsibility.

Budgeting

Format of the Budget

Why is this important?

- 2.11 *The format of the budget determines the level of detail to which financial control and management will be exercised.*

Key Controls

- 2.12 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 (SeRCOP)*
 - (c) the format reflects the accountabilities of service delivery.

Responsibilities of the Corporate Head (Financial Management)

- 2.13 To advise Policy Committee on the format of the budget that is ultimately approved by the full Council.
- 2.14 To provide accounting guidance on the format of the budget.

Responsibilities of the Corporate Leadership Team

- 2.15 To comply with accounting guidance provided by the Corporate Head (Financial Management).

REVENUE BUDGET PREPARATION, MONITORING AND CONTROL

Why is this important?

- 2.16 *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 Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.*
- 2.17 *By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.*
- 2.18 *For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the CLT members agreed scheme of delegation.*

Key Controls

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

Responsibilities of the Corporate Head (Financial Management)

- 2.20 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the full Council agrees otherwise
 - (b) the CLT 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 Procedure Rules
 - (e) each cost centre has a single named manager, determined by the CLT. 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.
- 2.21 To administer the Council's scheme of virement.
- 2.22 To submit reports to the Policy Committee and to the full Council, in consultation with the relevant CLT officer, where a budget manager is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.23 In accordance with Section 28 of the Local Government Act 2003, to prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of the Corporate Leadership Team

- 2.24 To maintain budgetary control within their departments, in adherence to the principles in 2.18, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.25 To ensure that an accountable budget manager is identified for each item of income and expenditure under his or her control (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.
- 2.26 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.27 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.28 To ensure prior approval by the full Council or Committee (as appropriate) 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 Council's services

Reports on new proposals must explain the full financial implications following consultation with the Corporate Head (Financial Management). The CLT should aim to contain the implications of such proposals within their approved budgets.

- 2.29 To ensure compliance with the scheme of virement.
- 2.30 To agree with the relevant CLT member where it appears that a budget proposal, including a virement proposal, may impact materially on another service area.

BUDGETS AND MEDIUM-TERM FINANCIAL PLANNING

Why is this important?

- 2.31 *The Council 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 and objectives that have been agreed by the Council. The budget is the financial expression of the Council's plans and policies.*
- 2.32 *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 Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.*
- 2.33 *Medium-term planning (three to five-year period) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Council is always preparing for events in advance.*

Key Controls

- 2.34 The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by Committee for their budgets and the level of service to be delivered
 - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Corporate Head (Financial Management)

- 2.35 To prepare and submit reports on budget forecasts for Policy Committee, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.36 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full Council.
- 2.36 To prepare and submit reports to Standing Committees on the spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- 2.38 To advise on the medium-term implications of spending decisions.
- 2.39 To encourage the best use of resources and value for money by working with the CLT to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.40 To advise the full Council on Committee proposals thereby discharging his/her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of the Corporate Leadership Team

- 2.41 To assist the Corporate Head (Financial Management) in the preparation of estimates to be submitted to Standing Committees, having 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) initiatives already under way.
- 2.42 To prepare budgets that are consistent with any relevant cash limits, with the Council's annual budget cycle, and with guidelines issued by Policy Committee or Corporate Head (Financial Management). The format should be as prescribed by the Corporate Head (Financial Management) in accordance with the full Council's general directions.
- 2.43 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

RESOURCE ALLOCATION

Why is this important?

- 2.44 *A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/aims. It is therefore imperative that needs/aims are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.*

Key Controls

- 2.45 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 in order 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 Corporate Head (Financial Management)

- 2.46 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.47 To assist in the allocation of resources to budget managers.

Responsibilities of the Corporate Leadership Team

- 2.48 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- 2.49 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

CAPITAL PROGRAMMES

Why is this important?

- 2.50 *Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles, where the cost is equal to or greater than £10,000, or for community capital grants, equal to or greater than £5,000. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.*
- 2.51 *The Government places strict controls on the financing capacity of the Council. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.*

Key Controls

- 2.52 The key controls for capital programmes are:
- (a) specific approval by the full Council for the programme of capital expenditure
 - (b) the development and implementation of asset management plans
 - (c) accountability for each proposal is accepted by a named manager
 - (d) monitoring of progress in conjunction with expenditure and comparison with approved budget.
 - (e) scheme of virement for capital projects
 - (f) evaluation of schemes to form the capital programme

Responsibilities of the Corporate Head (Financial Management)

- 2.53 To prepare capital estimates jointly with the Chief Executive, the CLT and to report them to Policy Committee for approval. The Policy Committee will make recommendations on the capital estimates and on any associated financing requirements to the full Council.
- 2.54 To prepare and submit a report to the Policy Committee on, amongst other things, the affordability, sustainability and prudence of the Council's proposed capital programme in accordance with the Prudential Code for Capital Finance in Local Authorities.
- 2.55 To prepare and submit reports to any Standing Committees on the projected income, expenditure and resources compared with the approved estimates.
- 2.56 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Corporate Head (Financial Management), having regard to government regulations and accounting requirements.
- 2.57 To provide periodic reports to the Policy Committee outlining progress on the overall capital programme indicating where amendments may be required to reflect changing circumstances and to ensure the necessary approval mechanisms for virement or supplementary estimates are complied with.

Responsibilities of the Corporate Leadership Team

- 2.58 To comply with the Councils Contract Procedure Rules
- 2.59 To comply with any guidance concerning capital schemes and controls issued by the Corporate Head (Financial Management).

- 2.60 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Corporate Head (Financial Management).
- 2.61 To implement capital schemes within the approved timescale and to submit regular returns of estimated final costs of schemes in the approved capital programme to and as required by the Corporate Head (Financial Management).
- 2.62 To ensure that adequate records are maintained for all capital contracts.
- 2.63 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Corporate Head (Financial Management) where required.
- 2.64 To submit reports, jointly with the Corporate Head (Financial Management), to the appropriate Standing Committee, of any variation in contract costs as required in accordance with the Council's Contract Procedure Rules.
- 2.65 To prepare and submit reports, jointly with the Corporate Head (Financial Management), to the appropriate Committee on completion of all contracts.
- 2.66 To ensure that credit arrangements, such as leasing agreements (including office equipment), are not entered into without the prior approval of the Corporate Head (Financial Management) and, if applicable, approval of the scheme through the capital programme.

Scheme of Virement (Capital Programme) - Why is this important?

- 2.67 *The scheme of virement for the Capital Programme is intended to enable Standing Committees, the Chief Executive, the CLT and their staff to manage the Capital Programme with a degree of flexibility within the overall policy framework determined by the full Council, and therefore to optimise the use of resources in the delivery of services to achieve the corporate priorities of the Council.*

Key Controls

- 2.68 Key controls for the scheme of virement are:
 - a) it is administered by the Corporate Head (Financial Management) within guidelines set by the full Council. Any variation from this scheme requires the approval of the full Council;
 - b) the overall capital programme is approved by the full Council. The CLT and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the capital programme. The rules below cover:
 - i virement; that is, switching resources between approved estimates or heads of expenditure;
 - ii supplementary capital estimates; that is, additional capital budget provision over and above that approved by Members as part of the annual budget round.

For the purposes of this scheme, a capital programme estimate is considered to be a line in the approved capital programme included in the Council's budget book.

- c) virement in the capital programme does not create additional overall budget provision. The CLT are expected to exercise their discretion in managing their capital programme budgets responsibly and prudently and:-
 - i. fortuitous or one-off savings shall not be used to fund new, continuing or longer term commitments;
 - ii. virement will not be permitted from the budget of a capital project which is financed by way of external funding where the effect of the virement will be to

- reduce the amount of external funding receivable by the Council, assets to be leased or internal recharges;
- d) the CLT, in conjunction with the Corporate Head (Financial Management) and the Strategic Manager - Legal & Democratic Services, must seek the approval of the Policy Committee before undertaking a virement. where the effect of the virement represents a change:-
 - i. in the total approved Capital Programme;
 - ii. to an existing policy decision.

Responsibilities of the Corporate Head (Financial Management)

- 2.69 To agree and maintain a record of all capital programme virements implemented and to report these to the relevant Standing Committee as appropriate.
- 2.70 To submit a joint report to the Policy Committee with the CLT when it is proposed to change the total approved capital programme.

Responsibilities of the Corporate Leadership Team

- 2.71 Subject to FPR 2.68c) and d) above, the CLT member may exercise virement without limit on capital projects within his or her Service, in consultation with the Corporate Head (Financial Management) and the Monitoring Officer, in order to achieve the Service objectives as set out in the Annual Service Plan.
- 2.72 Virement that will impact on a capital project of a service activity of another Department may only be implemented after agreement with that Department's CLT member and following consultation with the Corporate Head (Financial Management) and the Monitoring Officer.
- 2.73 To submit a report to the Policy Committee when it is proposed to change the total approved capital programme.
- 2.74 To notify Financial Services of capital programme virements agreed so that the necessary changes can be made to the capital budget.

General

- 2.75 Where an approved budget in the Capital Programme 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;
 - (b) the relevant Committee has approved the basis and the terms, including financial limits, on which it will be allocated. Allocations in excess of the financial limits should be reported back to the relevant Committee for approval.

Supplementary Capital Estimates

- 2.76 No capital expenditure shall be incurred in connection with the adoption of any new policy without the prior approval of the Council.
- 2.77 Subject to FPR 2.78 and 2.79 below, any proposed capital expenditure that is not included in the approved capital programme or any likely overspending which cannot be met by a budget transfer in accordance with the approved scheme of virement as outlined above shall **not** be incurred without the granting of a supplementary capital estimate approved by the Council after consideration of a report from the Policy Committee.

- 2.78 Supplementary Capital Estimates up to £10,000 for an existing project can be approved by the Corporate Head (Financial Management) provided that:
- (a) the total of all Supplementary Capital Estimates, whether approved by the Corporate Head (Financial Management) or by the Policy Committee, in any one financial year does not exceed £50,000; and
 - (b) where any such proposal for a Supplementary Capital Estimate is a new addition to the capital programme, and is not in connection with the adoption of a new policy, it has been subject to a capital project appraisal as determined by the Corporate Head (Financial Management);
 - (c) any such Supplementary Capital Estimates do not create an ongoing financial commitment for the Council. In the event of a such Supplementary Capital Estimate, it must be approved by Council after consideration of a report from the Policy Committee;
 - (e) due regard is given to the effect of the Supplementary Capital Estimate(s) on the Council's Medium Term Financial Strategy (incorporating the Medium Term Capital Programme).
- 2.79 Not including additional capital budgets arising from compliance with FPR2.80 and 2.81 below, where the total of Supplementary Capital Estimates in any one year exceeds £50,000, any subsequent Supplementary Capital Estimates for that same financial year must be approved by the Council after consideration of a report from the Policy Committee. Any such report must be prepared by the relevant CLT member, in conjunction with the Corporate Head (Financial Management).
- 2.80 Where the Council receives external funding related to specific proposed capital expenditure, either by virtue of conditions associated with the external funding or by a decision of the Policy Committee, the CLT, in consultation with the Corporate Head (Financial Management), create additional capital budget provision and incur capital expenditure as appropriate, equivalent to the amount of external funding receivable.
- 2.81 Any such external funding receivable must, before any additional capital budget provision is created or expenditure is incurred, either have been received or be confirmed in writing by the Funder. Under no circumstances should the CLT commit to, or incur expenditure without written confirmation of, and agreement to, the funding and associated conditions. The CLT must consult both the Corporate Head (Financial Management) and Strategic Manager-Legal & Democratic Services on any such conditions prior to accepting an offer of external funding.
- 2.82 In relation to FPR 2.80 and 2.81, the CLT must ensure that, where it is applicable, any additional revenue expenditure arising from a capital scheme funded from external funding can be contained within his/her approved budget or, where this is not the case, that any additional budget provision is created in accordance with FPR 1.10 to 1.18 (Revenue Virement), FPR 1.19 to 1.27 (Supplementary Estimates) or FPR 1.28 to 1.31 (Budget Slippage).

Capital Project Appraisals

- 2.83 Capital Project Appraisals will be undertaken to determine a projects inclusion in the Capital Programme or otherwise. The form of the Appraisal process will be determined by the Corporate Head (Financial Management)

MAINTENANCE OF RESERVES

Why is this important?

- 2.84 *The Council must decide the level of general balances and reserves it wishes to maintain before it can decide the level of Council Tax. Balances and reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and*

thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Key Controls

- 2.85 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC) and agreed accounting policies.
- 2.86 For each reserve established, the purpose, usage and basis of transactions must be clearly identified.
- 2.87 The use of reserves is to be considered as part of the overall budget framework with their use subject to approval by Policy Committee or full Council where the amount involved exceeds £30,000 and/or where the proposed expenditure relates to a new policy or an extension of existing policy.

Responsibilities of the Corporate Head (Financial Management)

- 2.88 To advise the Policy Committee and/or the full Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

Responsibilities of the Corporate Leadership Team

- 2.89 To ensure that resources are used only for the purposes for which they were intended

Appendix C

RISK MANAGEMENT AND CONTROL OF RESOURCES

RISK MANAGEMENT

Why is this important?

- 3.01 *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 those risks effectively.*
- 3.02 *It is the overall responsibility of the Policy Committee to approve the Council's risk management strategy, and to promote a culture of risk management awareness throughout the Council.*

Key Controls

- 3.03 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 Council
 - (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 Council 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 Corporate Head (Financial Management)

- 3.04 In conjunction with the Chief Executive to prepare and promote the Council's risk management policy statement.
- 3.05 To develop risk management controls in conjunction with CLT.
- 3.06 To maintain under continuous review the Council's Risk Register in conjunction with the Council's Corporate Risk Management Group.
- 3.07 To prepare and submit reports on Risk Management to the Council's Audit & Governance Committee as appropriate.
- 3.08 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.

- 3.10 To effect and maintain corporate insurance cover, through external insurance (and internal funding where considered appropriate to do so).

Responsibilities of the Corporate Leadership Team

- 3.11 To notify the Corporate Head (Financial Management) and the Monitoring Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Corporate Head (Financial Management) or the Council's insurers.
- 3.12 To share responsibility for risk management, having regard to advice from the Corporate Head (Financial Management), Financial Services and specialist officers (e.g. crime prevention, fire prevention, health and safety) and to report any risk management implications to Members as appropriate.
- 3.13 To ensure that there are regular reviews of risk within their service areas and that any such risks are notified to the Corporate Head (Financial Management) to be considered for inclusion on the Council's Risk Register
- 3.14 To notify the Corporate Head (Financial Management) promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.15 The Corporate Head (Financial Management) and the Monitoring Officer will be responsible for any negotiations on claims in consultation with other officers where necessary.
- 3.16 To consult the Corporate Head (Financial Management) and the Monitoring Officer on the terms of any indemnity that the Council is requested to give.
- 3.17 To ensure that employees, or anyone covered by the Council'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?

- 3.18 *The Council is a complex organisation and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.*
- 3.19 *The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with those obligations.*
- 3.20 *The Council 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 those risks.*
- 3.21 *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

3.22 The key controls and control objectives for internal control systems are:

- (a) key controls should be reviewed on a regular basis and the Council should, in accordance with Regulation 4 of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (amendment) (England) Regulations 2006 produce a formal Annual Corporate Governance Statement 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 Members

3.23 Prior to approval by the Audit & Governance Committee, the Council's Leader (as the most senior member) must sign and date the Council's annual Corporate Governance Statement.

Responsibilities of the Chief Executive

3.24 Prior to approval by the Audit & Governance Committee, to sign and date the Council's annual Corporate Governance Statement.

Responsibilities of the Corporate Head (Financial Management)

3.25 To assist the Council 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.

3.26 To prepare and submit the Council's annual Corporate Governance Statement to the Audit & Governance Committee for approval.

Responsibilities of the Corporate Leadership Team

3.27 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.

3.28 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Corporate Head (Financial Management). CLT Officers should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

3.29 To ensure staff have a clear understanding of the consequences of lack of control.

AUDIT REQUIREMENTS

INTERNAL AUDIT

Why is this important?

- 3.30 *The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2011 (SI 2011/817), part 2 more specifically, require that a “relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems”.*
- 3.31 *Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.*

Key Controls

- 3.32 The key controls for internal audit are:
- (a) that it is independent in its planning and operation
 - (b) the Audit Manager has direct access to the Head of Paid Service, all levels of management and directly to elected Members
 - (c) the Audit Manager complies 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 Corporate Head (Financial Management)

- 3.33 To ensure that the Internal Audit Manager has the authority to:
- (a) access Council 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 Council to account for cash, stores or any other Council asset under his or her control
 - (e) access records belonging to third parties, such as contractors, when required
 - (f) directly access the Head of Paid Service and the Policy Committee
- 3.34 To consult with CLT and to present for Committee approval the Strategic and Annual audit plans prepared by the Internal Audit Manager, which take account of the characteristics and relative risks of the activities involved.
- 3.35 To ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.

Responsibilities of the Corporate Leadership Team

- 3.36 To ensure that the Internal Audit Manager is given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.37 To ensure that the Internal Audit Manager is provided with any information and explanations that he/she seeks in the course of his/her work.
- 3.38 To consider and respond promptly to recommendations in audit reports.

- 3.39 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.40 To notify the Corporate Head (Financial Management) immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, the CLT member should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.41 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Internal Audit Manager prior to implementation.

EXTERNAL AUDIT

Why is this important?

- 3.42 *The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each local authority in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.*
- 3.43 *The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a Code of Audit Practice, which external auditors follow when carrying out their duties. The Code of Audit Practice issued in March 2010 sets out the auditor's objectives to review and report upon:*
 - (a) the financial aspects of the audited body's corporate governance arrangements;*
 - (b) the audited body's financial statements;*
 - (c) aspects of the audited body's arrangements to manage its performance, including the preparation and publication of specified performance information.*
- 3.44 *The Council's accounts are scrutinised by external auditors, who must be satisfied that the Statement of Accounts gives a true and fair view of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.*

Key Controls

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

Responsibilities of the Corporate Head (Financial Management)

- 3.46 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.
- 3.47 To ensure there is effective liaison between external and internal audit.
- 3.48 To work with the external auditor and advise the full Council, Members, and the Strategic Managers on their responsibilities in relation to external audit.

Responsibilities of the Corporate Leadership Team

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

PREVENTING FRAUD AND CORRUPTION

Why is it this important?

- 3.51 *The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.*
- 3.52 *The Council'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.*
- 3.53 *The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.*

Key Controls

- 3.54 The key controls regarding the prevention of financial irregularities are:
- (a) the Council 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 Council or who are corrupt
 - (d) high standards of conduct are promoted amongst Members by the Council's Standards Committee
 - (e) registers of interests and registers for the recording of hospitality or gifts accepted are maintained
 - (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 Corporate Head (Financial Management)

- 3.55 To develop and maintain an anti-fraud and anti-corruption policy and strategy.
- 3.56 To maintain adequate and effective internal control arrangements.
- 3.57 To ensure that all suspected irregularities are reported to the Internal Audit Manager, the Chief Executive, the Monitoring Officer, Audit & Governance Committee and the Standards Committee as appropriate.

Responsibilities of the Corporate Leadership Team

- 3.58 To ensure that all suspected irregularities are reported to the Corporate Head (Financial Management) and the Internal Audit Manager.
- 3.59 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour and warrants disciplinary action in consultation with the Corporate Head (Business Support).

- 3.60 To ensure that where financial impropriety is discovered, the Corporate Head (Financial Management) 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. Such action to be discussed and agreed with the Corporate Head (Financial Management).
- 3.61 To maintain a register of interests of staff and a register of gifts and hospitality (at this Council the register is maintained corporately by the Monitoring Officer).

Assets

Security

Why is this important?

- 3.62 *The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth 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

- 3.63 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 Council 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 Council so as to maximise benefits
 - (d) an asset register is maintained for the Council, assets are recorded when they are acquired by the Council 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 Council's assets and information, including the requirements of the Data Protection Act and software copyright legislation
 - (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

Responsibilities of the Corporate Head (Financial Management)

- 3.64 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £5,000. The function of the asset register is to provide the Council with information about fixed assets so that they are:
- ☐ safeguarded
 - ☐ used efficiently and effectively
 - ☐ adequately maintained.
- 3.65 To receive the information required for accounting, costing and financial records from each CLT officer.
- 3.66 To ensure that assets are valued in accordance with the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom*.

Responsibilities of the Corporate Leadership Team

- 3.67 The appropriate CLT officer (currently the Director of Services) shall maintain a property database in a form approved by the Corporate Head (Financial Management) for all properties, plant and machinery and moveable assets currently owned or used by the Council. Any use of property other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- 3.68 To ensure that lessees and other prospective occupiers of Council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Monitoring Officer has been established as appropriate.
- 3.69 To ensure the proper security of all buildings and other assets under their control.
- 3.70 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a report to the Policy Committee.
- 3.71 To pass title deeds to the Monitoring Officer who shall be responsible for their safe custody.
- 3.72 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- 3.73 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- 3.74 To ensure that the Service maintains a register of moveable assets in accordance with arrangements defined by the Corporate Head (Financial Management).
- 3.75 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- 3.76 To consult the Corporate Head (Financial Management) and Internal Audit Manager in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.77 To ensure cash holdings on premises are kept to a minimum and in compliance with any provisions agreed with the Council's insurers.
- 3.78 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times and that any loss is reported.
- 3.79 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction.
- 3.80 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Corporate Head (Financial Management).
- 3.81 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 Council in some way.

INVENTORIES

- 3.82 To maintain and keep up to date inventories and record an adequate description of furniture, fittings, equipment, plant and machinery.

- 3.83 To carry out, at least on an annual basis, a 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. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Council.
- 3.84 To make sure that property is only used in the course of the Council's business, unless the CLT member concerned has given permission otherwise.

STOCKS AND STORES

- 3.85 To make arrangements for the care and custody of stocks and stores in their service area.
- 3.86 To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 3.87 To investigate and remove from the Council's records (i.e. write off) discrepancies as necessary with the prior approval of the Corporate Head (Financial Management) unless Committee approval is required in which case the matter will be reported jointly by the Corporate Head (Financial Management) and the CLT member concerned.
- 3.88 In consultation with the Corporate Head (Financial Management) to identify for write-off or disposal redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless the Policy Committee decides otherwise in a particular case.
- 3.89 To seek the prior approval of the Corporate Head (Financial Management) to the write-off of redundant stocks and equipment valued up to £5,000 and the approval of the Policy Committee for items valued in excess of £5,000.

INTELLECTUAL PROPERTY

Why is this important?

- 3.90 *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.*
- 3.91 *Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.*

Key Controls

- 3.92 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Council's approved disposal procedures.

Responsibilities of the Information Services Manager

- 3.93 To develop and disseminate good practice in connection with the Council's intellectual property procedures.

Responsibilities of the Corporate Leadership Team

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

ASSET DISPOSAL

Why is this important?

- 3.95 *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 Council.*

Key Controls

- 3.96 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 Council and, subject to legislative concessions, the best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value (+£5,000), disposal should be by competitive tender or public auction.
- 3.97 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Corporate Head (Financial Management)

- 3.98 To ensure appropriate accounting entries are made to remove the value of disposed assets from the Council's records and to include the sale proceeds if appropriate.
- 3.99 To ensure only those assets owned by the Council are disposed (i.e. as opposed to those that are leased).

Responsibilities of the Corporate Leadership Team

- 3.100 To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- 3.101 To ensure that income received for the disposal of an asset is properly banked and coded.
- 3.102 To consult with the Corporate Head (Financial Management) and the Monitoring Officer on all assets proposed for disposal.

Treasury Management

Why is this important?

- 3.103 *Many millions of pounds pass through the Council's accounts each year. This led to the establishment by CIPFA of Codes of Practice on treasury management. A key aim of the Code is to provide assurances that the Council'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 Council's capital sum.*

Key Controls

- 3.104 That the Council's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management in the Public Services*, *The Prudential Code for Capital Investment* and with the Council's treasury management policy statement.

Responsibilities of Corporate Head (Financial Management) – Treasury Management and Banking

- 3.105 To take all executive decisions on borrowing, investment and financing acting at all times in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management in the Public Services*, *The Prudential Code for Capital Investment* and the Council's treasury management policy statement and strategy.
- 3.106 To report periodically on treasury management activities to the Policy Committee.
- 3.107 To secure banking facilities and operate bank accounts as are considered necessary within the terms agreed by the Council's bankers – opening or closing any bank account shall require the approval of the Corporate Head (Financial Management).

Responsibilities of the Corporate Leadership Team – Treasury Management and Banking

- 3.108 To follow the instructions on banking issued by the Corporate Head (Financial Management).

Responsibilities of Corporate Head (Financial Management) – Investments and Borrowing

- 3.109 To ensure that all investments of money are made in the name of the Council and in accordance with the Council's approved Treasury Management Policy Statement, The Prudential Code for Capital Investment and approved Treasury Management Practices.
- 3.110 To ensure that all securities that are the property of the Council and the title deeds of all property in the Council's ownership are held in the custody of the Strategic Manager-Legal & Democratic Services.
- 3.111 To effect all borrowings in the name of the Council.
- 3.112 To act as the Council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Council.

Responsibilities of Corporate Leadership Team – Investments and Borrowing

- 3.113 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 Policy Committee or full Council.

Responsibilities of the Corporate Leadership Team – Trust funds and Funds held for Third Parties

- 3.114 To arrange for all trust funds to be held, wherever possible, in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Monitoring Officer unless the Deed of Trust otherwise provides.
- 3.115 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Corporate Head (Financial Management), and to maintain written records of all transactions.
- 3.116 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

Responsibilities of the Corporate Head (Financial Management) – Imprest Accounts

- 3.117 To provide employees of the Council with cash imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts. Minor items of expenditure should not normally exceed £25.
- 3.118 To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 3.119 To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

Responsibilities of the Corporate Leadership Team – Imprest Accounts

- 3.120 To notify details of officers requiring cash imprest accounts to the Corporate Head (Financial Management) and maintain this under review.
- 3.121 To ensure that employees operating an imprest account:
- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
 - (b) make adequate arrangements for the safe custody of the account
 - (c) produce upon demand by the Corporate Head (Financial Management) cash and all vouchers to the total value of the imprest amount
 - (d) record transactions promptly
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
 - (f) provide the Corporate Head (Financial Management) with a certificate of the value of the account held at 31 March each year
 - (g) 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
 - (h) on leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Corporate Head (Financial Management) for the amount advanced to him or her.

Staffing

Why is this important?

- 3.122 *In order to provide the highest level of service, it is crucial that the Council recruits, develops and retains high calibre, knowledgeable staff, qualified to an appropriate level.*

Key Controls

- 3.123 The key controls for staffing are:
- (a) an appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched;
 - (b) an establishment list exists;
 - (c) procedures are in place for forecasting staffing requirements and cost;
 - (d) controls are implemented that ensure that staff time is used efficiently and to the benefit of the Council;
 - (e) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

Responsibilities of the Corporate Head (Financial Management)

- 3.124 To maintain an establishment list of staff showing Post, Postholder, Grade, Leave Entitlement and any Supplement.
- 3.125 To ensure that budget provision exists for all approved posts on the Council's Establishment.

Responsibilities of the Corporate Leadership Team

- 3.126 To assist the Corporate Head (Financial Management) to produce an annual staffing budget which is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 3.127 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 3.128 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.
- 3.129 To ensure that the Corporate Head (Financial Management) is informed when it is established that the Service staffing budget is likely to be materially over- or underspent.

Appendix D

FINANCIAL SYSTEMS AND PROCEDURES

GENERAL

Why is this important?

- 4.01 *Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. They are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.*
- 4.02 *The Corporate Head (Financial Management) has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.*

Key Controls

- 4.03 The key controls for systems and procedures are:
- (a) basic data exists to enable the Council'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 Corporate Head (Financial Management)

- 4.04 To make arrangements for the proper administration of the Council's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the Council's behalf
 - (b) determine the accounting systems, form of accounts and supporting financial records
 - (c) establish arrangements for audit of the Council'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 the Corporate Leadership Team

- 4.05 To ensure that accounting records are properly maintained and held securely.
- 4.06 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Corporate Head (Financial Management).
- 4.07 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.
- 4.08 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.

- 4.09 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.
- 4.10 To ensure that systems are documented and staff trained in operations.
- 4.11 To consult with the Corporate Head (Financial Management) before changing any existing system or introducing new systems.
- 4.12 To establish a scheme of delegation identifying officers authorised to act upon the service manager's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.13 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Corporate Head (Financial Management), together with any subsequent variations.
- 4.14 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building. Arrangements for back-ups should be agreed with the Information Services Manager.
- 4.15 In conjunction with Information Services Manager to:
 - (a) 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;
 - (b) To ensure that relevant standards and guidelines for computer systems are observed;
 - (c) To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc;
 - (d) To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
 - (i) only software legally acquired and installed by the Council is used on its computers
 - (ii) staff are aware of legislative provisions
 - (iii) in developing systems, due regard is given to the issue of intellectual property rights.

Income and Expenditure

Income

Why is this important?

- 4.16 *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 Council's cashflow and also avoids the time and cost of administering debts.*

Key Controls

- 4.17 The key controls for income are:
 - (a) all income due to the Council is identified and charged correctly, in accordance with an approved charging policy, which should be reviewed regularly

- (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 Council is paid without delay to the Corporate Head (Financial Management) or, as he or she directs, to the Council's bank or Girobank Account, and properly recorded. The responsibility for cash collection should be separated from that for identifying the amount due and that 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 schedule
- (i) money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

Responsibilities of the Corporate Head (Financial Management)

- 4.18 To establish effective arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection.
- 4.19 To order and supply to departments all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.
- 4.20 To liaise with the relevant Strategic Manager in the identification of all sums proposed to be written off, and to adhere to the requirements of the Accounts and Audit Regulations 2003.
- 4.21 To write-off Council Tax, Non Domestic Rates and Miscellaneous Income debts, subject to first consulting the appropriate Ward Representative(s) on any debt exceeding £100 that is being considered for writing-off.
- 4.22 To report annually to Policy Committee on bad debts written off during the past year.
- 4.23 To ensure that appropriate accounting adjustments are made to effect the write-off.

Responsibilities of the Corporate Leadership Team

- 4.24 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 4.25 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 4.26 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 4.27 To issue official receipts or to maintain other documentation for income collection.
- 4.28 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 4.29 To hold securely receipts, tickets and other records of income for the appropriate period.
- 4.30 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

- 4.31 To ensure that income is paid fully and promptly into the Cashiers Section or the Council's Bank or Girobank account in the form in which it is received. Appropriate details should be recorded on paying-in slips to provide an audit trail. Money collected and deposited must be reconciled to the bank account on a regular basis. Only up to approved levels of cash should be held on the premises.
- 4.32 To ensure income is not used to cash personal cheques or other payments.
- 4.33 To supply the Corporate Head (Financial Management) with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Corporate Head (Financial Management) to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, the CLT should use established performance management systems to monitor recovery of income and flag up areas of concern. The CLT have a responsibility to assist the effective collection of debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- 4.34 To keep a record of every transfer of money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.35 To recommend to the Corporate Head (Financial Management) 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.
- 4.36 To notify the Corporate Head (Financial Management) of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Corporate Head (Financial Management) as part of the annual close-down process of the Council's accounts.

ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this important?

- 4.37 *Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council'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 Council's Contract Procedure Rules.*

General

- 4.38 Every officer and Member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with established Codes of Conduct (see also Contract Procedure Rule 4 – Interests of Officers in Contract Matters).
- 4.39 Official orders must be in a form approved by the Corporate Head (Financial Management). Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Corporate Head (Financial Management).
- 4.40 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Council contracts.

- 4.41 Requests for payments for work, goods and services outside the normal payment schedules i.e. urgent payments must follow the same procedures.

Key Controls

- 4.41 The key controls for ordering and paying for work, goods and services are that:
- (a) all goods and services are ordered only by appropriate persons and are correctly recorded
 - (b) all goods and services shall be ordered in accordance with the Council's Contract Procedure Rules unless they are purchased from sources within the Council;
 - (c) goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order
 - (d) payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards;
 - (e) the 'Purchase to Payment' system holds authorisation levels so that orders with a value greater than £50,000 are authorised for payment only by the relevant CLT member, or designated higher-authority substitute;
 - (f) payments are made only after the successful processing of a *bona fide* invoice which has been authorised through the Council's 'Purchase to Payment' system
 - (g) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
 - (h) the making of payments earlier than they would become due under the supplier's standard terms should only be authorised where such early payment is urgently required;
 - (i) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule;
 - (j) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected;
 - (k) 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 Corporate Head (Financial Management)

- 4.42 To ensure that all the Council's financial systems and associated procedures are sound and properly administered.
- 4.43 To ensure that all service managers arrange for the proper training of staff within their service area in the operation of the Council's financial systems and associated procedures.
- 4.44 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.45 To approve the form of official orders and associated terms and conditions.
- 4.46 To approve all Direct Debit or Standing Order arrangements.
- 4.47 To make payments from the Council's funds on the CLT member (or duly authorised officer acting with delegated authority) authorisation that the expenditure has been duly incurred in accordance with Financial and Contract Procedure Rules.
- 4.48 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.

- 4.49 To make payments to contractors on the authorisation of the CLT member, who must supply details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.50 To provide advice and encouragement on making payments by the most economical means.
- 4.51 To ensure that details of staff authorised to take part in the procurement of goods and services, as supplied by service managers, are reconciled to the authorisations held on the 'Purchase to Payment' system.

Responsibilities of the Corporate Leadership Team

- 4.52 To ensure that a requisition is entered onto the Council's 'Purchase to Payment' system for all goods and services, other than those specified as exceptions in 4.39 and 4.46.
- 4.53 To ensure that requisitions are only entered for goods and services provided to the service area. Individuals must not use the Council's purchasing system to obtain goods or services for their private use.
- 4.54 To determine which members of staff shall have the authority to raise a requisition, and which shall have the authority to access the 'Purchase to Payment' system in order to enter requisitions.
- 4.55 To maintain an up-to-date list of such authorised staff, including specimen signatures identifying in each case the limits of their authority. The authoriser of the requisition should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Council's approach to procurement. Value for money should always be achieved.
- 4.56 To ensure that requisitions are coded to the budget line in the service budget.
- 4.57 To ensure that goods and services are checked on receipt and to verify that they are in accordance with the requisition. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- 4.58 To ensure that payment is not made unless a proper VAT invoice has been received and checked 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 discounts have been taken where available
 - (g) that appropriate entries will be made in accounting records.
- 4.59 To ensure that at least two authorised members of staff are involved in the ordering, receiving and payment process. Any officer authorised to approve a requisition must not be authorised to approve payment of an invoice.
- 4.60 To ensure that invoices are passed to Financial Services for processing as promptly as possible.

- 4.61 To ensure that payment is authorised via the 'Workflow' control procedure incorporated into the 'Purchase to Payment' system.
- 4.62 To ensure that absences of staff authorised in accordance with 4.56 and 4.58 are covered by an appropriate substitute so as to maintain the unhindered flow of transaction processing.
- 4.63 To ensure that the service area maintains and reviews periodically a list of staff approved to authorise payment of invoices. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Corporate Head (Financial Management).
- 4.64 To ensure that invoices received by electronic delivery (faxed or emailed) are not duplicates of any prior document, and that they are processed in accordance with these Financial Procedure Rules.
- 4.65 To encourage suppliers of goods and services to receive payment by the most economical means for the Council. It is essential, however, that payments made by direct debit have the prior approval of the Corporate Head (Financial Management).
- 4.66 To ensure that the service area obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality in line with best value principles and contained in Contract Procedure Rules.
- 4.67 To utilise the tendering procedures established by the Council in putting purchases, where appropriate, out to competitive quotation or tender as set out in Contract Procedure Rules.
- 4.68 To ensure that employees are aware of the Code of Conduct for Local Government Employees.
- 4.69 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Corporate Head (Financial Management). This is because of the potential impact on the Council's prudential limits, to protect the Council against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.70 To notify the Corporate Head (Financial Management) of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Corporate Head (Financial Management) as part of the close-down of the Council's accounts.
- 4.71 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Corporate Head (Financial Management) 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.
- 4.72 To notify the Corporate Head (Financial Management) immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.73 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

PAYMENTS TO EMPLOYEES AND MEMBERS

Why is this important?

4.74 *Staff costs form the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council 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

- 4.75 The key controls for payments to Employees and Members are:
- (a) proper authorisation procedures are in place and that there is adherence to timetables in relation to the submission of information relating to:
 - ☐ starters
 - ☐ leavers
 - ☐ variations
 - ☐ enhancementsand that payments are made on the basis of timesheets or claims
 - (b) frequent reconciliation of payroll expenditure and payroll control accounts.
 - (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule
 - (d) that Inland Revenue regulations are complied with.

Responsibilities of the Corporate Head (Financial Management)

- 4.76 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments on the due date to existing and former employees, in accordance with any agreed contract or procedure.
- 4.77 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- 4.78 To make arrangements for payment of all travel and subsistence claims that have been properly completed and authorised by the appropriate officer.
- 4.79 To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

Responsibilities of the Corporate Leadership Team

- 4.80 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.81 To notify the Corporate Head (Business Support) 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 laid down by the Corporate Head (Business Support).
- 4.82 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.

- 4.83 To send an up-to-date list of the names of officers authorised to sign records to the Corporate Head (Business Support) & Corporate Head (Financial Management), together with specimen signatures.
- 4.84 To ensure that payroll transactions (including those accruing taxable benefits to employees of the Council) are processed only through the payroll system. The CLT 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 Financial Services.
- 4.85 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 Council, ensuring that cost-effective use of travel arrangements is achieved. Under no circumstances should payment for travel and subsistence claims be paid using petty cash imprests.
- 4.86 To ensure that the Corporate Head (Financial Management) is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.87 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Members

- 4.88 To submit claims for travel and subsistence and children / dependent carer allowances (where these form part of the approved scheme of allowances) to the Corporate Head (Financial Management) on a monthly basis and, in any event, within one month of the year end.

Taxation

Why is this important?

- 4.89 *Like all organisations, the Council 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

- 4.90 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 Corporate Head (Financial Management)

- 4.91 To complete all Inland Revenue returns regarding PAYE.

- 4.92 To complete a return of VAT inputs and outputs to HM Revenue & Customs in accordance with current instructions.
- 4.93 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.

Responsibilities of the Corporate Leadership Team

- 4.94 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.
- 4.95 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 4.96 To ensure that all persons employed by the Council are added to the Council'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.

Trading Accounts and Business Units

Why is this important?

- 4.97 *Trading accounts and business units have become important as local authorities have developed a more commercial culture.*

Responsibilities of the Corporate Head (Financial Management)

- 4.98 To advise on the establishment and operation of trading accounts and business units.

Responsibilities of the Corporate Leadership Team

- 4.99 To consult with the Corporate Head (Financial Management) where a business/trading 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 Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 4.100 To observe any statutory requirements in relation to trading/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.
- 4.101 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 4.102 To ensure that each trading/business unit prepares an annual budget and associated service/business plan.

Appendix E

EXTERNAL ARRANGEMENTS

PARTNERSHIPS

Why is this important?

- 5.01 *Partnerships 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.*
- 5.02 *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

- 5.03 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.
- 5.04 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.
- 5.05 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.
- 5.06 Partners have common responsibilities:
- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
 - (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives
 - (c) be open about any conflict of interests that might arise
 - (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.

Key Controls

- 5.07 The key controls for the Council's partners are:
- (a) if appropriate, to be aware of and to comply with their responsibilities under these Financial Procedure Rules and Contract Procedure Rules
 - (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 Corporate Head (Financial Management)

5.08 To advise on effective controls that will ensure that resources are used effectively.

5.09 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.

5.10 To ensure that the accounting arrangements are satisfactory and that both Internal Audit and External Audit have access to the Council's records relating to partnerships.

Responsibilities of the Corporate Leadership Team

5.11 To maintain a record of all contracts entered into with external bodies in accordance with procedures specified by the Corporate Head (Financial Management)

5.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Corporate Head (Financial Management) and Committee as appropriate.

5.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.

5.14 To ensure that all agreements and arrangements are properly documented.

5.15 To provide appropriate information to the Corporate Head (Financial Management) to enable a note to be entered into the Council's Statement of Accounts concerning material items.

Accountable Body Status

Why is this important?

5.16 There will be occasions when the Council may be required to act in the capacity of Accountable Body. This may be as a result of a request by an external organisation to act on its behalf as the Accountable Body for a particular partnership or project. Likewise,

5.17 Accountable Body status in this instance is defined as:

'The Council having responsibility for the overall financial management, accountability and legal responsibility for the income, expenditure and governance arrangements of a specific project or partnership (whether formally constituted or not)'

Key Controls

5.18 Key controls for the Council are:-

Responsibilities for the Corporate Head (Financial Management)

- 5.19 To maintain a record of all bodies for which the Council is Accountable Body;
- 5.20 In relation to each project for which the Council is Accountable Body:-
 - (a) To establish and maintain proper accounting records;
 - (b) In accordance with proper accounting practice, produce annual financial statements of the income and expenditure of each project.
- 5.21 In consultation with the Monitoring Officer, Lead Members and Local Ward representatives, and following a request from the relevant Strategic Manager, to appoint the Council as Accountable Body for specific projects or partnerships where the total maximum value of the project/partnership does not exceed £100,000.

Responsibilities of the Corporate Leadership Team

- 5.22 To seek the authority of the Corporate Head (Financial Management) to appoint the Council as Accountable Body for specific projects or partnerships where the total maximum value of the project/partnership does not exceed £100,000;
- 5.23 For specific projects or partnerships where the total maximum value of the project/partnership exceeds £100,000, to prepare and submit reports to the Policy Committee seeking approval for the Council to act as Accountable Body for a project/partnership.

External Funding

Why is this important?

- 5.24 *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 Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the Single Pot provide additional resources to enable the Council 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 Council's overall plan.*

Key Controls

- 5.25 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 Corporate Head (Financial Management)

- 5.26 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

5.27 To ensure that the match-funding requirements and any revenue implications are considered prior to entering into the agreements.

5.28 To ensure that audit requirements are met.

Responsibilities of the Corporate Leadership Team

5.29 To ensure that all claims for funds are made by the due date.

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

Work for Third Parties

Why is this important?

5.31 *Current legislation enables the Council 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 are minimised and that such work is intra vires (within the Council's legal powers to do it).*

Key Controls

5.32 The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Corporate Head (Financial Management);
- (b) to ensure that contracts are drawn up and that the formal approvals process is adhered to;
- (c) to issue guidance with regard to the financial aspects of third party contracts.

Responsibilities of Corporate Head (Financial Management)

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

Responsibilities of the Corporate Leadership Team

5.34 To ensure that the approval of the relevant Standing Committee is obtained before any negotiations are concluded to work for third parties.

5.35 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Corporate Head (Financial Management).

5.36 To ensure that appropriate insurance arrangements are made.

5.37 To ensure that the Council is not put at risk from any bad debts.

5.38 To ensure that no contract is subsidised by the Council.

5.39 To ensure that, wherever possible, payment is received in advance of the delivery of the service.

5.40 To ensure that the service area has the appropriate expertise to undertake the contract.

5.41 To ensure that such contracts do not impact adversely upon the services provided for the Council.

- 5.42 To ensure that all contracts are properly documented.
- 5.43 To provide appropriate information to the Corporate Head (Financial Management) to enable a note to be entered into the Statement of Accounts.